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COTTON PROGRAMS

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HEARINGS

BEFORE THE

COMMITTEE ON

AGRICULTURE AND FORESTRY

UNITED STATES SENATE

EIGHTY-EIGHTH CONGRESS

FIRST SESSION

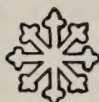
ON

S. 608, S. 1190, S. 1458, and S. 1511

BILLS RELATING TO COTTON PRICE SUPPORTS, ACREAGE
ALLOTMENTS, PRODUCTION PAYMENTS, DOMESTIC CON-
SUMPTION, EXPORTS, AND RESEARCH

MAY 20, 21, 22, 23, 24, AND 27, 1963

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COTTON PROGRAMS

MONDAY, MAY 20, 1963

U.S. SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D.C.

The committee met, pursuant to call, at 10:05 a.m., in room 324, Old Senate Office Building, Senator Allen J. Ellender (chairman) presiding.

Present: Senators Ellender (chairman), Johnston, Talmadge, Jordan of North Carolina, Aiken, Young of North Dakota, and Cooper.

The CHAIRMAN. The committee will please come to order.

We have for consideration today several bills dealing with cotton.

This committee seems to be jumping from one frying pan into another. Last week we enacted a bill dealing with corn and other feed grains. I hope that tomorrow the wheatgrowers vote favorably on the wheat referendum.

As I have said on several occasions, if the wheat farmers fail to do so, they need not come to this committee for relief this year or next year, so far as I am concerned. We have worked for over 6 years trying to enact suitable legislation, but somehow something always creeps in and changes our plans.

About 2 years ago I thought that cotton legislation was in good shape, and here again we find ourselves in trouble. We have for consideration several Senate bills, and I will take them in the order of their numbers.

The first is S. 608, by Senator Sparkman and Senator Hill.

The next is S. 1190, by Senator Talmadge for himself and Mr. Humphrey.

Next is S. 1458 by Mr. Ellender by request.

And also S. 1511, by request, by Mr. Ellender on behalf of himself and Mr. Jordan.

They will be placed in the record at this point.

(S. 608, S. 1190, S. 1458, and S. 1511 follow:)

[S. 608, 88th Cong., 1st sess.]

A BILL To make cotton available to domestic users at prices more competitive with prices foreign users pay for cotton, to authorize the Secretary to permit cotton growers to plant additional acreage for the 1963 and succeeding crops of upland cotton, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Agricultural Adjustment Act of 1938, as amended, is amended as follows:

(1) The following new sections are added to the Act:

"SEC. 348. Notwithstanding any other provision of law, the Commodity Credit Corporation is authorized to make payments through the issuance of payment-in-kind certificates on upland cotton produced in the United States to such persons other than the producers of such cotton at such rate and subject to such terms

and conditions, including the redemption of certificates for cash if suitable stocks of Commodity Credit Corporation cotton are not available, as the Secretary determines will eliminate inequities sustained by domestic users of cotton as a result of differences in domestic and foreign costs of cotton, taking into account differences in transportation costs and other relevant factors.

"SEC. 349. The acreage allotment established under the provisions of section 344 of this Act for each farm for the 1963 crop and each succeeding crop may be supplemented by the Secretary by an acreage (referred to hereinafter as the 'maximum export market acreage for the farm') equal to such percentage, but not more than 30 per centum, of such acreage allotment as he determines. The 'export market acreage' on any farm shall be the number of acres, not exceeding the maximum export market acreage for the farm, by which the acreage planted to cotton on the farm exceeds the farm acreage allotment. For purposes of sections 345 and 374 of this Act, and the provisions of any law requiring compliance with a farm acreage allotment as a condition of eligibility for price support or payments under any farm program, the farm acreage allotment for farms with export market acreage shall be the sum of the farm acreage allotment and the maximum export market acreage. Export market acreage shall be in addition to the county, State, and National acreage allotments and shall not be taken into account in establishing future State, county, and farm acreage allotments. Beginning with the 1964 crop of cotton, notwithstanding the provisions of sections 342 and 344(a), the production on export market acreage, as estimated by the Secretary, shall be deducted from the national marketing quota determined under section 342 for the purposes of determining the national acreage allotment: *Provided*, That such adjusted national marketing quota shall not be less than the number of bales required to provide a national acreage allotment of sixteen million acres. The provisions of this section shall not apply to extra long staple cotton.

"SEC. 350. (a) The producers on any farm on which there is export market acreage shall, under regulations issued by the Secretary, be exempt from liability for the payment of the export marketing fee provided for in subsection (b) if such producers furnish a bond or other security satisfactory to the Secretary, conditioned upon the exportation without benefit of any Government export subsidy, of a quantity of cotton equal to the estimated production of the export market acreage within such period of time as the Secretary may prescribe. Such producers shall be liable for the payment of the export marketing fee as to any cotton with respect to which there is failure to comply with the conditions of such bond or other security.

"(b) Subject to the provisions of subsection (a), the producers on a farm on which there is export market acreage shall be jointly and severally liable for the payment to the Secretary of an export marketing fee on the production of the export market acreage. The export marketing fee for any crop of cotton shall be an amount per pound of cotton which the Secretary determines, not later than the beginning of the marketing year for such crop of cotton, will approximate the amount by which the price of cotton marketed by producers during such marketing year in the United States will exceed the price at which such cotton can be marketed competitively for export during such marketing year. The producer furnishing a bond or other security pursuant to subsection (a) shall be liable for the export marketing fee on a quantity of cotton equal to (1) the number of pounds by which the quantity covered by such bond or other security is less than the actual production of such export market acreage and (2) the number of pounds so covered but not exported in compliance with the conditions of such bond or other security. The producer on a farm on which there is export market acreage who does not furnish a bond or other security pursuant to subsection (a) shall be liable for the export marketing fee at the converted rate on all cotton produced on the farm. Such fee at the converted rate, unless prepaid, shall be due and payable at the end of the marketing year for the crop on all cotton not marketed from the farm during such marketing year and shall be due and payable on all cotton marketed from the farm during such marketing year at the time of marketing. The converted rate of the export marketing fee shall be determined by multiplying the export market acreage on the farm by the export marketing fee and dividing the result by the acreage planted to cotton on the farm. The export marketing fee at the converted rate shall be collected by the person to whom the cotton is first marketed by the producer, who may deduct such fee from the proceeds due the producer. The person liable for payment or collection of the export marketing fee shall be liable also for interest thereon at the rate of 6 per centum per annum from the date such fee becomes due until the date of payment of such fee. For the purposes of this subsection (1) the pledging of cotton by a producer to the Commodity Credit Corporation shall be

deemed to be a marketing of such cotton, and (2) as may be provided by regulations of the Secretary, the delivering, pledging, or mortgaging of cotton by a producer to any person shall be deemed a marketing of such cotton. The Secretary may provide by regulation for prepayment of the export marketing fee provided for in this subsection on the basis of the estimated cotton production on the farm, subject to adjustment on the basis of the actual production of cotton on the farm: *Provided*, That the Secretary may require prepayment of such fee if the export market acreage is so small as to make collection of such fee at the converted rate impracticable. The Secretary may provide by regulation for the establishment of the actual production of cotton on any farm with export market acreage, including the establishment of such production by appraisal upon failure of the producer to furnish satisfactory proof of such production. Export marketing fees paid to the Secretary shall be remitted by the Secretary to the Commodity Credit Corporation and used by the Corporation to defray costs of promoting export sales of cotton under section 203 of the Agricultural Act of 1956, as amended.

"Sec. 369. Notwithstanding any other provisions of this Act, the provisions of this part relating to farm marketing quotas shall apply to determinations of export market acreage for cotton for a farm. Notices showing the maximum export market acreage for cotton for the 1963 crop established for the farm shall be mailed to the farm operator as soon as practicable after the enactment of this section. Notice of the determination of the actual export market acreage for cotton on then farm after adjustment, if any, shall be mailed to the farm operator as soon as practicable after the determination hereof. Notice of the maximum export market acreage for a farm for the 1964 or subsequent crops of cotton shall be included in the notices of farm acreage allotments and marketing quotas for such crops."

(2) Section 372 of the Act is amended by adding at the end thereof the following new subsection:

"(e) Subsections (b) through (d) shall apply to the export marketing fee provided for under section 350 of this Act, except that (1) export marketing fees remitted to the Secretary as provided in subsection (b) shall be paid to Commodity Credit Corporation and (2) if the Secretary finds that a claimant is entitled under subsection (c) to receive a refund of the export marketing fee, he shall notify Commodity Credit Corporation, which shall make such refund."

(3) Section 376 of the Act is amended by adding at the end thereof the following: "This section also shall be applicable to the export marketing fees provided for under section 350 of this title."

(4) Section 385 of the Act is amended by adding at the end thereof the following: "This section also shall be applicable to payments provided for under section 348 of this title."

[S. 1190, 88th Cong., 1st sess.]

A BILL To maintain the income of cotton producers, to permit cotton producers to grow and market cotton on a free enterprise basis, to protect the welfare of consumers and of those engaged in the manufacture of cotton textiles, to encourage the exportation of cotton, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Cotton Domestic Allotment Act".

SEC. 2. This Act shall be applicable to upland cotton beginning with the 1964 crop and the provisions of the Agricultural Adjustment Act of 1938, as amended, except sections 301(a), 373, 375, and the provisions of subtitle F of title III thereof, shall not be applicable to upland cotton beginning with the 1964 crop.

DOMESTIC ALLOTMENT

SEC. 3. (a) The Secretary shall proclaim, not later than December 15 of each calendar year, a national domestic allotment for the crop of cotton to be produced in the next calendar year of a number of bales of cotton which is estimated to result in the production of cotton within such allotment equal to the estimated domestic consumption of cotton for the marketing year beginning in the next calendar year.

(b)(1) For the 1964 and 1965 crops of cotton, the national domestic allotment shall be apportioned to the States for which a 1963 State acreage allotment was established under section 344 of the Agricultural Adjustment Act of 1938, as amended, on the basis of the number of bales of cotton determined for each State by converting such 1963 State acreage allotment (including the State's

share of the national reserve) to a number of bales based on the average yield per acre of cotton for the State.

(2) For the 1966 crop of cotton, the national domestic allotment shall be apportioned to the States on the basis of the average number of bales obtained by dividing the sum of the following by three: (i) the number of bales used as the base for apportioning the 1964 national domestic allotment, adjusted for the State average yield, multiplied by two, and (ii) the State production base for the 1964 crop of cotton. For purposes of this section, the "State production base" shall be the smaller of the State domestic allotment for the crop or the production within such State domestic allotment, adjusted for abnormal conditions adversely affecting plantings and yields of cotton and adjusted for farms regarded as having produced cotton. For purposes of this section, "farms regarded as having produced cotton" shall be farms deemed to have cotton planted or produced under any other provision of law, including subsection (f) of this section, and farms on which 75 per centum or more of the farm allotment was produced or regarded as having been produced under any other provision of law, including subsection (d)(3) and subsection (f) of this section, shall be deemed to have produced the entire farm allotment, and farms on which less than 75 per centum of the farm allotment was produced or regarded as having been produced under any other provision of law, including subsection (f) of this section, shall be deemed to have produced the average of the farm allotment and the production (actual and regarded as produced) on the farm.

(3) For the 1967 crop of cotton, the national domestic allotment shall be apportioned to the States on the basis of the average number of bales obtained by dividing the sum of the following by three: (i) the number of bales used as the base for apportioning the 1964 national domestic allotment, adjusted for the State average yield, and (ii) the sum of the 1964 and 1965 State production bases.

(4) For the 1968 and subsequent crops of cotton, the national domestic allotment shall be apportioned to the States on the basis of the average of the State production bases for the three years immediately preceding the calendar year in which the national domestic allotment is proclaimed.

(c) The State domestic allotment, less any State reserve, shall be apportioned to counties on the same basis as to years and conditions as is applicable to the State under subsection (b) of this section: *Provided*, That the State committee may reserve not to exceed 10 per centum of the State allotment which shall be used to make adjustments in county domestic allotments for trends in cotton production, for new farms, to correct inequities in farm allotments and to prevent hardship.

(d)(1) For the 1964 crop of cotton, the county domestic allotment less any county reserve shall be apportioned to old cotton farms on the basis of the 1963 farm acreage allotment converted into production of cotton by multiplying such acreage allotment by the farm average yield: *Provided*, That if less than 75 per centum of such acreage allotment was actually planted (or regarded as planted under the Soil Bank Act, the Great Plains program, and the release and reapportionment provisions of subsection (m)(2) of section 344 of the Agricultural Adjustment Act of 1938, as amended) the farm production base for 1963 shall be the production based on the average of the 1963 farm allotment and the acreage so planted or regarded as planted.

(2) For the 1965 and subsequent crops of cotton, the county domestic allotment less any county reserve shall be apportioned to old cotton farms on the basis of the farm domestic allotment established for the preceding crop of cotton: *Provided*, That if less than 75 per centum of such farm domestic allotment was produced or regarded as produced, the farm production base shall be the production based on the average of such farm domestic allotment and the production (including any production regarded as produced) of cotton on the farm.

(3) The farm production base shall not be adjusted under this subsection if the Secretary determines that failure to plant or produce, as the case may be, at least 75 per centum of the farm domestic allotment, or the farm acreage allotment for 1963, was due to conditions beyond the control of producers on the farm. Old cotton farm means a farm on which cotton has been produced (or regarded as planted to cotton or produced under any other provision of law except subsection (f) of this section and the provisions of subsection (m)(2) of section 344 of the Agricultural Adjustment Act of 1938, as amended, pursuant to a farm allotment in any one of the three years immediately preceding the year for which a farm allotment is established.

(e) The county committee may reserve no to exceed 15 per centum of the county domestic allotment which shall be used to make adjustments for new farms, to correct inequities in farm allotments and to prevent hardship.

(f) The farm operator with the concurrence of the farm owner who is also a producer of cotton may release any part of the farm domestic allotment to the county committee for use in increasing farm allotments on other farms in the county. The county committee shall reapportion any such released allotment in accordance with regulations prescribed by the Secretary. If released allotment is not reapportioned in the county, the county committee shall transfer such allotment to the State committee for further transfer to other counties in the State. Any allotment released from a farm shall be regarded for purposes of establishing future State, county, and farm allotments as having been produced on the farm and in the county where the release was made except that this shall not operate to make the farm from which the allotment was released considered as having cotton production during the three-year period for eligibility as an old cotton farm.

SEC. 4. (a) For the purposes of this Act, the following terms are defined as follows:

(1) "United States" means the several States, the District of Columbia, and Puerto Rico.

(2) "State" includes the District of Columbia and Puerto Rico.

(3) "Secretary" means the Secretary of Agriculture.

(4) "Person" means an individual, partnership, firm, joint-stock company, corporation, association, trust, estate, or any agency of a State.

(5) "Bale of cotton" means a standard bale of five hundred pounds gross weight.

(6) "Marketing year" means the period beginning August 1 and ending July 31.

(7) "State average yield", "county average yield", and "farm average yield" shall be the average yield per acre of cotton for the State, county, or farm, adjusted for abnormal weather conditions and changes in farming practices, during the three calendar years immediately preceding the year in which such yield is determined.

(8) "Farm" means such land as the Secretary prescribes by regulation to be constituted as a farm.

PRICE SUPPORT

SEC. 5. Section 103 of the Agricultural Act of 1949, as amended, is amended effective with the 1964 crop of upland cotton to read as follows:

"Notwithstanding the provisions of section 101 of this Act:

"(a) Price support for each crop of upland cotton shall be made available to producers through loans, purchases, or other operations at such level not less than 50 per centum or more than 60 per centum of the parity price therefor as the Secretary determines appropriate after consideration of the factors specified in section 401(b) of this Act and the price of cotton in world markets.

"(b) Price support in addition to that provided in subsection (a) of this section shall be made available to producers of each crop of upland cotton through loans, purchases, or other operations, including payments in cash or in kind, on a quantity of cotton of such crop produced on each farm equal to the farm's domestic allotment for such crop established under the Cotton Domestic Allotment Act. The levels of price support on such cotton shall be determined by the Secretary within the ranges prescribed in the schedule below after consideration of the factors specified in section 401(b) of this Act.

"Production intervals in terms of bales (standard
bales of 500 pounds gross weight)

Level of support

"15 bales and less-----	Not less than 80 or more than 90 per centum of the parity price.
16 to 30 bales, inclusive-----	Not less than 75 or more than 85 per centum of the parity price.
More than 30 bales-----	Not less than 70 per centum or more than 80 per centum of the parity price.

"If a portion of the price support for any upland cotton is made available through payments to producers, the rate of payment shall be in an amount per pound of cotton which, when added to the average spot market price of middling one-inch cotton for the calendar week preceding the date of the marketing of the cotton with respect to which payment is made, as determined by the Secretary, or the level of support (converted to a middling one-inch basis) for such crop under subsection (a), whichever is higher, will provide a return to the producer equal to the applicable level of support (converted to a middling one-inch basis) under the schedule set out above. The Secretary shall provide adequate safe-

guards to protect the interests of tenants and sharecroppers, including provision for sharing, on a fair and equitable basis, in payments under this section."

SEC. 6. Section 407 of the Agricultural Act of 1949, as amended, is amended by inserting after the first proviso in the third sentence thereof the following proviso: "Provided further, That beginning August 1, 1964, the Commodity Credit Corporation may sell upland cotton for unrestricted use at not less than 105 per centum of the current support price established under section 103(a) of this Act for upland cotton plus reasonable carrying charges".

SEC. 7. In order to maintain and expand domestic consumption of upland cotton produced in the United States and to prevent discrimination against the domestic users of such cotton, notwithstanding any other provision of law, the Commodity Credit Corporation, under such rules and regulations as the Secretary may prescribe, is authorized and directed for the period beginning with the date of enactment of this section and ending July 31, 1964, to make payments through the issuance of payment-in-kind certificates to persons other than the producers of such cotton, in such amounts and subject to such terms and conditions as the Secretary determines will eliminate inequities due to differences in the cost of raw cotton between domestic and foreign users of such cotton, including such payments as may be necessary to make raw cotton in inventory available for consumption at prices consistent with the purposes of this section.

[S. 1458, 88th Cong., 1st sess.]

A BILL To establish price supports and acreage allotments for cotton, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act shall be known as the Cotton Adjustment and Trade Expansion Act.

SEC. 2. Section 103 of the Agricultural Act of 1949, as amended (63 Stat. 1051; 7 U.S.C. 1444), is amended by inserting after the second sentence thereof the following: "Notwithstanding the foregoing, the level of price support to cooperators for each of the 1964 and 1965 crops of Upland cotton for which producers have not disapproved marketing quotas shall be that which will result in an average support price for Middling one-inch cotton of 30 cents per pound; except that if, as estimated by the Secretary, the total supply of Upland cotton for the marketing year beginning August 1, 1965, exceeds the total supply for the marketing year beginning August 1, 1964, then for the 1965 crop such level shall be that which will result in an average support price for Middling one-inch cotton of 29 cents per pound."

SEC. 3. Section 342 of the Agricultural Adjustment Act of 1938, as amended (52 Stat. 31; 7 U.S.C. 1342), is amended by adding at the end thereof the following: "Notwithstanding any other provision of this Act, the national marketing quota for Upland cotton for each of the years 1964 and 1965 shall not be less than the number of bales required to provide a national acreage allotment for such year of seventeen million five hundred thousand acres."

SEC. 4. Section 203 of the Agricultural Act of 1956, as amended (70 Stat. 188; 7 U.S.C. 1853), is amended by adding at the end thereof the following: "For each of the marketing years beginning August 1, 1964, and August 1, 1965, the Commodity Credit Corporation shall make cotton export subsidy payments of not less than 6½ cents per pound, except that if the Secretary determines that payments at such rate will result in excessive exports during such marketing year, he may reduce the rate to the highest rate which will not result in excessive exports. Exports during any marketing year shall not be considered to be excessive so long as they are less than the fair historical share of the world market for United States cotton, which for the purposes of this sentence shall in no event be considered to be less than the highest quantity exported during any of the ten preceding marketing years."

[S. 1511, 88th Cong., 1st sess.]

A BILL To encourage increased consumption of cotton, to maintain the income of cotton producers, to provide a special research program designed to lower costs of production, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Agricultural Adjustment Act of 1938, as amended, is amended by adding the following new section:

"SEC. 348. In order to maintain and expand domestic consumption of Upland cotton produced in the United States and to prevent discrimination against the domestic users of such cotton, notwithstanding any other provision of law, the Commodity Credit Corporation, under such rules and regulations as the Secretary may prescribe, is authorized and directed for the period beginning with the date of enactment of this section and ending July 31, 1967, to make payments through the issuance of payment-in-kind certificates to persons other than producers in such amounts and subject to such terms and conditions as the Secretary determines will eliminate inequities due to differences in the cost of raw cotton between domestic and foreign users of such cotton, including such payments as may be necessary to make raw cotton in inventory on the date of enactment of this section available for consumption at prices consistent with the purposes of this section: *Provided*, That beginning August 1, 1964, payments shall be made to persons other than producers in an amount as will make upland cotton produced in the United States available for domestic use at a price which is not in excess of the price at which such cotton is made available for export."

SEC. 2. Section 385 of the Agricultural Adjustment Act of 1938, as amended, is amended by adding at the end thereof the following: "This section also shall be applicable to payments provided for under section 348 of this title."

SEC. 3. Section 104 of the Agricultural Act of 1949, as amended, is amended to read as follows:

"(a) The Secretary of Agriculture is hereby authorized and directed to conduct a special cotton research program designed to reduce the cost of producing upland cotton in the United States at the earliest practicable date. In carrying out this special research program, the Secretary is authorized to utilize not to exceed \$10,000,000 annually of the funds of the Commodity Credit Corporation. The Secretary shall report annually to the Committee on Agriculture of the House of Representatives and to the Committee on Agriculture and Forestry of the Senate with respect to the results of such research.

"(b) In establishing the level of price support to cooperators for each crop of upland cotton beginning with the 1965 crop of such cotton, the Secretary, notwithstanding the provisions of section 103, shall make such reductions in the price support level as will reflect reductions in the costs of producing cotton."

SEC. 4. Section 407 of the Agricultural Act of 1949, as amended, is amended by inserting after the first proviso in the third sentence thereof the following: "*Provided further*, That beginning August 1, 1964, the Commodity Credit Corporation may sell upland cotton for unrestricted use at not less than 105 per centum of the current loan rate for such cotton under section 103(a) plus reasonable carrying charges."

SEC. 5. Section 103 of the Agricultural Act of 1949, as amended, is amended by inserting "(a) before the first sentence thereof and by adding at the end of such section the following new subsections:

"(b) For the 1964, 1965, and 1966 crops of cotton, the Secretary, notwithstanding any other provision of law, may provide to cooperators price support on not to exceed fifteen bales (standard five hundred pounds gross weight) of the production from their allotments at a level up to 10 per centum in excess of the basic level of price support established under subsection (a) hereof but not in excess of the level of price support for the 1963 crop.

"(c) Notwithstanding any other provision of law, in order to keep cotton to the maximum extent practicable in the normal channels of trade, if the level of price support to cooperators for the 1964, 1965, or 1966 crop is increased under subsection (b), price support for cotton at the level established under subsection (b) shall be carried out through the simultaneous purchase of cotton at the support price therefor under subsection (b) and sale of such cotton at the support price therefor under subsection (a) or similar operations, including loans under which the cotton would be redeemable by payment of the amount for which the cotton would be redeemable if the loan thereon had been made at the support price for such cotton under subsection (a)."

The CHAIRMAN. The testimony need not be confined to these bills I have just mentioned, because it is the purpose of the committee to go into every phase of cotton legislation and if at all possible, to try to present a bill that will meet the views of those who are appearing before us.

The subject is one that this committee has heard a lot about. Whether we will be able to enact legislation that will be suitable to everybody remains to be seen. I understand that the producers and users of cotton are pretty well together on some of the important phases of the legislation. And now is the time for you to present your cases. We have quite a few cotton experts on this committee. My good friend from South Carolina is here, as well as Senator Talmadge of Georgia.

Because of other duties, I may not be able to preside at all of the meetings, but I am sure that we will find enough talent on this committee to have all of the evidence and facts placed in their proper light.

The first witness we have this morning is our good friend, Herman E. Talmadge of Georgia.

Senator TALMADGE. First I would like to ask unanimous consent for Mr. William E. Otwell, my legislative assistant, to sit here by me at the table. There are some technicalities in the bill in which he is more familiar than I am.

The CHAIRMAN. Without objection, that may be done.

STATEMENT OF HON. HERMAN E. TALMADGE, A U.S. SENATOR FROM THE STATE OF GEORGIA

Senator TALMADGE. Mr. Chairman and fellow members of this committee, I am delighted that the committee has seen fit to hold public hearings on the cotton situation and legislation which is pending on this subject.

As a representative of a State which has a very large stake in the future of the cotton industry, both from the standpoint of the cotton farmers, who produce it, and the mills, I am convinced that this industry cannot endure much longer unless Congress takes action to restore American cotton and American cotton textiles to a competitive position.

The present laws which govern our programs for cotton and cotton textiles have created a situation which is not only inequitable but which is rapidly destroying the markets for the very people which the laws were designed to protect. The existing program is unfair to the producers, the mills, and the American taxpayers.

First, let us examine the present program as it relates to the cotton farmer and particularly the smaller producers.

Twenty-five years ago there were 2 million cotton producers in the United States on 1.5 million farms. Today the number of producers with cotton allotments is down to about 900,000 and we expect cotton to be planted this year on not more than 650,000 farms.

Under this year's national cotton acreage allotment of 16 million acres, which is the smallest established under the 1938 act, gross cotton returns to farmers are expected to be down some \$175 million from the 1962 crop.

Some examples of who actually receive the benefits under this present program will illustrate the extremely distorted nature of current cotton legislation.

In 1961, that is the last year we have the statistics, support payments, above the world price, paid to 322 growers averaged \$113,000 while averaging only \$63 to 650,000 small growers;

During the same crop year 5 growers from 1 State received more money from the program than the combined total of 250,000 small growers;

Three percent of our cotton farmers produce 56 percent of the national crop and receive an equal amount of the benefit.

The smaller cotton farmers are finding it increasingly difficult to make a living and, therefore, are being forced to seek a livelihood elsewhere. Over 50 percent of the farmers with allotments of less than 10 acres failed to plant their acreage, in 1961, the last year for which we have figures.

The present program is fast destroying cotton as a basic crop and much needed source of income for our domestic producers while encouraging production abroad. In 1930 the United States produced 12.9 million bales of cotton as compared to 11.6 million bales for the rest of the world. In other words, we produced over 50 percent of the world's cotton. In 1960 we produced 14.3 million bales as compared to 32.6 percent for the rest of the world. Our production has increased 3 percent while production outside the United States has increased 181 percent in a 30-year period.

In effect, we have been holding a price umbrella over the rest of the world as far as cotton production is concerned.

These are but a few examples which clearly show that from the cotton farmers' standpoint the present program is a failure which must be abandoned and a more effective solution sought.

Let us turn now to the cotton textile industry and see how it is faring under this same law.

Without a doubt the greatest fault of the present program as far as the mills are concerned is the so-called two-price system for cotton. This system which is the unintended result of the combination of our price support program and export sales program causes our domestic users of raw cotton to pay some 8½ cents per pound, or \$42.50 per bale, more than their foreign competitors.

The price differential for raw cotton, plus the advantage of cheap labor in foreign mills, is rapidly pricing the American cotton textile industry out of business. Japanese and other foreign manufacturers have been able to turn U.S. cotton into textiles, ship them back to the United States, pay the tariff, and undersell American textiles.

Already we see the disastrous results of this unjust, senseless situation. Imports of cotton products into this country have doubled since 1958, despite agreements negotiated with Japan and some 18 other countries to restrain their textile shipments to the United States. Last year alone some 650,000 to 700,000 bales of cotton were shipped into the United States in the form of textile products.

Hundreds of American mills have shut down throwing thousands of workers out of jobs. Many other mills which have managed to stay in operation are turning more and more to the use of synthetic fibers. Synthetics now comprise 35 percent of all fibers consumed by domestic mills as compared to only 4 percent in 1930.

Textile jobs in this country have fallen from more than one and a quarter million in 1947 to less than 840,000 last year.

Another serious defect of the present program is the mounting stockpiles of CCC cotton. This inventory went from \$245 million at the

end of 1961 to \$811 million at the end of 1962. In addition, \$835 million in cotton was under loan on March 31, 1963.

If present conditions continue it is estimated that CCC stocks will rise to more than 10 million bales by the end of the marketing year.

A number of legislative proposals have been introduced to solve the problems of the cotton industry. The House Agriculture Committee held hearings in December of last year and again earlier this year, but to date no solution is in sight.

On March 28, I, with the cosponsorship of Senator Humphrey, introduced a new proposal for cotton which is known as the Cotton Domestic Allotment Act. I believe this plan offers the best, lowest cost, and simplest solution to this most complex and difficult problem for everyone concerned.

This proposal is similar to the overall farm plan which I have introduced for all basic farm commodities in the past two Congresses.

Senator JOHNSTON. I cosponsored that.

Senator TALMADGE. You cosponsored it; yes, you did.

The cotton textile situation is unique, however, and is becoming so critical that it deserves separate and immediate attention.

The proposal which I have introduced would eliminate all acreage controls for cotton and instead assign each farmer a domestic consumption allotment based on bales or pounds.

Simply stated, this plan would accomplish the following:

First, it would free the farmers to farm once again by removing all Government restrictions on planting and growing cotton.

Second, it would insure the cotton farmer his share of the national income by supporting cotton which is produced for domestic consumption at a reasonable rate of parity.

Third, it would remove the Government from the business of buying, storing, transporting, selling, and giving away cotton, all of which are done at great expense to the taxpayers.

Fourth, it would eliminate the inequitable two-price system for cotton which would allow our mills to once again purchase domestically grown cotton at world prices.

A program of this type, if adopted, Mr. Chairman, would put the cotton business back on a free enterprise basis. The small farmers would be insured a decent income while the large farmers would be afforded an opportunity to produce cotton and compete for the overseas markets without Government restrictions.

When introducing this proposal in the Senate, I went into great detail as to the content of the same and, therefore, I will not take much of the committee's time for this purpose now. It will be helpful, I think, to summarize the principal provisions, which are as follows:

First, beginning with the 1964 crop, the Secretary of Agriculture would establish a national allotment for cotton, based on bales for domestic consumption.

Second, this allotment would be apportioned to the States, counties, and farms for the years 1964 through 1967 based primarily on past production history and acreage allotments.

Third, beginning in 1968 the State, county, and farm allotment would be based on average production for the 3 preceding years.

Fourth, the release and reapportionment provisions of present law would be essentially retained.

Fifth, all cotton production would be supported at a price determined by the Secretary between 50 and 60 percent of parity or 20 to 24 cents per pound under today's rates.

This would be cotton produced over and above the allotment for domestic consumption. Under those support prices, everyone would be free to produce just as much cotton as he desires.

Sixth, price supports for cotton produced for domestic consumption under allotment would be provided at three levels: 15 bales or less, 80 to 90 percent of parity, or 32 to 36 cents per pound; 16 to 30 bales inclusive, 75 to 85 percent of parity, or 30 to 34 cents per pound.

A farmer who produced more than 30 bales, 70 to 80 percent of parity, or 28 to 32 cents per pound.

Cotton produced under domestic allotment would be supported by loans, purchases, or payments in cash or in kind to producers.

Seventh, payments in kind for CCC stocks, to persons other than producers, would be authorized, until August 1, 1964, to remove the two-price discrimination which exists against domestic mills.

Mr. Chairman, in discussing any cotton proposal, or farm legislation of any type, one consideration which is always of paramount importance is the cost involved. With the political influence of the farmer steadily declining and the public becoming more conscious of the high cost of maintaining the present cotton program, it is imperative that we find a solution to the cotton situation and at the same time hold the cost within reasonable limits.

Here again, I think my proposal compares favorably with the existing program as well as other proposals which have been offered.

Last year the cotton program cost the taxpayers in excess of \$1 billion. Even though a portion of this will be recovered from the sale of CCC stocks of cotton, this is far too heavy a burden for the taxpayers to carry for a program which is not meeting the needs of either the farmers, the mills, or the consumers.

It is estimated that the program which I am proposing will cost approximately \$650 million annually.

That includes, Mr. Chairman, a continuation of our present export program to dispose of those stocks which have been accumulated. When we get the program which we have proposed operating, its maximum will be about one-half billion dollars in cost, and its minimum cost could be, conceivably, around as low as \$300 million a year. That would be true because we will take the Government out of the business of acquiring, shipping, selling, warehousing, and giving away cotton. We could meet competition on the nose with our free enterprise marketing system, and whatever expenditure the Government would make for the cotton program would be paid to the farmers to help farm income, and for that purpose alone.

In addition, there would be the cost of the cotton from CCC stocks to carry out the 1-year transitory provision. Considering the long-range benefits which would be obtained from such a program, I think this is the most economical approach to this problem which has been put forth.

It is estimated that a complete return to a one-price system for cotton would result in a savings to the consumer of from \$400 to \$600 million annually. This alone would go a long way toward paying the cost of the program which I am advocating.

In addition to the savings to the consuming public, this proposal would result in the immediate savings of thousands of textile jobs which are now being lost daily.

Mr. Chairman, for the reasons which I have outlined, I think my proposal, S. 1190, offers the simplest, most economical approach to this problem and I hope the committee will see fit to report it favorably to the full Senate.

The CHAIRMAN. Senator, how do you propose to pay the farmers?

Senator TALMADGE. To pay them directly.

The CHAIRMAN. By direct payments?

Senator TALMADGE. By direct payments; yes, sir; based upon his domestic allotment. It would vary, with the highest support price to the smallest farmer, and the lowest support price to the largest farmer. And I think that anyone familiar with cotton knows that the larger your acreage the cheaper you can produce the product, as a rule. I think that is the principal reason now that over 50 percent of our farmers who have allotments of 10 acres and less are not planting their allotments.

The CHAIRMAN. All of the cotton produced would be on the free market, to do what you please with it?

Senator TALMADGE. The price of cotton would seek its own level, but the guaranteed price support would be the direct payment to the farmer and that would be made on all cotton allocated for domestic consumption.

The CHAIRMAN. And the domestic users, as well as those that export cotton—

Senator TALMADGE. Would be on the free market.

The CHAIRMAN. Would be on the free market?

Senator TALMADGE. On the free market. The subsidy would be merely to the farmer for the purpose of guaranteeing him an assured price for his cotton and the product would sell at the market level.

The CHAIRMAN. And you say that the annual cost of one-half billion might be decreased to as low as 300 million?

Senator TALMADGE. I have the exact figures here.

The CHAIRMAN. I was in hopes that you would put those in the record.

Senator TALMADGE. Yes, sir; this is predicated, Mr. Chairman, on a cotton subsidy cost based on 8 million bales of domestic consumption. The support under the bill, that is, the maximum cost, when it was working, on an 8 million bale program, would be \$399,255,250. That is the maximum. The minimum would be \$239,255,250.

If it was predicated upon a domestic allotment program of 10 million bales, the highest cost would be \$499,060,060. And the lowest cost would be \$299,069,060, roughly.

I ask unanimous consent that these figures be inserted in the record at this point.

The CHAIRMAN. Without objection, that is so ordered, Senator.

Senator TALMADGE. Thank you.

(The document referred to follows.)

Talmadge-Humphrey cotton subsidy costs

8,000,000 BALES DOMESTIC ALLOTMENT BASIS

Size brackets	Participating farms	Bales in category	Maximum support	Maximum subsidy cost	Minimum subsidy	Minimum subsidy cost
			<i>Cents</i>		<i>Cents</i>	
Up to 15 bales.....	564, 757	3, 482, 425	12	\$208, 945, 500	8	\$139, 297, 000
15 to 30.....	222, 225	960, 675	10	48, 033, 750	6	28, 820, 250
Over 30.....	75, 531	3, 556, 900	8	142, 276, 000	4	71, 138, 000
Total.....		8, 000, 000		399, 255, 250		239, 255, 250
World price cotton.....		6, 000, 000	0		0	
Total.....		14, 000, 000		399, 255, 250		239, 255, 250

10,000,000 BALES DOMESTIC ALLOTMENT BASIS

Up to 15 bales.....	564, 757	4, 353, 031	12	\$261, 181, 860	8	\$174, 121, 240
15 to 30.....	222, 225	1, 200, 844	10	60, 042, 200	6	36, 025, 320
Over 30.....	75, 531	4, 446, 125	8	177, 845, 000	4	88, 922, 500
Total.....		10, 000, 000		499, 069, 060		299, 069, 060
World price cotton.....		4, 000, 000	0		0	
Total.....		14, 000, 000		499, 069, 060		299, 069, 060

The CHAIRMAN. Is it your view that this program will materially increase the consumption of cotton domestically, sir?

Senator TALMADGE. I do not think there is any doubt about it, Mr. Chairman, because as I stated in my statement we have seen the utilization of synthetic fibers go up since 1930, from 4 to 35 percent at the present time. Almost daily I get reports from people in the textile industry who tell me, "I dislike to do it, but I am going to have to convert to fibers because of the competitive situation." They mean the manmade fibers. And that is increasing, Mr. Chairman, daily. We are losing markets for our cotton because of these manmade fibers.

The CHAIRMAN. To what extent do you believe that it will increase the consumption, domestically?

Senator TALMADGE. I believe that I saw some testimony that synthetic fibers are displacing cotton at the rate of 600,000 to 700,000 bales annually at the present time. If that keeps up a few more years we will be out of the cotton business.

The CHAIRMAN. Since the small farmers are at a great disadvantage in the production of cotton, what is your view as to the amount they might plant in the future in order to meet this market?

Senator TALMADGE. It would depend entirely on each farmer's utilization. For instance, I mean, the way he decided to utilize his farm.

Now we have over 50 percent of our farmers who are not planting their cotton allotments when they are 10 acres or less. If some farmer were dependent upon his farm, primarily, for his livelihood and wanted to market his labor, inasmuch as he would be free to expand his production to any degree that he wanted, I am convinced that a great many of them would discuss the matter with the banker and figure the situation out from a dollar and cents standpoint. Many of them who are not now producing cotton would get back into production of cotton, but it would vary with each individual farmer, dependent upon the circumstances. That is one of the key provisions of this bill, Mr. Chairman, because it would give the farmer freedom to make his own decision.

The CHAIRMAN. Yes. The point that I was trying to develop, if I could, is this, would the small farmer be inclined to produce cotton in addition to that on which he receives price support between 80 to 90 percent?

Senator TALMADGE. It would vary with each individual farmer, depending upon his cost factor, the labor available, equipment, machinery, and capital. I do not think that you would find a great number of them in the Southeast, in the hill regions, that would do it, because of the cost factor being too high, but you would have some farmers who would be inclined to market more of their labor and produce a larger amount of cotton, in my judgment.

The CHAIRMAN. You stated that your bill will retain the right of the cottongrower to retain his allotment.

Senator TALMADGE. Yes, sir.

The CHAIRMAN. For how long a period?

Senator TALMADGE. Let me see, it is based, primarily, upon the basis that he would retain his allotment as long as he planted it.

The CHAIRMAN. As the law now stands?

Senator TALMADGE. Yes, sir.

The CHAIRMAN. He has to plant within 3 years.

Senator TALMADGE. That is correct.

Senator JORDAN of North Carolina. If he turns his cotton into the ASCS office for redistribution he still does not lose the allotment, does he?

Senator TALMADGE. This bill is as near as we can make it, comparable with the present law.

The CHAIRMAN. In respect to the retention of that?

Senator TALMADGE. That is correct—both on the State and the county levels, but it does convert over a period of time to a little different situation with primary emphasis upon past history, but, also some emphasis upon production. Se we get a weighted outcome from now until 1968, based on his previous production over the past 3 years, but we have tried to keep it just as nearly as we possibly can comparable to the present law, so as to preserve and protect the farmers' acreage history.

The CHAIRMAN. This baleage to which you referred, which each farmer would have, is based on the past history?

Senator TALMADGE. Yes, sir; based on past history and on production.

The CHAIRMAN. So that what the Secretary of Agriculture, I presume, would do under your bill is to find out the number of acres necessary to produce the number of bales?

Senator TALMADGE. Yes, sir.

The CHAIRMAN. That would be produced? That would be needed domestically?

Senator TALMADGE. That is right.

The CHAIRMAN. And then divide that up along the same lines as is now the law?

Senator TALMADGE. That is correct, both as to the State, the county, and the farm levels, Mr. Chairman.

The CHAIRMAN. Yes. Are there any further questions?

Senator YOUNG of North Dakota. May I ask a question?

The CHAIRMAN. Certainly.

Senator YOUNG of North Dakota. How are these payments to be made, on the difference between the average market price and the support price?

Senator TALMADGE. Yes. The 12 spot price markets for the previous week would be considered as the price, and then the compensatory payment would be made over and above that, dependent upon each farmer's production under the bill.

Senator YOUNG of North Dakota. It seems to me that you would almost have to come to a program of this kind if you want to maintain even reasonably fair prices for the cotton producers.

Senator TALMADGE. That is correct—not only the producer but, also, the spinner.

Senator YOUNG of North Dakota. Yes.

Senator TALMADGE. Our domestic industry is now paying a premium of \$42.50 a bale for cotton produced in Georgia over what they have been paying Japan, Hong Kong, or Portugal, yet at the same time our little farmers are being starved off the farms because of their inability to plant cotton to compete with. I do not know whether you were here when I read that portion of my testimony or not, but over 50 percent of our cotton farmers now, with 10-acre allotments or less, are not even planting their allotments. I read some figures here that 3 percent of the farmers in this country are producing 56 percent of the cotton and are receiving 56 percent of the benefits.

Senator YOUNG of North Dakota. I do not know how you can get away from an incentive payment, unless you have a real low price support or none at all.

Senator TALMADGE. It is graduated under the program that I have here, Senator, depending upon the farmer's production.

The first 15 bales would receive 80 to 90 percent of parity which would be 32 to 36 cents; the next 16 to 30 bales, inclusive, would be 75 to 85 percent of parity or 30 to 34 cents per pound; and then if he produced over 30 bales his guaranteed price would be 70 to 80 percent of parity or 28 to 32 cents per pound.

Then over and above that every farmer would be free to plant any amount of cotton that he sees fit to plant. There is no guarantee above the world price. The guarantee would be 50 to 60 percent of parity. And it is assumed that all of that cotton—all cotton for that matter would go freely into the marketplace at whatever price it would bring for it, and then the benefits to the farmer would be in the form of a direct check and in that way we take the Government out of the pawn brokerage business.

Senator YOUNG of North Dakota. That is all.

The CHAIRMAN. Are there any further questions?

Senator AIKEN. I have just been studying this bill. As I understand the Talmadge bill, it would support up to 15 bales at 80 to 90 percent of parity. Your bill has a safeguard in it so that the CCC would not extend that support to 15 bales for each member of the family; doesn't it?

Senator TALMADGE. Yes.

Senator AIKEN. Are you sure that you have taken care of that?

Senator TALMADGE. I am certain that it would be the same situation that we have now.

Senator AIKEN. We know that in the wheat referendum each member of a partnership has a vote.

Senator TALMADGE. Under my proposal the existing cotton allotment would be converted to bales by using each farmer's yield ratio and then allot him so many bales, dependent upon his acreage history.

Senator AIKEN. Your plan is to have the cotton go on the market at the going market price?

Senator TALMADGE. Yes; that is correct, sir.

Senator AIKEN. Then the payment would be made?

Senator TALMADGE. To the farmer based on this production.

Senator AIKEN. To the farmer?

Senator TALMADGE. Yes.

Senator AIKEN. And it would be the difference between the selling price and the guaranteed price?

Senator TALMADGE. Yes.

Senator AIKEN. And the guaranteed price would be between 80 and 90 percent of parity?

Senator TALMADGE. That would be for the smallest farmer. That would be for 15 bales or less.

Senator AIKEN. Would you have one price for domestic and foreign sales?

Senator TALMADGE. All cotton would go at the same level, because it would be free.

Senator AIKEN. All at the same level?

Senator TALMADGE. Yes; the domestic cotton would sell at the world price, because it would go into the market, and the payment to the farmer would be direct.

Senator AIKEN. We have been guaranteeing $8\frac{1}{2}$ cents a pound or \$42.50 a bale.

Senator TALMADGE. We have been guaranteeing a support price of $32\frac{1}{2}$ cents a pound. And the cotton goes into the Government warehouses, that is, a great deal of it.

Senator AIKEN. We have had an export subsidy of—

Senator TALMADGE. Of $8\frac{1}{2}$ cents.

Senator AIKEN. Of \$42.50 a bale, roughly?

Senator TALMADGE. That is correct.

Senator AIKEN. The thing that bothers me is how do you account for the fact that the cotton exports have fallen off one-half from 7 million to 3,500,000 bales in 2 years' time. Would your bill cure that situation?

Senator TALMADGE. Yes, sir.

Senator AIKEN. How would it do it?

Senator TALMADGE. It would be permitted to seek its own level and be competitive, wherever it might be.

Before you came in, Senator Aiken, I read some figures here that you would be interested in. Let me have those figures about the cotton production.

In 1930 the United States produced 12,900,000 bales of cotton as compared to 11,600,000 bales for the rest of the world; in other words, at that time we produced over 50 percent of the world's cotton. Here is the situation 30 years later. In 1960 we produced 14,300,000 bales as compared to 32,600,000 bales for the rest of the world.

Our production during that 30-year period increased 3 percent, while the production, outside of the United States, increased 181 percent. The reason for that was because our high support price held a price umbrella over the rest of the world and made it profitable for them to expand their cotton acreage.

Senator AIKEN. What was our cotton exports in 1932; have you that figure?

Senator TALMADGE. I do not have that figure before me. Do you have it over there?

Senator AIKEN. I would give credit for some of that advance to world business.

Senator TALMADGE. The main thing is or was our price umbrella over it.

Senator AIKEN. We exported 7.1 million bales in 1959-60. What do you think the world price would be if there were no controls at all, if we put out cotton on the world market at the price that we could sell it for? What would it sell for today?

Senator TALMADGE. I do not think that the price today determines the world market, because our percentage of it has gone down from over one-half to a much lower figure—from over one-half of the production in 1930 to 14 million bales as against 32 million bales for the rest of the world, a little less than one-third now.

Senator AIKEN. Was not our export subsidy of \$42.50 per bale for the last 2 years intended to make it competitive on the world market?

Senator TALMADGE. Yes, sir. Of course, you know the reason why that was necessary, because we were losing our export markets completely, not only on cotton, but on all other price-supported products, and we had to pass Public Law 480 to make our products sell in the world market.

Senator AIKEN. But suppose that the other countries will not let our cotton in—they have shut out our chickens, and they are going to shut our wheat—suppose that they do not let the cotton in, what happens then?

Senator TALMADGE. Then I think the thing for us to do would be to take some action toward some of their products.

Senator AIKEN. Should not that action have been taken before now?

Senator TALMADGE. I certainly think so. I am very much of the opinion myself that our country ought to protect its export markets.

Senator AIKEN. What is your actual cost for the next several years—

Senator TALMADGE. I introduced those figures into the record here.

Senator AIKEN. It is \$650 million annually?

Senator TALMADGE. That is the beginning. Of course, we would still export some cotton under Public Law 480, but if and when this program got to working, to its lowest common denominator, where the payment would be only directly to the farmer, it would not be over, based on 10 million bales of domestic consumption, a maximum of \$499 million and a minimum of \$299 million. That is based on the allotment of 10 million bales for domestic consumption.

And on an allotment of 8 million bales of consumption the high figure would be \$399 million and the low figure would be \$239 million, but that would be payments only to the farmers for their production.

Originally, this bill has two factors: (1) We would continue Public Law 480 support program to help liquidate some of the surplus and (2) a provision to protect the people who have high-cost cotton on their hands at the present time. Those would be one-shot operations.

Senator AIKEN. Do we not at present pay a subsidy to the mills on the cotton they buy for manufacturing on exports?

Senator TALMADGE. On the exports we do. On the domestic sales we would not. If this bill became law we would eventually get out of every subsidy of any kind or character, so far as cotton is concerned, except the subsidy to the farmer, depending upon his production.

Senator AIKEN. Then your program would enable the mills, in your opinion, to recover more of the domestic market?

Senator TALMADGE. It would.

Senator AIKEN. That has been taken over?

Senator TALMADGE. By foreign markets and also synthetics.

Senator AIKEN. But have not our imports been regulated by quotas?

Senator TALMADGE. Yes; but it has not worked entirely because we still have imports in cotton fabrics, already woven, coming into the country in excess of 600,000 bales annually.

Senator AIKEN. It would enable us to recoup more of the market than we have at the present time?

Senator TALMADGE. For the reason that the cost of the product is 25 percent greater than is expended, it certainly works to the disadvantage.

Senator AIKEN. Do you think what you propose for cotton would also apply to broilers?

Senator TALMADGE. No, I do not think so.

Senator AIKEN. And wheat, it would not apply to that?

Senator TALMADGE. I do not think it would work on a livestock program. I think it might work with reference to wheat, but I think that it lends itself better to cotton than to any other commodity.

Senator AIKEN. Apparently the idea is to shut us out on agricultural commodities in Europe, even those which we can produce cheaper?

Senator TALMADGE. That certainly seems to be the case.

Senator AIKEN. The idea over there is to arbitrarily shut us out.

Senator TALMADGE. Yes.

Senator AIKEN. And it seems for wheat and other products they want to leave us markets that do not pay.

Senator TALMADGE. Yes. That certainly is the danger, as the Senator knows, being one of the foremost experts on this committee. We ship about \$1,200 million of agricultural commodities to the Common Market for dollars, and there is a grave danger now that we might lose about \$500 million worth of those export sales, primarily in wheat, poultry, meats, and flour products.

Senator AIKEN. I still don't quite understand why we have lost one-half of the cotton export business in 2 years in view of the fact that we have had a very substantial export subsidy, Senator.

Senator TALMADGE. I am not acquainted with that.

Senator JOHNSTON. I think the trouble has been that they are growing cotton abroad.

Senator TALMADGE. That is part of it. I feel certain that the Department of Agriculture has tried vigorously to sell cotton. I do not know exactly what the problem is. They have gotten it down some, as the Senator knows.

Senator AIKEN. I will go along with that. I think that the Department of Agriculture has tried to sell some commodities. Do you feel that they have had the full cooperation of all other agencies of the Government?

Senator TALMADGE. I will be frank with you to say that I doubt that we have had the full cooperation of the State Department in trying vigorously to sell American agricultural commodities.

Senator AIKEN. I have nothing more. I think that we are back where we started from, anyway.

The CHAIRMAN. There is only one more question that I would like to ask. Why do you find it necessary to put a support price on all cotton, a subsidy of 50 to 60?

Senator TALMADGE. For the reason that Senator Aiken pointed out. It is possible that you could have a catastrophic problem with reference to the world markets and at that price you would have no guarantee whatever.

The CHAIRMAN. You mean no guarantee to whom, the producer?

Senator TALMADGE. To the producer. So the effort is to peg the world markets so as to provide for some orderly disposition of this cotton at about the world market price.

The CHAIRMAN. In effect it would be possible to protect the producer of American cotton at the world price?

Senator TALMADGE. At approximately world prices, yes, sir.

The CHAIRMAN. Thank you.

Senator TALMADGE. I thank the Chair.

The CHAIRMAN. Our next witness is Mr. Murphy, the Under Secretary of Agriculture.

Will you kindly be seated?

Will you identify yourself for the record, please?

STATEMENT OF HON. CHARLES S. MURPHY, UNDER SECRETARY OF AGRICULTURE

Mr. MURPHY. I am Charles S. Murphy, Under Secretary of Agriculture. I am very happy to have this opportunity to testify concerning proposed new cotton legislation.

I have a prepared statement. I will be glad to read it or do as you like.

The CHAIRMAN. You may do as you prefer.

Mr. MURPHY. I would prefer to read it, Mr. Chairman.

The CHAIRMAN. Proceed.

Mr. MURPHY. In a special farm message to the Congress, on January 31, 1963, the President dealt at some length with the need for new cotton legislation and the type of legislation which he recommended. Because of the importance of the President's message in indicating the views of his administration on the subject, I would like to quote this portion of the message, as follows:

II. COTTON

A healthy, growing cotton industry is vital to the strength and prosperity of our Nation. Over a million persons are engaged in producing our cotton crop. Another million and a half are employed in converting the raw cotton into consumer items. Additional millions supply goods and services to this industry. Cotton exports contribute significantly to our balance-of-payments position.

Our cotton industry—both producers and mills—is confronted with many problems which it alone cannot resolve. Because domestic prices are much higher than those of foreign producers, our cotton mills must pay substantially more for cotton than their offshore competitors. Domestic cotton textile products are being displaced not only by substitute fibers in consumer products but also by increased cotton imports. Cotton exports are sharply lower.

Loss of markets for U.S. cotton increases surplus stocks held by the CCC, causes higher and higher Government costs, and reduces the cotton farmer's income.

The time has come for us to fashion a sound and enduring national policy for cotton, to enable it to make its maximum contribution to our Nation's growth at a minimum of governmental expense. At present, the domestic support level is 31.88 cents a pound. An 8½-cent export subsidy enables domestic cotton to compete with foreign cotton selling at 24 cents or less. This imposes a substantial handicap upon the domestic mill which must buy American cotton at the support-price level, while competing with foreign mills which buy it at the subsidized level.

This handicap could, of course, be overcome by either eliminating the export subsidy or by reducing the support level. But elimination of the subsidy would also eliminate American cotton from the world markets and give impetus to expanding foreign production. The effect such a move would have upon the American cotton farmer, our balance of payments, and our economy prevents this from being an acceptable line of action. Allowing domestic cotton prices to fall low enough to compete with foreign cotton is similarly unacceptable. For the average American farmer cannot, as yet, produce cotton profitably at world prices.

We can best meet these problems by the adoption of a new law which will both meet immediate needs and to the extent possible—

- (1) Eliminate the disadvantage which the present two-price system for cotton imposes on the U.S. textile industry;

- (2) Strengthen the income of individual cotton farmers by enabling them to sell additional output at the world price in a combination best suited to their individual situations;

- (3) Promote sustained and expanding markets for U.S. cotton; and

- (4) Accomplish these objectives at a minimum cost to the taxpayer.

I urge that the Congress give early consideration to cotton legislation that will make this important fiber more competitive and help it recapture its markets. Ideally it should be signed into law before the end of February and made applicable to the planting of the 1963 crop. I recommend that the new law include the following:

- (1) Authorization, on a 2-year trial basis, for the Secretary of Agriculture to make payments which will reduce the cost of the cotton to domestic mills by an amount sufficient to eliminate the inequity of the present two-price system, taking into account any differences in transportation costs between foreign and domestic mills and other relevant factors. This will both cure the existing inequity and help assure ample supplies of cotton textiles of good quality at fair prices to American consumers.

- (2) Within limits consistent with the need for an orderly reduction in the existing carryover, producers should be permitted to grow cotton above their basic acreage allotments for the export market at the world price. In 1963, the extra planting for export markets might be permitted up to 20 percent above the present statutory minimum allotment. Such provisions would recognize the greatly diverse conditions that prevail in different cotton-producing areas, and provide fair opportunities for producers in each area. In addition, the bill could also authorize direct payments to producers, thus providing an efficient means of maintaining producer income without supporting prices at too high a level.

Research to reduce the cost of producing cotton in the United States will also strengthen the industry. For example, elimination of the boll weevil damage in the cotton crop could result in reduction in production costs of 5 cents a pound in areas of infestation. Such research will pay for itself many times over. I am therefore asking that a special effort be made to make certain that the research resources available to the Federal Government are focused on this problem. The Office of Science and Technology will review the progress and make recommendations. As actual cotton production costs fall, cotton price supports can be reduced under the stimulus of continuing research and the application of modern technology.

For some months prior to January, we had been studying and discussing with interested groups, particularly the Secretary's Advisory Committee on Cotton, the possibilities of new cotton legislation. These discussions culminated in a set of recommendations made by the Advisory Committee on January 14, 1963. These recommendations are as follows:

1. Authorize the Secretary of Agriculture to make payments in kind from Government stocks of cotton (or in cash, if cotton is not available) to such persons, other than producers of cotton, at such rate and subject to such terms and condi-

tions as the Secretary determines will eliminate the inequities sustained by U.S. users of cotton by reason of the present two-price system.

2. Authorize the planting of cotton above the basic acreage allotment for the export market and at world price. If the producer pays an export fee equal to the difference between the world price and the domestic support price, this export cotton can move under the regular price support and marketing system.

3. The export acreage not to be in excess of 30 percent of the basic allotment, and for the 1963 crop to be 20 percent of the basic allotment. After 3 years of operation the overplanting privilege shall not be put into effect unless the carry-over is being adequately reduced each year toward a reasonable level. As expansion in domestic consumption and/or exports justifies increased acreage, this acreage shall be equitably apportioned between national base allotment and the overplanting option.

4. The support price for the 1963 crop to be approximately the 1962 level of 32.47 cents per pound, basis Middling 1-inch cotton, provided budgetary considerations do not preclude the making of fully significant competitive impacts in both the domestic and export markets.

Inasmuch as these recommendations of the Advisory Committee were consistent with the views of the President, the administration accepted these recommendations as a suitable basis for legislation. Also, in January, it was hoped that there was sufficient agreement on legislation as recommended by the Advisory Committee to permit passage in time to apply to the 1963 crop. Accordingly, we recommended in testimony before the House Committee on Agriculture, on January 31, 1963, the prompt enactment of legislation based upon the recommendations of the Advisory Committee.

However, it developed that there were substantial differences among various interested groups, and these divergent views have thus far prevented favorable action by the House committee.

One of the bills pending before this committee, S. 608 by Senator Sparkman and Senator Hill, embodies the recommendations of the Advisory Committee, and we again recommend this program for your favorable consideration as a suitable means for dealing with the problems confronting the cotton industry.

Since January, we have continued to work with representatives of the cotton industry and with interested members of the House Committee on Agriculture in an effort to find a solution on which there could be sufficient agreement to obtain favorable action. We have carefully considered various modifications and changes that have been proposed to us, and agreed to them whenever we felt we could. These discussions resulted in the introduction of a new bill (H.R. 6196) by the chairman of the House committee on May 9. The key provisions of this bill would:

First, authorize payments-in-kind with respect to domestically consumed cotton sufficient to eliminate the inequity of the two-price system, with the proviso that on and after August 1, 1964, these payments must be sufficient to make cotton available for domestic use at the same price that it is available for export.

Second, provide for a special research program aimed at reducing the cost of producing for cotton, and provide that the support price for cotton shall be reduced as the cost of production is reduced.

Third, reduce the sale price of CCC cotton for unrestricted use to 105 percent of the loan rate plus carrying charges.

Fourth, provide that up to the first 15 bales of production of cotton from each allotment could be supported at not more than 10 percent above the basic support level.

While we do not regard this bill as being as desirable as the original recommendations of our Advisory Committee, the administration, in a spirit of compromise and in the interest of obtaining legislation,

is willing to support this modified proposal if it is amended to restore provisions for "export acreage" along the lines recommended by the Advisory Committee. We would recommend, also, that the maximum differential in price support for the first 15 bales be expressed in terms of 3 cents a pound instead of 10 percent.

I understand, Mr. Chairman, that the bill, S. 1511, which you introduced on behalf of yourself and Senator Jordan, is the same as H.R. 6196, and these remarks would be equally applicable.

This committee also has before it another bill, S. 1190, introduced by Senator Talmadge for himself and Senator Humphrey. This bill would provide for each grower a domestic allotment—his fair share of the domestic market—expressed in bales. Each grower could produce and market as much cotton as he pleased at world prices. Then, in addition to what he received in the marketplace, the Government would make payments to him on his domestic allotment to achieve specified levels of total returns per pound for this share of his production.

This proposal would permit cotton to move freely through private trade channels at price levels approximating world prices. It would be possible under this proposal to increase the net income of cotton farmers and, at the same time, lower Government costs in comparison with other programs. It would be the lowest cost way of achieving a "one price system" for cotton. It would be simpler to administer than the present program. We believe that this bill deserves the most careful and objective consideration.

One other bill is before the committee, S. 1458, which the chairman introduced by request on May 8, 1963. This bill would fix the minimum acreage allotment for the 1964 and 1965 crops at 17.5 million acres, would fix the support price for the 1964 crop at 29 or 30 cents a pound, basis Middling inch, depending on the size of the estimated supply. The bill also would specify the rate of the export subsidy at not less than 6.5 cents per pound, unless a reduction in this rate should be necessary to prevent excessive exports.

It does not seem to us that S. 1458 would make as constructive a contribution to the solution of our problems as either of the other three bills to which I have referred. One particular difficulty it presents is a likelihood of an increase in the already excessive carryover.

Mr. Chairman, we have prepared some tables giving estimates on a comparative basis of the results which might be expected under these various bills in terms of production, prices, producer returns, program costs, and other relevant data. These tables are attached to my statement.

It is apparent from these tables why we have a serious concern about the budgetary effects of this legislation. It was only after the most careful weighing of the various alternatives that the President concluded that the public interest justified legislation that would involve substantial added expenditures. His views as to why the other alternatives are unacceptable are set out in the portion of his farm message I have quoted. I can only add that the President feels the added budgetary costs he has already agreed to accept are the most that can be justified in connection with a solution of the problems, and that the solution must be found within those limits.

I wish to refer briefly to the effect of reduced cotton prices on farm income. Many people have suggested a reduction of about 2½ cents per pound in the support price from its present level of 31.88 cents a

pound. We believe that the average cost of producing cotton in the United States is not less than 24 cents a pound, leaving a margin of profit, or net income, of less than 8 cents. A reduction of $2\frac{1}{2}$ cents in price then is a cut of more than 30 percent. To some extent, the reduction in price would be offset by increased consumption resulting from the lower price, but even after allowing for this increased consumption, we believe the loss in net income to cotton producers would exceed 25 percent. This is not a consequence to be accepted lightly, and it is the plain and simple reason we have been so reluctant to reduce the support price, especially for small producers.

For the United States as a whole in 1959, there were 188,000 small farms that received over half their income from cotton. Almost half these farms had no off-farm income at all. In addition, there were 173,000 other small farms that produced cotton but received less than half of their farm income from this enterprise.

This means that some 70 percent of all farms producing cotton are small farms whose operators are dependent upon cotton to a significant extent for their total income. Their gross farm sales are less than \$10,000 per farm. Since cotton production costs for these small farmers run well above 27 cents a pound, their margin of profit is narrow, even at present cotton prices. Obviously, their net income from cotton is very meager; but when it is all they have, it is important. Some people may feel that since these small farmers produce only a relatively small part of the total cotton crop, their interests should be disregarded. We cannot accept that view. We feel that any new cotton legislation must make adequate provision for protecting their income.

In summary with respect to these pending bills, the administration believes that legislation is badly needed to alleviate the problems besetting the cotton industry. We recognize the necessity for a large measure of agreement among interested groups to make the passage of legislation possible. In order to facilitate such agreement, we are willing to accommodate our views to those of others within reasonable limits. The principal limitations we feel bound to observe are those arising from budgetary considerations and the need to protect the income of cotton producers, especially small producers. In this spirit, we submit to you our judgment with respect to the bills before the committee.

S. 1190, introduced by Senator Talmadge, presents some very constructive possibilities for solving the problems of the cotton industry, and we recommend it to you for careful consideration. However, if the Congress finds this approach unacceptable, we regard S. 608, the Sparkman bill, as a suitable way of dealing with the problem.

S. 1511 is in effect a modified version of S. 608, and while we think these modifications make the bill less desirable, we would support its enactment if the judgment of the Congress is that this is the best approach and if provisions for "export acreage" are restored, as I have indicated above.

We do not recommend the enactment of S. 1458.

Mr. Chairman, we will be glad to be of any assistance we can to the committee in connection with further consideration of legislation on this subject.

I might, if you would like, just refer briefly to these tables that are attached to my statement.

(The tables are as follows:)

Upland cotton—Basic data

Item	Marketing year 1961-62	Marketing year 1962-63	Subsequent marketing year					
	(1)	(2)	Current legislation	S. 1190 ¹	S. 1511 (same as H.R. 6196) ²	S. 608	S. 1458, 1st year	S. 1458, 2d year
			(3)	(4)	(5)	(6)	(7)	(8)
Acreage:								
Allotted.....	18,458	18,102	16,250		16,700	16,250	17,700	17,700
Acreage added, choice program.....					0	4,300		
Diverted: Soil bank.....	679	617	586		586	586	586	586
Planted.....	16,526	16,200	14,700		15,000	15,000	15,800	15,600
Harvested.....	15,575	15,475	14,000		14,300	14,300	15,000	14,800
Yield: Per acre harvested.....	438	457	460		460	463	460	470
Domestic allotment.....				10,000				
Supply and utilization:								
Production.....	14,323	14,750	13,400	13,600	13,700	13,800	14,400	14,500
Beginning stocks (including preseason ginning).....	7,090	7,750	11,000	11,000	11,000	11,000	11,000	11,500
Imports and city crops.....	139	100	100	100	100	100	100	100
Domestic disappearance.....	8,806	8,100	8,800	9,700	9,750	9,300	9,000	9,100
Exports.....	4,915	3,500	5,000	4,500	5,000	5,000	5,000	5,200
Ending stocks.....	7,759	11,000	10,700	10,500	10,050	10,600	11,500	11,800
CCC stocks.....	4,690	7,500	7,200	7,000	6,550	7,100	8,000	8,300
Free stocks.....	3,069	3,500	3,500	3,500	3,500	3,500	3,500	3,500
Support price per pound (average of crop).....	31.88	31.88	31.72	31.72	31.72	31.72	29.25	28.25
Producer payment rates or increased support.....								
Effective price, domestic use, per pound.....	32.70	32.0	32.0	24.0	23.5	27.0	29.75	28.75
Effective price, export, per pound.....	24.20	23.5	23.5	24.0	23.5	23.5	23.25	22.25
CCC sales price (unrestricted use).....				24.15	30.45			
Export payment rate per pound.....	8.5	8.5	8.5	0	6.0	8.5	6.5	6.5
Trade incentive rate per pound.....				0	6.0	5.0		
Marketing fee rate per pound.....				0	0	8.5		
Farm value of production.....	2,331	2,332	2,144	12 2, 116	13 2, 089	2,208	2,142	2,084
Less marketing fee.....				0	0	-17		
Total.....	2,331	2,332	2,144	12 2, 116	13 2, 089	2,191	2,142	2,084

¹ The cost figures do not reflect future savings from reduction of carryover.² Middling 1 inch approximately 3/4 cents per pound higher.³ M1 inch equals 30 cents.⁴ M1 inch equals 29 cents.⁵ Payment of 12 cents per pound on 1st 15 bales, 10 cents on 2d 15 bales, 8 cents on balance of domestic production.⁶ On 15 bales per 100.⁷ Estimated market price—1/2 cent above support level.⁸ Includes \$484,000,000 producer payments.⁹ Includes \$88,000,000 for 2.72 cents increase in support price on 1st 15 bales.

¹ Assumptions: Domestic allotment 10,000,000 bales; export allotment—no limitation; price support 23 cents per pound average of crop; CCC minimum sales price 24.15 cents per pound; no export subsidy or trade incentive or payments; producer payments—12 cents on 1st 15 bales; 10 cents on 2d 15 bales; and 8 cents per pound on balance of production from domestic allotment. Public Law 480 limited to 1,000,000 bales.

² Assumptions: Basic allotment 16,700,000 acres; 29 cents loan average of crop plus 2.72 cents per pound increased support on 1st 15 bales; Public Law 480 1,500,000 bales; 6-cent trade incentive; 6 cents export subsidy; and 105 percent sales price for CCC stocks.

³ Includes 200,000 acres for reserve for small farms.

⁴ Increase in choice acreage would be restricted so as to result in a reduction in carry-over. Producers will receive about 23.5 cents on choice acreage. Increase of 3 pounds caused by higher yields on choice acres.

Cotton—Major elements of CCC costs for a subsequent marketing year under various assumptions compared with 1961–62 and 1962–63 marketing years ¹

[In millions of dollars]

	1961–62 market- ing year	1962–63 market- ing year (estimate)	Subsequent marketing year					
			Current legis- lation	S. 1190	S. 1511 (same as H. R. 6196)	S. 608	S. 1458 1st year	S. 1458 2d year
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Major elements of CCC costs:								
Export subsidy payments.....	208.9	148.7	² 199.7	0	³ 121.5	⁴ 195.5	162.5	169.0
Cotton products payments.....	18.1	17.0	17.0	0	0	7.0	13.0	13.0
Public Law 480 (excluding ex- port subsidy).....	153.6	204.0	180.0	120.0	180.0	180.0	180.0	180.0
Carrying charges and interest.....	26.8	46.8	64.8	63.0	58.9	63.9	72.0	74.7
Trade incentive payments.....					292.5	232.5		
Increase in support price on 1st 15 bales.....					68.0			
Marketing fees collected.....						⁵ 17.0		
Producer payments.....				484.0				
Subtotal.....	407.4	416.5	461.5	⁶ 667.0	⁶ 720.9	661.9	427.5	436.7
Differences in support level and world price on net ac- quisitions of cotton by CCC ⁷	137.9	195.5	0	0	0	0	16.2	9.7
Grand total.....	545.3	612.0	461.5	667.0	720.9	661.9	443.7	446.4

¹ Summarizes the major elements of CCC costs under various programs, these costs cover major elements only during the marketing year and are for comparative purposes. Costs during a marketing year cannot be compared directly with budgetary expenditures within a particular fiscal year. Total costs include differences in support level and world price on net quantity of cotton acquired by CCC.

² Based on 5,000,000 bale exports less 300,000 bale reduction in CCC stock.

³ Based on 5,000,000 bale exports less 950,000 bale reduction in CCC stock.

⁴ Based on 5,000,000 bale exports less 400,000 bale reduction in CCC stock.

⁵ Denotes receipt.

⁶ Based on a one-price system for domestic use and for export.

⁷ Col. (1) based on 3,245,000 bales at 8½ cents; col. (2) 4,600,000 bales at 8½ cents; cols. (3), (4), (5), and (6) no net acquisitions; col. (7) based on 500,000 bales; col. (8) based on 300,000 bales.

The CHAIRMAN. Mr. Murphy, I wonder if you have sufficient data available so as to tell us the cost of the present program on the cost of the various programs under the bills that you say would be acceptable?

Mr. MURPHY. Yes, sir, we do. We have estimates attached here, Mr. Chairman, to the statement. It is the last page in the tables. It is headed, "Major elements of Commodity Credit Corporation costs for a subsequent marketing year under various assumptions compared with 1961–62 and 1962–63 marketing years."

And in here we do the best we can to estimate these costs in a typical crop year with respect to a crop starting from the supply situation we expect to have at the end of the current marketing year. You will see a number of columns from three to eight, all under the heading "Subsequent marketing year," and giving the same kind of a basis for the various programs, trying as best we can to estimate the cost on a comparable basis.

We find that the estimated cost under "current legislation" is \$461 million, the last line in this table, column 3, in the line called "Grand total."

The next column, column 4, is the Talmadge bill, with an estimate of \$667 million. It is the last page, Senator Jordan. This \$667 million is very closely in line with what he said earlier, that is, Senator Talmadge.

The next is S. 1511, in column 5, an estimated grand total of \$720 million. And S. 608 is \$661 million grand total. And S. 1458 is a grand total in the first year of \$443 million, and in the second year \$446 million.

The CHAIRMAN. That is the bill that you do not recommend?

Mr. MURPHY. Yes, sir. There is a particular problem that does not reflect itself in this table. It is under that bill, S. 1458, that we would estimate that there would be an increase in carryover, which is already excessive. Under the other bills we would estimate that there would be some decrease in the carryover.

The CHAIRMAN. Essentially, the bill that was introduced in January in the House, and the one that was introduced recently and which is, also, introduced in the Senate, the difference is, as I recall, merely more or less to take care of the small grower. The idea in the House bill, introduced in the House in January, was to protect the domestic consumers to the same extent that we subsidize foreign uses of cotton.

Mr. MURPHY. There were two bills introduced in the House in January, Mr. Chairman.

The CHAIRMAN. I am talking about the one that was reported by the committee which the administration supported.

Mr. MURPHY. There was one introduced by the chairman of the House committee, as I recall, which provided only that cotton should be made available to the domestic users at a price no higher than it is made available for export.

There was another bill introduced by Congressman Gathings which was quite closely in line with the recommendations of the advisory committee I referred to in this statement.

The CHAIRMAN. Well now, that—

Mr. MURPHY. That bill was reported from a subcommittee of the House at one time and in substantially this form, as I remember it; it provided for export acreage, to be planted at the world price, above the allotment. It provided that payments should be made with respect to cotton consumed domestically, to eliminate the inequity of the two-price system. To the best of my recollection—I cannot remember whether it provided that this payment had to be, at least as much as the export subsidy or not. At that time it was and still is the feeling of the administration that the inequity can be eliminated even though there is still left some differential between the export price and the domestic price. This, of course, is reflected in the President's message where he speaks of allowances for transportation costs and other relevant factors.

There was a sharp difference of opinion about that in the House committee, and that is one of the reasons that the legislation has never been reported from the House committee.

The CHAIRMAN. The bill that was introduced in the House very recently and, also, in the Senate, how does that differ from the bill you recommended before the House in the early part of this year?

Mr. MURPHY. As of August 1, 1964, the payments with respect to cotton used in this country must be enough, so that the price for domestically consumed cotton is no higher than for export. That, I would say, is the principal difference.

The CHAIRMAN. That is the highlight of the recommendation made by the President?

Mr. MURPHY. Yes, sir. The highlight of the President's recommendation is that the payment be made sufficient so as to eliminate

the inequity, and then the difference of opinion developed as to whether or not that means the total all the way.

The CHAIRMAN. In addition to that you have added another element in which you say that if the Congress were willing to proceed that you would recommend it and, that is, a direct payment to the producers who grow as much as 15 bales on the farm—you have a section on that.

Mr. MURPHY. That proposal did not originate with us, Senator.

The CHAIRMAN. I understand that did not.

Mr. MURPHY. It developed in this way.

The CHAIRMAN. I understand it did not, but I am saying or I am asking, rather, whether or not with that addition you would still support the bill?

Mr. MURPHY. Yes, sir; we think that is a desirable addition.

The way that came about is that we were asked by members of the House committee if we would agree to a proposal that said that the one-price system should be fully achieved by the 1st of August 1964. This presented us with a very difficult problem, so far as the cost of the program is concerned, which meant that there was an additional reason for reducing the support price. And here we went into the problem of protecting the income of the small producer. While we are most reluctant to see support prices reduced, we are somewhat less reluctant if there is a provision for a higher return to small producers.

The CHAIRMAN. Referring now to your table, as I understand the current program costs \$461.5 million per year in contrast to the one we have just talked about, that is incorporated in H.R. 6196 and S. 1511.

Mr. MURPHY. Yes.

The CHAIRMAN. Which is \$720 million.

Mr. MURPHY. Yes. That is right.

The CHAIRMAN. Well, what difficulties do you think we would encounter in Congress by appearing there with a bill showing a cost of \$270 million more when we are asking for lower costs on corn and other feed grains, lower costs in dairying, and other commodities that we have been trying to reduce the cost of to the Government?

Mr. MURPHY. Well, I think the difficulties would be considerable, Senator. I think it must be said that there are very strong arguments for incurring this cost and I think I should call attention again to something, to a point that Senator Talmadge made earlier, and that is the prospective reduction in consumer prices.

This is a highly competitive industry. The cotton textile industry is highly competitive. We would expect that the savings in the cost in cotton would be passed along and as they go through the various stages in the distribution system, the savings would increase, so that they would be at least as great as the increased cost of the program to the Government.

Actually the Department of Commerce has made some estimates on this, and has estimated that for each dollar of Government cost there would be about \$2 in consumer price savings.

The CHAIRMAN. Well, do you—

Mr. MURPHY. You already heard expressed very eloquently by Senator Talmadge the need for correcting some of the problems that exist in the cotton industry and the difficulty of doing that.

The CHAIRMAN. Well, you will agree that the attempt of Congress at present is to lower the cost of these programs and not increase them.

Mr. MURPHY. Yes, sir, and this is a desire that we share very strongly.

The CHAIRMAN. And that is what bothers me as chairman of this committee. As I said in some remarks when I was handling the feed grain bill last week on the Senate floor——

Mr. MURPHY. As I said in my statement, Mr. Chairman, it was only after considering the other alternatives, that is, losing our export market for cotton altogether or lowering the price of cotton to 24 cents a pound, that the President concluded that it was justifiable to incur this much additional expenditure.

Again I would say that the views of the administration are more nearly reflected by column 6 which represents the Sparkman bill, and you will see there that the costs of the program are substantially——

The CHAIRMAN. \$200 million more than the current.

Mr. MURPHY. That is true. And this would permit a payment with respect to the cotton consumed domestically in a range between 4 and 6 cents a pound.

Actually the estimate in column 6 is based on an assumption of a support price—a support operation of about 32 cents and payments of 5 cents.

The CHAIRMAN. Well, the essential difference, as I understand your statement, between the so-called—between the Sparkman-Hill bill and the Talmadge bill is that the Talmadge bill has greater coverage for small farmers. That is, the Talmadge bill takes account of farmers producing from 1 bale to 15 at a certain support price and then another group from 16 bales on down to 30, another support price, and then those who produce 30 on down, another support price.

Mr. MURPHY. Yes, sir.

The CHAIRMAN. That is essentially the difference between 608 introduced by Sparkman and Hill and which you say you would be willing to recommend to the President for signature if Congress passed it. Am I right?

Mr. MURPHY. That is an important difference, Senator. There are others that I think perhaps are equally important.

The CHAIRMAN. All right. Well, will you give them to us, if you will, in a nutshell——

Mr. MURPHY. Yes.

The CHAIRMAN. If that can be done.

Mr. MURPHY. The support price at these levels under the Talmadge bill would be provided only on the domestic allotment. I think this is a very important difference. Under the Sparkman bill it was contemplated there would be one level of support, as you point out, no higher level for small producers, but that the support level would apply to all the cotton grown on the allotment which would be made in terms of acres.

The CHAIRMAN. And that support level would range from the——

Mr. MURPHY. Well, it would rest on existing law, so it would have to be——

The CHAIRMAN. Sixty-five to ninety.

Mr. MURPHY. Above 65 percent of parity, 65 to 90, and it was generally expected that it would be about the present level, about 32 cents a pound.

The CHAIRMAN. And then under the Talmadge bill the support price for all cotton that is not covered by the three categories would range from 50 to 60 percent of parity.

Mr. MURPHY. Yes, sir.

The CHAIRMAN. So as to maintain the price, say, from 20 to 24 cents a pound which is supposed—

Mr. MURPHY. That is correct.

The CHAIRMAN (continuing). To be world—

Mr. MURPHY. It is my understanding that this level of support through the loan would be made available to help provide orderly marketing conditions during the harvest season.

The CHAIRMAN. Yes.

Mr. MURPHY. And not for the purpose of establishing a price that was artificially maintained above the world price.

The CHAIRMAN. Now, in that regard, what provision is there in 608 that would be comparable to the provision to which I have just referred?

Mr. MURPHY. There is no provision, it seems to me, that will be comparable, sir.

The CHAIRMAN. So that production would go on without a support level that would guarantee that those producers who went into the business and planted more cotton than you might desire.

Mr. MURPHY. There would be a support level at about the present levels for cotton planted within the acreage allotment.

The CHAIRMAN. I understand.

Mr. MURPHY. Then there would be authority to plant additional acres without any support.

The CHAIRMAN. Without any support whatever.

Mr. MURPHY. Without any support whatever.

The CHAIRMAN. That again is one of the differences between the Sparkman-Hill bill—

Mr. MURPHY. Yes, sir.

The CHAIRMAN (continuing). Which you say you support and the Talmadge bill.

Mr. MURPHY. Yes, sir.

The CHAIRMAN. Now, are there any other differences you can point out, I mean essential differences?

Mr. MURPHY. Well, I think making the allotment in terms of bales rather than acres is an important difference which should be kept in mind.

The CHAIRMAN. You mean insofar as domestic consumption is concerned.

Mr. MURPHY. Yes, sir. And insofar as part of the crop is supported at higher levels. I would like to just note again something that you pointed out, that under the Sparkman bill there is no provision for a higher level of support for small producers.

We think this is a desirable kind of provision to have in any legislation that Congress might pass.

The CHAIRMAN. Well, if you had had such a provision in the current law, it might not have been necessary to make the support price 32.47.

Mr. MURPHY. That I think is very true.

The CHAIRMAN. So that if you had had that gadget only, you might have made the cotton price support at 30 cents and in that operation reduce your subsidy to foreign purchases by at least 2 cents, 2½.

Mr. MURPHY. Well, it would be I think highly speculative for me to say what we might have done in just those terms, Senator, but certainly it is true that the costs of producing cotton generally are lower for large producers and we feel that it would be helpful if we had authority to recognize that fact by fixing different levels of support, or higher levels for the small—

The CHAIRMAN. You mean as suggested by Senator Talmadge?

Mr. MURPHY. As suggested by Senator Talmadge or as included in S. 1511.

Senator JORDAN. What about in H.R. 6196?

Mr. MURPHY. That is the same thing.

The CHAIRMAN. S. 1511 merely applies to producers of 15 bales or less.

Mr. MURPHY. It provides for—it provides authority to support the price at a higher level on the first 15 bales of each allotment.

The CHAIRMAN. Right. And that difference in support, though, is to be paid either in kind or by cash subsidy.

Mr. MURPHY. No, sir. Under that bill it can be done either by simultaneous purchase and sale operations or through the loans.

The CHAIRMAN. I understand, but still it would be a direct payment. It would be a direct payment.

Mr. MURPHY. No, sir. We think it would be simpler if it were a direct payment, but the bill very carefully provides for it being done some other way. It would be the equivalent of a direct payment in our judgment.

The CHAIRMAN. Well, those who propose that are simply trying to disguise it, but it really would be a direct payment.

Mr. MURPHY. Well, it would be very close to a direct payment and we think it would be—we know it would be simpler to administer if it were just a direct payment to accomplish the same end.

The CHAIRMAN. You know, I have often stated on this committee that the members of this committee ask questions and hope that the listeners will not take it for granted that they either oppose or are for the proposal. As the chairman of this committee I ask many questions in an effort to try and draw out what the bill really means without in any manner indicating how I feel about it, and I am sure that each member of this committee will doubtless ask questions in order to have a clear understanding of what is being proposed by the proponents and the opponents of the various measures before us.

Mr. MURPHY. This is by now a very complicated situation, Senator, with all the proposals and counterproposals that have been made; and anything that we can do to help clarify it or to put the whole picture before you we gladly will do.

The CHAIRMAN. All right. Any further questions?

Senator JORDAN. Mr. Chairman, I would like to ask Mr. Murphy a question. On H.R. 6196, which I cosponsored last week, that calls for payment in kind. Now, there is a good reason for putting that in, because the CCC now owns this cotton. They are going to own about 10 million bales by the 1st of August, aren't they?

Mr. MURPHY. I would expect that we will have about 8 million bales the 1st of August.

Senator JORDAN. Well, 8 million bales is still a lot of cotton.

Mr. MURPHY. Yes. That is a great deal;

Senator JORDAN. And they have already lost the money on that cotton. They are never going to get any more than the world price on it. That is a known fact. They are going to get the world market for it if they ever sell it at all. It is costing money every month to carry that stock—the interest on the money and the warehouse charges, both, on it.

We see no reason why, if the President wants to carry out the thing that he says he is going to do, that this cotton shouldn't be made available to the mills right now to enable them to compete with the foreign cotton that is coming in here at $8\frac{1}{2}$ cents less. We think that the selling price of 115 percent of the loan is too high, and we don't think it will ever get out at that price. That is a terrific increase in the price and 105 percent of the loan would come nearer getting it out. That is quite a penalty on top of it, too.

Now, I have never been opposed to this overplanting business but there seems to be a lot of opposition to it and it has been a question of whether you can get it through the House or not. I don't know whether you can get it through here or not. But what we are interested in is getting a bill through, whether it is the Talmadge bill or what, so long as it takes care of the cotton farmer and the textile mill and reduces this cotton to a place where we can compete with the foreign competition. Any of these bills are perfectly satisfactory.

Now, which in your opinion do you think we can pass through the House over there and the Senate? That I might refer to you, too, Mr. Chairman.

The CHAIRMAN. I wouldn't prognosticate. As I said last week, I don't see how this committee can propose any bill for cotton that will increase the cost and ask in the next breath to decrease the costs on programs of other commodities such as dairy and other products. The Senator knows that this committee has been dealing with this very situation for quite some time and the cost of that program ranges from \$450 million to as much as \$600 million a year and we have been trying our level best—I was about to say something else, but I couldn't—but we haven't succeeded yet. It took us 6 years to pass a wheat bill to take out of the law the 55 million acre minimum, and we succeeded in doing that last year, and here we are confronted with the chance that this thing may not be voted on favorably next week by the farmers. Well, the fortunate thing about the wheat bill is that it is law and if the farmers don't like it, well, we have washed our hands of it as far as I am concerned.

Senator JORDAN. I think that you are overlooking one thing, that we are operating under a law now on cotton and they are going to keep on taking this cotton in to CCC.

The CHAIRMAN. I am not overlooking anything.

Senator JORDAN. And they are going to raise a new crop this year and that is going to go into the warehouse.

The CHAIRMAN. I am just trying to be realistic.

Mr. MURPHY. May I say, Mr. Chairman, it seems to me there are two things that make cotton different from wheat and perhaps different from other commodities, and I think they are relevant here. One is the possibility of substituting synthetic fibers for cotton. I don't think you have the same kind of possibilities for substitution in the case of wheat.

The CHAIRMAN. Oh, I wish you had been here to find out what they use, what they substitute wheat for. My goodness, they are using corn instead of wheat, and other feed grains, to take the place of wheat. We have that here, Mr. Murphy. And as a matter of fact, the per capita consumption of wheat has gone down considerably because of that.

Mr. MURPHY. We do not feel that price has the same effect on consumption in the case of wheat as it does in the case of cotton. For that reason it seems to us even more important to look at the price of cotton than the price of wheat.

The other thing, it seems to me, which is different and important is the custom in the trade where foreign processors get their raw material at a lower price and then send the finished product back into the United States. This again it seems to me is a case where cotton has greater difficulty in this regard than our other agricultural commodities.

The CHAIRMAN. Well, all that may be true but I am simply trying to be realistic in posing the difficulties that confront us in putting any kind of cotton legislation before the Congress that will cost more than the present program. That is what I am saying.

Senator TALMADGE. Would the chairman yield on that? I think I can shed a little light on that.

Mr. Secretary, will you turn to the last page of your costs here. I notice there that the cost figure you have based the assumption on 5 million bales export and a reduction of 300,000 bales in the CCC stock. Under the present program you see no possibility of exporting 5 million bales or have any reduction of the CCC stocks to that extent, do you?

Mr. MURPHY. Yes, sir.

Senator TALMADGE. What makes you think we will? My information is that you are going to wind up this year with CCC stocks, you yourself say 8 million bales. I had some figures that indicated there was a possibility it might even be greater than that.

Now, if you continue that program and don't sell it, you have got the carrying charges and warehouse costs. Don't you think it is going to run considerably above \$461 million this year, this next year?

Mr. MURPHY. No, sir. These estimates would reflect our best judgment now as to costs under current legislation during the coming marketing year. The one that begins on August 1, 1963 and ends July 31, 1964.

Senator TALMADGE. Here is what I am trying to get at. How on the face of the earth can a program under which you subsidize only 10 million bales of cotton at a lower subsidy cost more than a program that now subsidizes 14 million bales of cotton at a higher subsidy.

Mr. MURPHY. I think the essential difference is in the price at which cotton is made available for domestic use.

Senator TALMADGE. Now, that is a one-shot proposition.

Mr. MURPHY. No, sir. Under the present program these estimates are based on the assumption that the market price of cotton would continue to be about 32 cents a pound and that it what domestic users would have to pay to get it.

Now, in column 4, that is based on the assumption that the market price of cotton goes down to 24 cents a pound.

Senator TALMADGE. Yes.

Mr. MURPHY. So these added Government costs result in what seems to us to be a very desirable and important benefit in getting to a one-price system so far as cotton is concerned.

Senator TALMADGE. That is what I am getting at. Now, ultimately this bill that I have introduced, you think, will get down to a Government cost of \$486 million?

Mr. MURPHY. It seems to me we should get right in that range, yes, sir.

Senator TALMADGE. Then that would be a reduction of something over \$100 million a year of present costs by your own figure, wouldn't it?

Mr. MURPHY. Well, it would be down in the range of the cost of the present program.

The CHAIRMAN. Over what period of time?

Mr. MURPHY. Well, we haven't actually done any estimates on that. I would think in the course of 2 or 3 years, perhaps.

The CHAIRMAN. Well, it might be well, Senator Talmadge, that we put that in there.

Senator TALMADGE. I wanted to make this point, Mr. Chairman. The bill that I have proposed ultimately will encompass a subsidy only for domestic production which will be a maximum of, if you use 10 million bales, a maximum figure there of \$500 million. If you use the 8 million bales and the minimum subsidy, it would be 8 cents a pound or something like \$300 million. There is no doubt in my own mind but what a bill that reduces the subsidy cost overall and places it only on 8 to 10 million bales is going to reduce the cost that now has a subsidy on 14 million bales. That is the point I am trying to make.

Now, you don't have to go through the second grade in arithmetic to understand that. I don't understand some figures I see from the Department but I know a subsidy on 8 to 10 million bales at a lower cost is a less cost to the Government than a high subsidy on 14 million bales.

Mr. MURPHY. May I make a comment on that?

Senator TALMADGE. If you can clear that up, I wish you would.

Mr. MURPHY. I am not sure I can clear it up. I would like to make one or two comments on it.

The estimates we have made under your bill contemplate a support price on the first 15 bales, the domestic allotment part, of 36 cents a pound.

Senator TALMADGE. That is correct.

Mr. MURPHY. Which, of course, is 4 cents a pound higher than we have used in the estimates for the present program. We think that is highly desirable. I don't by any means want to infer that we think it is undesirable.

Senator TALMADGE. I understand.

Mr. MURPHY. The second 15 bales, the support price that we use in these estimates was 34 cents a pound, which again is 2 cents above the 32 cents we have used in these other estimates.

This would enable small producers, of course, to grow just their domestic allotment part of the cotton at a better return, and we feel make a substantially better net income than if they grew somewhat more cotton at present prices.

So I think that we would have to take into account, though, in making the estimates, of course, the fact that these returns on this share of the crop would be higher.

Senator TALMADGE. I agree. Now, how many bales would that be? Here are the figures, if you want to refresh your memory. A little over 3 million bales.

Mr. MURPHY. I would have thought somewhat more than that, but if these are the Department's estimates——

Senator TALMADGE. That is your Department figure, here. There is the number of farm plantings, acres harvested, bales produced, and yield per acre there.

So you see the subsidy factor there involving a high figure is only slightly over 3 million bales.

Senator JORDAN. Won't that take care of about 80 percent of all the farmers?

Senator TALMADGE. It takes care of 85 or 86 percent of all allotments. Not 85 percent of the cotton.

Senator JORDAN. Allotments you are speaking of.

Senator TALMADGE. I am talking about allotments; 85 percent of the farmers produce less than 30 bales of your allotments.

Senator JORDAN. Mr. Chairman, I am fully——

The CHAIRMAN. Are you through, Senator Talmadge?

Senator TALMADGE. Yes, sir. I thank the Chair for yielding and I thank the Secretary for responding to the particular questions. I just know that a subsidy program which is direct, escapes your warehouse costs, your shipping costs, your give-away program, and your selling program.

One subsidy instead of three has got to be cheaper, Mr. Chairman; much cheaper.

Senator JORDAN. I just started to say, Mr. Chairman, in the Talmadge bill and the bill which I introduced, and possibly one or more of these others, I think it will cost the Government less money than it is costing them right now under the present program.

Of course, as we all know, if the Tariff Commission had acted favorably on the manufactured product that came back into this country, we wouldn't have needed this program at all. We would have gotten some money instead of paying out some money, collected money instead of paying out money; isn't that right?

Mr. MURPHY. Yes, sir. You know, the Secretary of Agriculture did recommend, and the President referred to the Tariff Commission, a proposal to establish an equalization fee on cotton textile imports——

Senator JORDAN. And you all recommended that.

Mr. MURPHY (continuing). Equal to the export subsidy on the cotton content. The Tariff Commission made an adverse recommendation about the 1st of last September, as I recall. Now, as you point out, if that were in effect, there would be some substantial Government receipts. I don't remember just what our estimate was, but it was given in the millions of dollars.

Senator JORDAN. Mr. Chairman, I want to get this in the record and this is something a great many people overlook. We export a lot of wheat, as you know, but we have restrictions on bringing that wheat back in here in the form of flour or other foodstuffs. Isn't that right, Mr. Secretary?

Mr. MURPHY. Frankly, I don't know, Senator.

Senator JORDAN. Well, that is correct. You can't just bring flour back in here in unlimited quantities or anything else like you can bring in some spaghetti or a few items like that, but flour can't be

brought back in. We can't export wheat and bring it all back here in the form of flour. That is protected by law. But there is certainly no protection right now except some voluntary agreements that are not working very well on the cotton we are exporting at 8½ cents a pound advantage for the foreign purchaser. He manufactures it at a very much lower labor cost and brings it right back in this market. That is what is killing the textile mills and it is going to kill the farmer. It is not just the textile mills. They can spin rayon just as easy as cotton and spin it easier. But the farmer is losing his market at a very, very rapid rate. I am told about 3,000 bales a week are being moved into synthetic manufacture. At that rate, they are not going to——

The CHAIRMAN. Do you attribute that to the high price of cotton?

Senator JORDAN. Absolutely; no question about it.

The CHAIRMAN. When they get a lower price, does that same prevail on cotton used abroad?

Senator JORDAN. Beg pardon?

The CHAIRMAN. Strike that question.

I say, does the same rule apply abroad as applies here? You say that higher prices here increase the use of synthetics. Now——

Senator JORDAN. Yes. In this country, yes.

The CHAIRMAN. Now, how about abroad? Is use of the synthetics—is that increasing in the same proportion as it does here?

Senator JORDAN. No, it has not. I think your figures will indicate that because the figure of 8½ cents a pound on cotton to a foreign mill with, let us say, 20 cents an hour wage scale, which Japan has, about 20 cents, and that is about twice as high as it is in some of the other countries that are producing a lot of textiles, particularly cotton textiles, they can take that cotton and compete very favorably with synthetics. So there is no necessity for them to go to synthetics. So there is no necessity for them to go to synthetics when they can turn around and buy cotton, and then I understand that this year's production of cotton in Brazil has been increased and it will be increased more. I don't think that the 8½ cents subsidy on cotton right now on the basis of 3247 is going to keep the American cotton on the world market.

Senator JOHNSTON. I agree with the Senator. The foreign countries are just one step behind us, too, when it comes to synthetics. They will follow in our footsteps just like they did as far as the cotton textile industry is concerned.

Senator JORDAN. I don't mean to indicate, Mr. Chairman, that the foreigners are not spinning textiles and weaving textiles because they are, to a great extent, and they are bringing them in here, too, which is taking the place of materials made in this country, regardless of whether it is cotton or synthetics.

The CHAIRMAN. I am sure they are and it might be well to put in the record, Mr. Murphy, if you will, the extent to which there has been an increase in recent years, year by year, if you can put it in the record, of the use of synthetics by foreign mills.

Mr. MURPHY. We will be very happy to do that.

(The information is as follows:)

Mill consumption of cotton and manmade fibers: Percent change from year earlier, foreign free world, 1951-62

[In percent]

Year	Cotton, change from previous year	Manmade fibers, change from previous year	Year	Cotton, change from previous year	Manmade fibers, change from previous year
1951-----	9.1	18.3	1957-----	6.1	6.5
1952-----	-4.8	-14.9	1958-----	-3.6	-11.2
1953-----	9.9	25.3	1959-----	3.3	16.7
1954-----	8.6	19.4	1960-----	8.0	14.5
1955-----	-2.2	6.4	1961-----	5.5	8.3
1956-----	6.3	12.9	1962-----	-2.6	(1)

¹ Not available.

Compiled from data from International Cotton Advisory Committee Special base book issue, Cotton-World Statistics, April 1963.

The CHAIRMAN. Now, going back to S. 1458, which I introduced by request, as I understand, the purpose of that bill is to make cotton competitive abroad.

Mr. MURPHY. More competitive.

The CHAIRMAN. I mean more competitive.

Mr. MURPHY. At home. In this country, particularly.

The CHAIRMAN. Yes; and by decreasing the cost to the manufacturer.

Now, I notice here a table where in exports, when cotton was 31.74 cents in 1959-60, the export was 7.2 million bales. When cotton was 30.25, it went down to 6.6 million bales. Then when it was up to 33.54, it got down to 4.9 million bales. And the latest estimate is 4 million bales.

How do you account for that? Do you think that since the objective is to put us back on world prices, don't you think S. 1458 would stand as good a chance as any of these bills in attaining that goal?

Mr. MURPHY. Mr. Chairman, the world——

The CHAIRMAN. And if you don't think so, let us know why.

Mr. MURPHY. The world price or the export price on American cotton is not directly related to the domestic price and has not been since the mid-1950's. For example, this is recognized in S. 1458, by providing—that bill provides that there shall be an export subsidy of not less than 6½-cents a pound unless it develops that such a subsidy would result in greater exports than during any of the past 10 years.

Now, this would mean something in excess of 7,600,000 bales, which I believe, is the highest export figure in the last 10 years. So this subsidy probably would be 6½ cents a pound, which would make the export price of American cotton between 23 and 24 cents, while the domestic price is about 30 cents.

This is not a very different export price from the one that we have at the present time. The price has been around 24 cents a pound for export purposes. We have had a 32½-cent support price on Middling-inch cotton and an 8½-cent subsidy, which brings this price down to 24 cents, if you are not taking into account the carrying charges.

Any of these proposals that we have examined here and all of these estimates that we have made contemplate an export price at about the same level, in this range, from 23 to 24 cents.

The CHAIRMAN. Which is about the prevailing price.

Mr. MURPHY. About the prevailing price in world markets.

The CHAIRMAN. And yet, notwithstanding that, I wish to point out again, the decrease in the consumption of cotton abroad by the trade has been gradually decreasing. That is what I can't quite——

Senator JORDAN. Mr. Chairman, it has been decreasing in American cotton but not in cotton.

Mr. MURPHY. The actual consumption in cotton in the foreign free world is down this year. During the time when American cotton was sold under export sales programs, large amounts in foreign inventories were built up. During the last couple of years these inventories have been drawn down. This has been accompanied by an increase in cotton production in the foreign free world and also by a decline in consumption in the foreign free world.

All of these things combined are going to bring our exports this year to a quite low figure. Some people speak as if this all were due to price. This is by no means true. All of these other elements have at least as much effect in my judgment as price. I think it is generally recognized that if we lower the price of American cotton in the world market, there is a tendency for the price of cotton produced in other exporting countries to fall until it stays just below us, and this might very well get us into a situation where it is like a dog chasing its tail and you can never catch up. The lower we make our price, the lower they make their price.

If I may say, Senator Talmadge, you spoke earlier about the share of the world market we had in 1932. If we have got to get it at the price we got for cotton in 1932, I am not for that. I think all of us would agree. So I think we have to be careful to guard against this kind of endless escalation downward in the price of our cotton.

We have recently started an export sales program under which we are selling cotton for export during the coming marketing year. Cotton under that program is being made available at a very favorable price, a lower price that it has been made available for export heretofore in recent years. We hope and believe that this will move substantial amounts of cotton into the export trade during the coming year.

Senator JORDAN. Isn't that about 9½ or 10 cents difference between our market and the present export subsidy?

Mr. MURPHY. If I understand the question, Senator, the answer is "Yes." We would regard the present prices under that program as the equivalent of an export subsidy of between 9 and 10 cents.

Senator JORDAN. Which further aggravates the spread between the domestic price of cotton and the foreign——

Mr. MURPHY. That is true.

Senator JORDAN (continuing). Goods coming back in here.

Mr. MURPHY. That is true, and any means you take to lower the export price of cotton will have that result unless you at the same time lower the domestic price.

Senator JORDAN. That is correct.

Mr. MURPHY. And I would like to say once again that we look with great reluctance on lowering the price that the farmer gets for his cotton, especially small farmers.

Senator JOHNSTON. So we are facing foreign countries producing more cotton which in all probability will lower the price of cotton on the foreign market.

Mr. MURPHY. Well, I think we are faced with the probability of them producing more cotton. Whether or not it has the effect of lowering the price on foreign markets depends very greatly on the pricing policies we follow in this country.

Senator JOHNSTON. There is another question that comes to mind, too. The shipping of cotton. How much does it cost to ship a pound of cotton on the average, say, to Japan?

Mr. MURPHY. We did some work on this some months ago, Senator. It depends on the point of origin in this country as well as the point of destination in Japan. We tried at that time to get at the advantage which the foreign mill or the domestic mill might have by reason of differences in transportation costs and other closely related factors such as commissions and insurance that are involved in the acquisition of cotton. You can only do this by looking at a great many different particular locations in this country and abroad.

Our preliminary work indicated that this difference would be in the range between 1 and 2 cents, perhaps in the neighborhood of a cent and a half a pound. And this was an advantage to the domestic mills on the average.

Senator JOHNSTON. So the foreign countries may buy from a closer market to them than the United States even though we sell to them at the world market.

Mr. MURPHY. They would buy at the market where they could get it at the lowest price.

Senator JOHNSTON. So we have got to look into that, too, as we go along, don't you think so?

Mr. MURPHY. Yes, sir. We certainly have to.

The CHAIRMAN. Mr. Murphy, again reverting to S. 1458, introduced by me by request—

Mr. MURPHY. Yes, sir.

The CHAIRMAN. According to the figures presented to me by you, under S. 1190 the disappearance would be 14.2. Under S. 1511 and H.R. 6196—that is the House bill—the disappearance—this appears to be 14.8 and the cost of those two would be respectively \$667 million for the former and \$729 million for the latter. And then when you come to the 1458 bill, the disappearance would be 14.3 and the cost is only 446.4.

Now, how can you say there is no merit to those bills—to that bill?

Mr. MURPHY. Well, there are two particular difficulties that we have with that bill, Senator. Perhaps I should say—

The CHAIRMAN. I am just trying to develop all the bills before me now. That is the purpose of that question.

Mr. MURPHY. Perhaps I should say three. As you will recall, S. 1458 provides a minimum national acreage allotment of 17.5 million acres. You have to add 150,000 to 200,000 acres to take care of the small farmers, the so-called acreage reserve. Now, when you allow for the increased consumption that we estimate would come from this much of a reduction, 2½-, 3-cent reduction in the domestic price of cotton, we still estimate that the carryover would be increased from 11 to 11.5 million bales the first year and increased by another 300,000 bales the second year. So here we are building an additional—we are building additional stocks of cotton that we would not know what to do with, and the difficulties of disposing of that cotton are not reflected in these cost estimates.

The CHAIRMAN. Now, why is it that under 1511 and H.R. 6196 you estimate production at 13,700,000 bales, and under S. 1458 you estimate 14,500,000 bales?

Mr. MURPHY. Because the acreage allotment would be smaller under S. 1511. This is the critical difference, Senator. Under S. 1511 there is no increase in the statutory minimum acreage allotment. It would remain 16 million acres.

The CHAIRMAN. And you would leave it remain at that.

Mr. MURPHY. Yes, sir.

Senator JORDAN. Under this bill.

Mr. MURPHY. Yes.

The CHAIRMAN. No, no. Under the—under S. 1511.

Senator JORDAN. That is what I am talking about.

The CHAIRMAN. Oh, yes. Your bill—excuse me.

Mr. MURPHY. And the statutory acreage—statutory minimum acreage allotment would continue to be 16 million acres.

Now, S. 1458 would increase that by a million and a half acres, and according to our best estimates or guesses at this time, this would result in the production of more cotton than would be consumed and an increase in the carryover.

Senator JORDAN. Yes.

The CHAIRMAN. What about the provision to permit the planting of 30 percent more cotton for world consumption. Wouldn't that increase the production?

Mr. MURPHY. That is not mandatory in the bill or in any proposal that we have made. This is acreage which the Secretary of Agriculture could permit to be planted if, according to the estimate when the allotment is fixed, production of cotton on these export acres would not increase the carryover or would result in a drawdown.

The CHAIRMAN. And you do not make allowances for any amount of acreage that may be taken advantage of by virtue of that 30 percent provision.

Mr. MURPHY. Yes, sir; we do. We do.

The CHAIRMAN. And notwithstanding that, your production would be 11 million—13.7 million?

Mr. MURPHY. If I may refer particularly to this column 5, having to do with S. 1511; S. 1511 does not at the present time have in it any provisions for the so-called export acreage. This column is based on an assumption that the acreage allotment actually fixed would be 500,000 acres above the statutory minimum and that on this acreage there would be produced some, oh, around 600,000 bales of cotton, as I recall. If the bill were amended to provide export acres and we estimated that the supply-and-demand situation would be the same, then instead of fixing the acreage allotment at 16.5 million acres, I would expect that the acreage allotment would be fixed at 16 million acres and then enough plantings on export acres would be permitted to produce an estimated 500,000 or 600,000 bales of cotton, so that this 500,000 or 600,000 bales of cotton would be produced on the export acres instead of being produced under the national allotment.

That means it would be produced at the world price and not at the higher support price.

Now, if I may comment further, Senator, in response to your question on other differences between S. 1511 and S. 1458; S. 1458 does not have

in it any provision for a higher level of support on the first 15 bales or anything of that kind. So that means that the reduction in support price would not have any provision to ameliorate the effect on small producers. If you have a reduction in support price without the increase in minimum acreage allotment, of course, you have a sharp decline in total producer income.

One other point I think I might note is that under this bill, while it would move in the direction of a one-price system for cotton by some 2½ cents, that is, the domestic price would be—well, the difference between the domestic price and the export price would be 6½ cents. It does not accomplish the total elimination of an inequity that the domestic industry now sustains because of the two-price system. So for those reasons it seems to us that the other bills in their present form are more desirable.

Now, of course, there are an infinite variety of combinations of these different provisions that can be put together.

The CHAIRMAN. Any further questions?

Senator TALMADGE. Mr. Secretary, I do not want to put you on the spot, but could you indicate whether the Department—

The CHAIRMAN. Off the record.

(Discussion off the record.)

Senator TALMADGE (presiding). Mr. Secretary, I do not want to put you on the spot but you comment here about several bills that you said might suit the Department. Would you care to comment on which one you would find most acceptable, or would that embarrass you?

Mr. MURPHY. I do not think I would be particularly embarrassed. Senator, and even if I were, I think it is a fair question. You are entitled to ask it.

We have undertaken to approach this matter in a spirit of reasonableness and we recognize the necessity for getting a considerable measure of agreement to pass legislation. As we have examined all the proposals that have been put before us, we think that on the basis of the merits and in terms of the contribution that it would make toward a solution of the problems in the industry, S. 1190 would make the greatest contribution.

Senator JORDAN. Whose bill is that?

Mr. MURPHY. That is the Talmadge bill.

Senator TALMADGE. And you use the yardstick presumably in your testimony here that I was impressed with because I thought that it pinpointed the problems of the industry so clearly. Here it is. You stated:

Such a measure should meet four tests to the maximum extent possible: (1) Eliminate the disadvantage which the present two-price system for cotton imposes on the U.S. textile industry.

S. 1190 meets that, does it?

Mr. MURPHY. Yes, sir; and if I may, that is the President's statement as distinguished from mine. You are quoting the President's statement.

Senator TALMADGE. Oh, yes. I did not get that when I heard you read it.

(2) Strengthen the income of individual cotton farmers by enabling them to sell additional output at the world price in a combination suited to their individual situations.

Do you think S. 1190 meets that yardstick best?

Mr. MURPHY. It meets it at least as well as any of the others.

Senator TALMADGE (reading):

(3) Promote sustained and expanding markets for U.S. cotton.

Do you think S. 1190 meets that yardstick best?

Mr. MURPHY. I think it meets it at least as well as any of the others.

Senator TALMADGE (reading):

(4) Accomplish these objectives at a minimum cost to the taxpayers.

Did you take that into consideration when you evaluated S. 1190?

Mr. MURPHY. We did, and it does seem to us it will accomplish these other objectives at a lower cost than any of the other bills that accomplish those objectives so fully.

Senator TALMADGE. Any further questions? Senator Cooper?

Senator COOPER. Since the Secretary has said that he looks favorably toward your bill, Senator Talmadge, I would like to ask a few questions, just for my own information.

As I understand it, and perhaps Senator Talmadge would prefer to answer, his bill, S. 1190, contemplates that a domestic cotton acreage allotment would be established for the whole country. That would be the amount of cotton that you estimate would "disappear" or be used domestically.

Mr. MURPHY. As I understand it, Senator, it would not be established in terms of acreage but in terms of bales. That would be a national allotment established in bales.

Senator COOPER. And it would be apportioned among the States.

Mr. MURPHY. Apportioned among the States and counties and growers on, generally speaking, the same basis that the present national acreage allotment is proportioned.

Senator COOPER. What are the base years for establishing a grower's cotton allotment?

Mr. MURPHY. I would have to call on my associates.

Senator TALMADGE. You mean for this bill, the proposed bill?

Senator COOPER. Yes.

Senator TALMADGE. It would be the year——

Senator JORDAN. Previous 3 years.

Senator TALMADGE. Three previous years.

Mr. OTWELL. For the first year it will be based on the 1963 allotment converted to bales based on yields.

Senator COOPER. I haven't studied your bill very thoroughly, Senator Talmadge, and not coming from a cotton State, I don't know as much about the cotton program as I do about some of the other programs. Would your bill provide some way for new growers— young farmers—to get into cotton production?

Senator TALMADGE. Yes. Do you want me to respond to that or the Secretary?

Senator COOPER. It wouldn't be frozen——

Mr. MURPHY. I would be happy if you would respond to it.

Senator TALMADGE. The Secretary is a better authority on that than I am. I will yield to you.

Mr. MURPHY. Obviously anyone could produce at the world market. I think the question more precisely is about getting a share of the allotment.

Now, it is my understanding that the pattern generally would follow the pattern in existing law and would make the same kind of provisions for new producers as in all areas. I would like to have that confirmed by my colleagues.

That is correct.

Senator COOPER. Then would your three series of price supports—15 bales or less, 32 to 36 cents per pound; 16 to 30 bales, 30 to 34 cents per pound; more than 30 bales, 28 to 32 cents per pound—bring the price down to a level that would correct the imbalance which now exists between domestic users—textile mills and others—and foreign textile producers?

Mr. MURPHY. It would, Senator. The cotton would be sold and moved through the marketplace at world prices around 24 cents a pound and then this added support on the domestic allotment would be provided by payments to producers and not as part of the price of the cotton in the marketplace.

Senator COOPER. I thought you said that about 24 cents per pound was the level at which foreign buyers could now get the cotton and work on it and send it back.

Mr. MURPHY. Yes, sir.

Senator COOPER. Now, the lowest level under this plan is 28 cents per pound.

Mr. MURPHY. Not for the price of cotton itself.

Senator COOPER. What?

Mr. MURPHY. Not for the price of the cotton. The cotton would be sold for whatever it brought in the marketplace except this price would be supported by a loan of from 20 to 24 cents, as I recall, between 50 and 60 percent of parity. The cotton would be sold at that price and then this added return to the producer on his domestic allotment would be provided by payments to the producer.

Senator COOPER. Then the growers who plant more than their domestic allotment—is that additional production? Could that cotton go into export?

Mr. MURPHY. Yes, sir.

Senator COOPER. That would be handled purely through the private channels of trade?

Mr. MURPHY. Through private trade channels.

Senator COOPER. I wonder if farmers would produce a lot more than could go into export—

Senator TALMADGE. If I may interrupt you there—

Senator COOPER. What happens to the cotton then?

Senator TALMADGE. All cotton will go into private channels. This is merely a payment to certain producers by the Government in lieu of CCC acquisition. The cotton would go into CCC only if it got below the lowest price, which would be at 50 to 60 percent of parity, or 20 to 24 cents.

Senator COOPER. I understand that would be the case for cotton produced on the domestic allotment. If it doesn't sell at the support price, then it could go into CCC loan stocks.

Senator TALMADGE. That is correct.

Senator COOPER. Or it could be bought directly by CCC, or payments could be made to the producer. My question goes to the quantity that is produced outside the domestic allotment, for export. Just assume that it far exceeds the amount that could go into the

export trade. What happens to that cotton? It would either be held by the producer, or if exporters in the private trade had purchased it, they would hold it. Would that then threaten the domestic market? How could you keep a surplus from going into the domestic market if more was produced for export in a particular year than could be sold abroad. What happens to that cotton?

Mr. MURPHY. First, there would be no prohibition on any cotton going into the domestic market. Cotton would be produced and sold through private trade channels, would find its way into domestic consumption or into export without interference from the Government except that there would be this price support loan at not more than 60 percent of parity, which according to our estimates would be low enough so that cotton would not accumulate in Government stock and would move either into domestic or export markets. We feel that certainly at some price the cotton will move.

Senator COOPER. I am not trying to shoot holes in your statement. I sort of like it.

Mr. MURPHY. We would not expect the world price to drop below where it is.

Senator COOPER. My question is this: If there is a great production outside the domestic allotments assigned to all growers, presumably for export, and that cotton moves into private trade with no restriction on where it is sold by the private trade, wouldn't you again begin to accumulate stocks in the CCC—and also have very low prices which would make it difficult to dispose of the CCC stocks? Is that a possibility?

Mr. MURPHY. We would expect—

Senator COOPER. I know you have to compare the possibilities under this bill with what is happening now under the present program. It is all a question of alternatives. But wouldn't that be a possibility under this bill?

Mr. MURPHY. Well, a very remote possibility.

Senator COOPER. Because of the low support price?

Mr. MURPHY. Because of the low price the farmer would get for the part of his crop that he produces for export. We would not think that there would be a great deal more cotton produced than there is at the present time. If there were, the 50-percent support level allows some leeway for moving this cotton into markets at world prices. If the world market price and export price went down, the domestic price would go down with it and the payments to farmers to protect their income, to maintain these higher support levels on the domestic allotment, would be larger. They would be measured by the difference between the market price and the target price as stated.

Senator COOPER. However, and this may be the point you made, Senator Talmadge, that support would be accorded to the much smaller production of cotton actually established for the domestic disappearance.

Senator TALMADGE. That is correct. You see, we have a cotton allotment now of 16 million-plus acres.

Mr. MURPHY. 16 million. That is right, which we estimate at the present prices will result in the production of 13,400,000 bales. We would estimate that domestic consumption at the lower prices that would prevail under S. 1190 would make it possible to have a domestic

allotment of 10 million bales. We would not expect all of that cotton to be produced.

Senator COOPER. I have one other question. I think——

Mr. MURPHY. Excuse me. We would not expect all that cotton to be produced within the domestic allotment. We would expect that a small portion of the domestic allotment would lapse; so to speak, by reason of failure of eligible producers to plant that particular cotton.

Senator COOPER. Senator Talmadge's bill provides in section 7, and I note the Advisory Committee recommends, that the Secretary of Agriculture make payments-in-kind from Government stocks of cotton, or in cash if cotton is not available, to persons other than producers "in such amounts and subject to such terms and conditions as the Secretary determines will eliminate inequities" sustained by the U.S. users of cotton by reason of the present two-price system. I assume that language intends that the Secretary dispose of Government stocks of cotton at lower rates than are now permitted by law—that it would enable you to sell this cotton from CCC stocks at, for example, 24 cents a pound or such figure as would eliminate this inequity?

Mr. MURPHY. Yes, sir. This contemplates that payments-in-kind would be made to eliminate the inequity. The rate would be determined as to what was required for this purpose except that S. 1511 provides that on and after August 1, 1964, it must be enough so that the price of cotton for domestic use is no higher than the price at which it is available for export.

This, of course, would have to be a uniform payment figure for all cotton consumed domestically.

Senator COOPER. This would mean a loss, then, on the operations of the CCC as far as cotton is concerned.

Mr. MURPHY. Well, it would mean the Government would incur the expense of making these payments, either in the form of a loss on the CCC cotton or some other way. If we make payments-in-kind, it would mean that CCC stocks would be used for this purpose.

You would first determine the amount of payment that was necessary to eliminate the inequity and then you would pay that amount in cotton. And I suppose the cotton for that purpose would be valued at the current market prices.

Senator COOPER. Anyway, all that is figured in your estimated cost of the program?

Senator TALMADGE. Yes. It would be a one-shot proposition, Senator Cooper, until the provisions of the act became effective and set the cotton at the world price. You see, you have lots of inventory in private hands. It has been purchased at the present support price and it would do irreparable damage to them if they suddenly found inventory acquired in excess of 32 cents at the value of 24 cents.

Mr. MURPHY. There has been since last fall, Senator, an added element of uncertainty about the textile industry. When the President—on September 6, as I remember it—directed the Department of Agriculture to look for alternative means to eliminate inequities of the two-price system, this was an alternative to the import equalization fee that had just been turned down by the Tariff Commission. Very soon there began to be a feeling that the most likely way of getting at this was some method of reducing the effective price of cotton consumed domestically and in a fairly large amount. Then

naturally users of cotton did not want to carry large stocks with the prospect that there might be a sharp reduction in the price in the near future. This has resulted in cleaning out the pipelines very largely of raw cotton, in private hands, and also in the textiles, even after the cotton has been processed.

This accounts in very large part for the decline in the domestic utilization of cotton during the current marketing year. The uncertainty created by this, although it had no direct effect on the export price, has I think added a very substantial deterrent to purchasers abroad because potential customers abroad, not being thoroughly familiar with all the eccentricities of our actions over here, didn't know just exactly what to expect. So they, too, have had a tendency to live on a hand-to-mouth basis.

This would continue, if legislation were passed providing a substantially lower price for the cotton, until that lower price took effect. So to get the wheels turning again, if the legislation were passed, I think all of us would agree that prompt steps should be taken to make the cotton available at a lower price for domestic use.

Senator TALMADGE. Any further questions, Senator Cooper?

Senator COOPER. No, sir.

Senator TALMADGE. Senator Jordan?

Senator JORDAN. Mr. Chairman, I would like to ask the Secretary a question, and again I don't want to put him on the spot either. I am not wedded to any of these cotton bills, as you know, Mr. Secretary. I have talked to you hours about this situation. What we want is to work out something that would get relief for the textile mills and put them on par with our foreign competition.

Now, what I would like to know, because the reason I introduced 1511, along with Senator Ellender—the understanding I had, and I still understand, is that that comes nearer to meeting what the House Agricultural Committee can get through their committee and that you all will accept, or as near as anything that has been introduced, which you all won't take back in its entirety yet, and——

Mr. MURPHY. I think the situation is substantially as you have stated.

Senator JORDAN. What I am interested in and I am certain Senator Talmadge is, and the rest of us are interested in this cotton bill, is to get something that Mr. Cooley can get through his committee and the House can pass and we can pass also. If it doesn't pass the House, there is no use in bringing it over here. This comes closest, with the provision about the overplanting section in there, which I have no particular objection to but I understand the California people are adamant that they are going to have it and the Missouri folks, and so forth, and so on. Now, that may be worked out, I don't know, and I haven't heard indication that the House will take the S. 1190, your bill, Senator, which meets most of the requirements I can see that the textile people want, and it certainly is, as you once said, that is a little bit too simple for us to adopt. But it would suit me fine if it suits the textile industry as a whole and as far as I know, it does. I have talked to several of them.

But could you get it through the House committee over there and get it enacted into law?

Senator TALMADGE. Are you addressing your question to me?

Senator JORDAN. Both of you.

Senator TALMADGE. I don't have any idea. Of course, this is something I have been working on for 10 years. You have got a great many problems, not only the textile problem but you have the farm problem and you have the problem of the taxpayers and you have the problems of textile mills. You have the problems of textile employees. And I think as the Secretary pointed out, this comes nearer fitting the situation than anything I know.

Now, about the possibility of passage, only time will tell. I don't have but one vote and, of course, we haven't got it out of this committee yet anyhow. Either out of the committee or through the Senate. But presumably in the final analysis, a conference will be necessary between the House and Senate as to the type bill that we work out anyway. It has always been that way ever since I have been in the Senate and I presume always will be.

Senator JORDAN. We come back to another situation. If we pass a bill through here which the administration doesn't want, without their help we won't get it. If the administration doesn't want it, the President could veto it. So there is no use in us running around in circles.

We have got to get together on some kind of a cotton bill that the administration will accept.

Senator TALMADGE. I hope these hearings that we are having will develop some consensus of opinion that will be agreeable to the Senate committee, the Senate, the House committee and the House. I don't know whether that is possible.

Senator JORDAN. And the administration.

Senator TALMADGE. Yes. And the administration. Of course, Chairman Ellender before he left here pointed out the hazards that we had to face this year and, of course, we know they are great, but I don't think that relieves us of our responsibility to make an effort.

Senator JORDAN. Well, I thoroughly agree with you, and I think if we get the same pushing behind this that we got behind the feed grain bill last week, we can get a bill through here.

Mr. MURPHY. Well, our feeling, Senator Jordan, is first that there is a bad situation in cotton. We feel that it is certainly possible to improve the situation by new legislation. We would support the enactment of almost any legislation that appeared on balance to promise an improvement in the situation. We would like for the improvement to be just as great as possible.

We have indicated, and indicated in this statement this morning, that there are at least three proposals that the administration will support. One of them being with an amendment relating to export acres.

I am certain that there are other combinations which if we were asked to examine them, we would feel would be an improvement in the situation, and we doubtless would agree to support them also.

As I have indicated earlier to Senator Talmadge, it seems to us that the greatest improvement would be accomplished by his bill if it is possible to get it passed. We would support that. If it is not possible to get it passed, we will support the best one we can get passed.

Senator JORDAN. Well, I think that is a fine statement and I am delighted that in your testimony here which I have a copy of you did

list three or four alternates here and out of three or four we ought to be able to come up with a cotton bill that is acceptable to everybody to do the job, and I am willing to try to put anything together that we can get out of here and I am certain the Department does want a cotton bill that will improve what we have got right now.

Mr. MURPHY. We certainly do.

Senator JORDAN. I am positive of that.

Senator TALMADGE. Any further questions, Senator?

Senator JORDAN. I don't have any further questions.

Senator TALMADGE. Mr. Secretary, thank you for coming. We are sorry we kept you so long.

Mr. MURPHY. It has been a pleasure.

Senator TALMADGE. It is a complex problem as you realize better than most of us.

The next witness is Mr. F. Marion Rhodes, president, New York Cotton Exchange.

Gentlemen, if I may make an announcement at this time, we have three more witnesses scheduled for this morning—Mr. Rhodes, Mr. Merritt and Mr. Edelman. I don't know—the Senate is in session, of course, and I don't know how long we can continue to run.

Do we have permission to sit? I assume we do. At least we can take testimony, I guess.

If the statements could be made brief, we might conclude before lunch. Otherwise we will probably have to come back after lunch.

So if you will proceed, Mr. Rhodes.

STATEMENT OF F. MARION RHODES, PRESIDENT, NEW YORK COTTON EXCHANGE, NEW YORK, N.Y.

Mr. RHODES. Thank you, sir.

My name is F. Marion Rhodes. I am president of the New York Cotton Exchange, located in New York City. I am also interested in the production and ginning of cotton in New Madrid County, Mo. I spent over 25 years as an employee of the U.S. Department of Agriculture. During a large part of that time I was responsible for the administration of the cotton programs of the Department.

The membership of our exchange includes representatives of all major segments of the industry—producers, merchants and textile manufacturers. The exchange is vitally interested in the well-being of the entire cotton economy since we believe that no one segment can prosper for long unless the entire industry is healthy.

The urgent need for new cotton legislation has become so apparent it hardly seems necessary to discuss it in detail. Inasmuch as the statement of the National Cotton Council will no doubt cover the current statistical position of American cotton, I do not plan on going into these details. In fact, nearly all, if not all, cotton organizations now recognize the need for new legislation and have agreed that it is imperative that it be passed at the earliest possible date if we are to save the cotton industry. The fact that the 1963 crop of cotton is already planted does not decrease the urgency of preserving what remains of our domestic and export markets.

It is even more noteworthy that most cotton organizations now recognize that in order to compete in world markets, the price of U.S. cotton must be reduced to a level that would provide insufficient in-

come for most U.S. growers and a satisfactory way must be found to overcome the deficiency. There appears to be rather general agreement that this best can be accomplished by issuing payment-in-kind certificates, which may be used to purchase cotton from CCC or to redeem loan cotton. If not used to purchase or redeem cotton, the certificates would, after 60 days, be surrendered to CCC for cash. Only a few months ago there were many cotton leaders who still contended all of cotton's problems could be solved by merely reducing the level of price support a few points each year. There are apparently still some who believe that 30-cent cotton would solve all our problems. These people apparently think that if prices are moving in the right direction, it is not necessary to actually be competitive. Fortunately, this type thinking has largely been dissipated.

Cotton is at the crossroads. We are now suffering the most serious competitive losses in the domestic market we have ever experienced. It is almost a certainty that cotton's competitive losses during the next few years will be limited only by the ability of the manmade fiber industry to increase its production, unless Congress takes prompt action to remedy the situation.

Right now the manufacturers of certain manmade fibers are allocating them to the American textile mills. Sooner or later these manufacturers will increase their capacity to meet the demand of the textile industry. It will be most difficult for cotton to regain these lost markets.

President Kennedy recognized the necessity for action back in May 1961 when he issued his 7 point textile statement. Point 4 of this program directed the Department of Agriculture to explore and make recommendations to eliminate or offset the raw cotton price advantage to foreign mills.

The President issued a second statement on September 6, 1962, requesting the Department of Agriculture to give immediate attention to the formulation of a program that would eliminate the inequity between the cost of raw cotton to foreign mills and the cost of raw cotton to our domestic mills.

It is the considered judgment of the members of the New York Cotton Exchange that the President's recommendation is sound and can only be accomplished by the adoption of a one-price competitive program operated through private trade channels. The New York Cotton Exchange, as well as other exchanges throughout the world, has been advocating a one-price program for many years.

In my opinion, the question is not whether we will abandon the present two-price cotton program, but when. The current cotton program has failed. The taxpayers know it—it has cost too much and only benefits that 1 percent of the population which is involved in growing cotton. The consumers know it—they are being compelled to pay far above world prices for their manufactured textile products. The farmers know it—regimented acreage is preventing them from making maximum use of the revolution in agricultural technology and mechanization. The big question is when will the Congress recognize it and take the necessary action to correct the situation.

Even though there were universal agreement that the payment approach is the only proper solution to our current situation, it would still be essential that the greatest care be used in developing a program that not only makes cotton competitive in both the domestic and

foreign markets, but also permits cotton to move through private channels of trade.

I would like to emphasize three factors which we believe are absolutely essential to a sound program:

1. A one-price program: By this we mean a program which permits American textile mills to buy cotton at the same equivalent price paid by foreign mills. Although the initial cost of this approach to the problem may be higher, it is certain to cost the taxpayer far less in the final analysis when consideration is given to the fact that cotton textiles and cotton clothing would be priced materially lower in the domestic market and greatly benefit all consumers of cotton goods in the United States as well as every segment of the cotton industry. In December 1962, when Mr. C. A. Cannon, chairman of the board of Cannon Mills Co. of Kannapolis, N.C., testified before the Cotton Subcommittee of the House Committee on Agriculture, he stated:

A complete return to a one-price system for cotton in the United States could mean an annual cost saving to the consuming public of a probable \$600 to \$800 million when the initial cotton cost reduction is carried all the way through the textile pipeline to the retail counter.

Assuming Mr. Cannon's figures are approximately correct, a switch from the present cotton program to a payment program, even though it were somewhat more costly, would still save the taxpayers of this country more than \$500 million per year.

Under Secretary Charles S. Murphy, USDA, in a statement before the Cotton Subcommittee of the House Committee on Agriculture on January 31, 1963, in discussing the initial cost of a PIK payment program, said in part:

We would expect this initial cost to be more than compensated for by lower costs to consumers of cotton textiles, more stable employment in the textile and related industries, and increased markets for cotton producers.

In a speech on May 10, 1963, before the annual meeting of the American Cotton Shippers Association, Under Secretary Murphy stated further:

Consumer savings alone would largely justify the expenditures—since prices to consumers would, it is estimated, be reduced the equivalent of twice as much as the increased Government costs.

Another offset to the initial cost of this program is the fact that lower cotton prices will doubtless increase the consumption of cotton goods, thereby revitalizing an important taxpaying industry.

2. Competitive prices: The serious competitive losses previously mentioned are almost entirely due to the excessively high price of raw cotton as compared to competing fibers. It is no accident that rayon staple has made the biggest competitive gains. It is clearly due to its 12- to 15-cent-per-pound price advantage. Cotton's losses, however, have not been limited to rayon staple but have occurred in the other competing fibers. Consumption of cotton by domestic mills during the 1962-63 season is expected to be about 8¼ million bales compared to 9 million bales during last season. Cotton's share of all domestic fiber consumption in calendar year 1962 reached an alltime low of only 59.8 percent.

For cotton to be competitive with manmade fibers in the domestic market, it must sell at a price that is actually competitive. Reducing the domestic price of cotton to 28, 29, or 30 cents per pound would be almost completely ineffective. Cotton's markets would continue

to disappear as rapidly as the manufacturers of manmade fibers could increase their production. American-grown cotton to compete with foreign growths in markets throughout the world; it must sell at a competitive price. It should be self-evident to everyone that American textile mills will not be able to compete in these markets until they are able to buy American cotton at the same price their foreign competitors must pay.

3. Maintenance of private cotton marketing system: During the past 100 years an amazingly economical cotton marketing system has been developed. In determining price, it allowed the free interplay of supply and demand to function, resulting in both buyers and sellers having equal access to accurate market information and protection at all times. Probably no other agricultural commodity moves from the producer to the manufacturer or processor as efficiently and at such a reasonable cost. It is essential not only to the consumers of cotton products but also the producers of raw cotton that this marketing system be saved and strengthened rather than weakened further and destroyed. Unfortunately many producers do not appear to realize the benefits they derive from a free market.

A one-price competitive program can be achieved in many ways. It is generally recognized that the simplest and most direct method would be to make the equalization payment directly to the producer on that portion of his crop produced for domestic consumption as outlined by Senator Talmadge in his bill, S. 1190.

The remainder of a producer's crop would be free to move at the world price in either the domestic or export market. This approach would be most desirable in the opinion of the New York Cotton Exchange and if it found general favor we would support it. We cannot, however, overlook the fact that some producers object to direct payments. Mills likewise object to receiving direct subsidies.

In view of those strong feelings, which have long existed, on the part of both producers and millowners and the great urgency for a sound cotton program, I came to the conclusion many, many months ago that a compromise could best be worked out by making PIK payments to a middleman; namely, the cotton merchant.

These merchants, through their national organization, the American Cotton Shippers Association, have indicated a willingness to accept the onus of receiving the subsidy as a service to the entire industry. They have repeatedly stated, however, that it is their considered judgment the program could work successfully only if the PIK certificates were issued to the "first buyer" of cotton.

It would seem reasonable, therefore, to give serious and favorable consideration to the recommendations of these qualified and experienced merchants who have volunteered to perform this important function for the well-being of the entire industry.

On the other hand, there are a few people in the cotton industry who favor continuing the current practice of marketing the cotton crop through Government programs and they are advocating the PIK certificates be paid to the "last seller" of cotton, to a consuming mill, or to the party who exports cotton.

There can be little doubt that if the PIK certificates are paid to the "last seller" of cotton, free stocks will be reduced to a bare minimum and the Government loan program will further displace the mechanism of the free market in the merchandising of cotton. Under such a

system, independent cotton merchants would be at a serious competitive disadvantage since they could not compete with those organizations which can carry cotton at no expense to themselves.

Let's look at some of the reasons why it is absolutely essential that the PIK payment must go to the "first buyer" of cotton from the producer, should this type program be approved by the Congress.

The payment of the PIK certificates to the "last seller" would nullify completely the major goal of new cotton legislation; namely, a one-price cotton program. If the PIK payment is made to the "last seller," a two-price cotton program would continue to exist as there would be a domestic interior price and a domestic mill and export price. In the event the domestic mill price is higher than the export price, as advocated by the U.S. Department of Agriculture, we would have a three-price cotton program.

Under the "last seller" approach, the futures market would, of necessity, reflect either the interior price or the domestic mill price, depending upon the use of PIK certificates in connection with certificated stocks. If they reflected the domestic interior price, this would preclude their use by foreign importers and domestic mills. If, on the other hand, the market reflected the domestic mill and export price, this would preclude their use by merchants.

If the PIK certificates are issued to the last handler of cotton, it will force that substantial part of each cotton crop, not in immediate demand, which might well be the greater part of it, into the loan and the Government would carry the cotton until it is needed for export or for domestic mill consumption. This would result from the fact that merchants could not afford and would refuse to invest in cotton at the higher price, knowing that such investment could not be recovered until the cotton is sold to an ultimate consumer.

We should ask ourselves these questions. Do we want to build up loan stocks of cotton or do we want our cotton to move into the hands of merchants and mills? What will be the attitude of the urban population when they see Government loan stocks continue to build up despite large Government subsidies?

It should be apparent to everyone that if the PIK payment is made to the "last seller" it will immediately become known as a "mill subsidy." It will also increase the amount of recordkeeping and paperwork each mill operator is required to do. This will give mill operators another reason to convert their mills from cotton to manmade fibers.

The advocates of the "last seller" approach have been quite successful in making some producer representatives believe this approach eliminates all danger of Congress putting a limitation on the amount of assistance a producer may receive from the cotton program. It should be crystal clear to everyone that should Congress decide to put limitations on the benefits a cotton producer may receive, the Congress could make it effective irrespective of who receives the PIK payment.

In my opinion, there is no more danger of a limitation being placed on the benefits a producer may receive under a PIK program operated through the "first buyer" than if it were operated through the "last seller."

A payment program should in no manner be designed to penalize the efficient producer, nor should there be a limit on the amount of payment any one producer may receive due merely to the size of his

operation. This does not mean, however, that special consideration may not need to be given to certain small inefficient producers until they are able to locate a more productive means of earning a living.

Any limitation on payments will doubtless take the form of a limit on the number of cents per pound that may be paid, regardless of who receives the payment. In my opinion, if there is to be a limitation of any kind, it is far more likely to be a limitation on the amount of money a producer may obtain under the loan program. Such limitations have always been completely ineffective since the market price stays at or slightly below the loan level. The discounts, if any, the large producers take have been insignificant. This question of limitations has been discussed so much it has been blown completely out of perspective and frequently is used to cloud the real issue under discussion.

Advocates of the "last seller" approach have also attempted to make it appear this is the only way cotton could be made available to our domestic mills at the export price immediately upon passage of new legislation. The problems to be confronted in administering a new program, including the granting of immediate relief to the domestic mills, will largely depend upon whether the new legislation applies to cotton produced in 1963 or to all cotton carried over from previous years. In any event, these administrative problems will be relatively simple since the bulk of all carryover stocks will be held by CCC.

Based on many years of experience in administering the cotton programs of the U.S. Department of Agriculture, I can unqualifiedly assure you a PIK payment program operated through the "first buyer" would be far simpler to administer than one operated through the "last seller."

The major part of the machinery and qualified personnel needed is already available in the county offices throughout the Cotton Belt and in the New Orleans commodity office. It would merely mean assigning these additional functions to an existing organization. Relatively few, if any, additional personnel would be required.

Despite the many conflicting interests, it appears the prospects are better today than they have been since 1958 for the industry to obtain sound one-price cotton program. It would be a tragedy to the whole country if the few dissident elements in the cotton industry are again successful in defeating the passage of a sound cotton program or if the program were established in a manner that prevented cotton from moving through private trade channels to both the domestic and foreign markets.

Mr. Chairman, I wish to thank you and the members of the committee for the privilege of appearing before you and presenting our views on the need for new cotton legislation.

Senator TALMADGE. Senator Jordan?

Senator JORDAN. I just want to ask one question. All the textile mills that spin necessarily have quite a large quantity of cotton in their warehouses. Now, what is going to happen to that segment of the industry? If you put it on the first buyer?

Mr. RHODES. It could be put on the first buyer and still protect the inventory of both mills and merchants. In my opinion the inventory of both merchants and mills should be protected. It can be done just as easily, in fact, in my opinion far more easily, by doing it on the first buyer.

It will depend on the time of the year the program goes into effect. You may have to have some special rules covering the first 60 or 90 days, depending on when it becomes effective.

Senator JORDAN. Even a very small textile mill has 50,000 bales of cotton in its warehouse and that could be the difference in the mill going broke or not going broke. He is going to go anyway if something does not happen, but it is a little slower this way. That would be sudden death.

Mr. RHODES. I certainly agree that we must protect the inventory of the mills, and I think we should also protect the inventory of the merchants.

Senator JORDAN. You are talking about cotton merchants now?

Mr. RHODES. That is right. They have a better chance than mills of disposing of their stocks if they have some advance notice. But I think it is fair and proper that we take care of both.

Senator JORDAN. A mighty good statement.

Senator TALMADGE. Thank you very much, Mr. Rhodes.

The next witness is Mr. C. Layton Merritt, president of the New Orleans Cotton Exchange.

STATEMENT OF C. LAYTON MERRITT, PRESIDENT, NEW ORLEANS COTTON EXCHANGE, NEW ORLEANS, LA.

Mr. MERRITT. Mr. Chairman and members of the committee, my name is C. Layton Merritt. I am a native and lifelong resident of the city of New Orleans, La. I have the honor at this time of serving as president of the New Orleans Cotton Exchange. I have the privilege of appearing before you at the invitation of your chairman, Senator Ellender, and under authority vested in me by the board of directors of the New Orleans Cotton Exchange. It shall not be my purpose to criticize, to find fault, or to engage in recriminations. Rather I am here to discuss a vital problem relating to the cotton industry of the United States.

It is my considered judgment, as well as that of the board of directors of the New Orleans Cotton Exchange, that a solution to the problem is available. That solution would consist of some form of domestic allotment or compensatory payment plan. I might say here that we approve the principles incorporated in the Talmadge bill (S. 1190) or any other bill which uses this approach to the problem. We have heard only two objections to the suggested solution. The first has reference to cost.

With regard to cost, let me say this. All agricultural programs dealing with price supports, acreage control, and related activities are designed to subsidize agriculture, regardless of the nomenclature used to describe them. Under high-support type programs the day always arrives when selling programs are adopted in an effort to move huge surpluses. All that can be obtained for these surpluses is the market prevailing at the time of sale. In the meantime, untold millions have been spent in carrying charges.

Therefore, losses sustained by the Government because of price declines are the same under any system of subsidizing. It is only a question of time as to when that loss will be realized. The difference in cost to the Government, therefore, will be enormous savings in carrying charges and in administrative expenses.

Mr. Chairman, if I may inject a thought here in connection with your bill, aside from administrative expenses, it is conceivable that the operations of that plan would cost the Government nothing because the world price for cotton could approach and possibly equal the support price, in which event it would cost the government nothing.

The second objection to the compensatory or domestic allotment plan is the fear on the part of the farm organizations that succeeding administrations might fail to make the necessary appropriations. The answer to that is found in the "snap back" clause as embodied in the Talmadge bill under which, in event of failure of the Congress to make the necessary appropriations, we would revert automatically to the old system.

There is also the element of straight-forwardness to be considered. We all agree that the cotton producer is entitled to some form of financial assistance. It is not within our province to determine this nor to discuss the extent to which the American people must go to provide such assistance. We do say, however, that the manner in which to achieve this is directly rather than be resorting to devious schemes which are complicated, costly, and accomplish little.

As a member of the New Orleans Cotton Exchange, I, as well as my fellow members, have been concerned over the years with the effect of our various cotton programs on the operations of the New Orleans Cotton Exchange. In fact, I am authorized to say to you gentlemen that unless the Congress does enact some type of legislation which will permit the futures exchanges to function normally, we plan to liquidate that institution at the end of our fiscal year.

The New Orleans Cotton Exchange was established some 90-odd years ago. As a price insurance medium it has served all elements of the cotton industry and has made of cotton the soundest form of collateral for banking purposes. It has survived wars, plagues, and panics.

It has through the years been the center of the civic, social, cultural, and economic life of the city of New Orleans, and we like to believe that during its lifetime it has served a very necessary purpose in the marketing of the American cotton crop. Its liquidation could undoubtedly prove to a tremendous economic loss to the city of New Orleans and to the State of Louisiana.

Summarizing, the members of the New Orleans Cotton Exchange feel, and have always felt, that the American cotton farmer is entitled to support and that benefits should be paid directly to the beneficiary.

We are anxious to continue to operate as a cotton futures exchange, but we cannot do so under the present system. We have operated during recent years at a tremendous loss in the hope that remedial legislation would be enacted. Our philosophy is beautifully expressed in the preamble to Mr. Talmadge's bill which reads:

To maintain the income of cotton producers, to permit cotton producers to grow and market cotton on a free enterprise basis, to protect the welfare of consumers and of those engaged in the manufacture of cotton textiles, to encourage the exportation of cotton, and for other purposes.

All we ask is that cotton be permitted to flow under a system of free enterprise through normal channels at a world competitive price level.

Mr. Chairman, we are grateful for this opportunity to present these views to your committee.

Senator TALMADGE. Thank you.

Senator Jordan?

Senator JORDAN. I have no questions, Mr. Chairman. A good statement.

Senator TALMADGE. Mr. Merritt, thank you very much for appearing before us.

The next witness is Mr. John W. Edelman, Washington representative of the Textile Workers Union of America.

Is Mr. Edelman present?

The staff has contacted his office and he was not there. If he desires to testify, we will try to set him down at a later date or insert his statement in the record at this point.

(The statement is as follows:)

STATEMENT FILED BY JOHN W. EDELMAN, WASHINGTON REPRESENTATIVE,
TEXTILE WORKERS UNION OF AMERICA

On April 26, 1963, the 22-man executive council of the Textile Workers Union of America, AFL-CIO, adopted the following declaration in support of the principles of the Talmadge-Humphrey bill, S. 1190.

"A new approach to the problem of cotton prices is badly needed. The present system of Government supports creates an intolerable inequity.

"Domestic cotton prices are inflated while exports of American cotton are subsidized for the benefit of foreign mills. As a result, imports of cotton textile products have skyrocketed, while domestic mill consumption has fallen. The 8½-cent-per-pound differential in cotton costs enjoyed by foreign producers imposed an impossible burden on the U.S. textile industry.

"The inequity of the two-price system has long been recognized. In May 1961 President Kennedy directed the Department of Agriculture to find the means of eliminating 'the adverse differential in raw cotton costs between domestic and foreign mills.' The Department's effort to accomplish this through an equalization fee on imports was frustrated by a Tariff Commission ruling in 1962.

"It is now up to the Congress to deal with this problem at its source; namely, the cotton price support program. This program has failed to fulfill its purpose. The high level at which prices are supported has stifled consumption and induced growers to expand production despite acreage limitations. Huge surpluses have piled up. The carryover of cotton is expected to reach 10.6 million bales on August 1, 1963—2.8 million over the previous year's level and the largest total since 1957. The total cost of the cotton support and export subsidy programs will come to over \$1 billion in this fiscal year.

"It is high time that we faced up to the need for establishing a domestic cotton price equal to the world price. This can be achieved without reducing the income of the cotton farmer.

"Senators Talmadge and Humphrey have introduced a bill, the Cotton Domestic Allotment Act, S. 1190, which would allow the market price of cotton to fall to the world price level and provide producer payments necessary to sustain farm income on an equitable basis. Under this plan, the great majority of cotton farmers who produce less than 15 bales a year would be assured of the same return per bale as at present, but the market price would not be inflated and the Government would not be burdened with the expense of storing and selling cotton.

"Adoption of the Talmadge-Humphrey bill would reduce the domestic cost of cotton by one-fourth and would lead to an increase in mill consumption of at least 10 percent. New job opportunities would be created for some 35,000 cotton textile workers. And the American consumer would benefit from the ability to buy cotton textile products at a savings of approximately \$500 million a year.

"The cost of this program would be \$50 million a year less than that involved in the proposal to provide a subsidy of 8½ cents a pound to compensate the textile industry for the inflated cost of cotton under the two-price system: Therefore, be it

"Resolved by the Executive Council of the Textile Workers Union of America, AFL-CIO, CLC, That we urge the Congress to enact the Talmadge-Humphrey bill as the best approach to the achievement of a one-price cotton system."

The Textile Workers Union makes no pretensions of expertise in regard to agricultural problems. We have attempted, however, over a period of some years to familiarize ourselves with the problem of so-called one-price cotton. Paren-

thetically, let me point out that up until the past 10 or 15 years, a surprising number of our members in the South, and I am talking of cotton mill workers, have, in addition to working regularly in the plants, produced on the side a few bales of cotton on small patches of land they had inherited or scraped up money enough to buy. But in more recent years this type of farming has dwindled to very little indeed. However, when our southern members get together, they talk cotton problems with what appears to a city boy like me to be a great deal of understanding of the issues involved.

We shall not in this brief presentation attempt to argue the case, as agriculturists, for the Humphrey-Talmadge bill. Rather, we feel the most useful thing we could do is to present the stark facts as to what has happened to the cotton-textile industry in the past decade.

The number of production workers engaged in the manufacture of all types of textiles is shrinking drastically and persistently. The figures are as follows:

	All textiles	Cotton broad-woven goods
1958 average.....	832,500	251,600
1962 average.....	793,000	228,600
Percent change.....	-4.8	-9.2

Therefore, as you will note, employment in mills producing fabrics made from cotton has fallen twice as fast as employment in all types of textiles.

The very latest figures we have for employment in cotton textile plants are for February 1963. These figures show that on that date there were 766,900 production workers employed in all types of cotton textile plants. The important point to note here is that the February of this year figures shows employment down by 3.3 percent as against the same day in February of 1962.

In the broad woven cotton mill category, employment this year is down 4.4 percent (as compared with the number on the payrolls last year). The actual number engaged in the broad woven bracket is 222,000 production workers as of February 1963. Note that these figures omit cotton yarn and narrow fabric plants which are lumped together with the reports on all types of fibers.

NUMBER OF CLOSED MILLS

In presenting the figures on cotton mills which have closed in recent years, we have carefully excluded those plants which produced blends or which weave synthetic fabrics.

	Number of plants	Number of employees
1958.....	18	9,060
1959.....	7	1,000
1960.....	7	1,925
1961.....	3	1,425
1962.....	10	4,700
Total.....	45	18,110

In the latter part of 1962 the number of cotton mill liquidations increased once more although 1962 was a better year financially than 1961.

UNEMPLOYMENT IN COTTON TEXTILES

For the latest month (February 1963), the textile mill products unemployment rate was 9.8 percent compared with 6.9 percent for all manufacturing and 6.9 percent for the Nation as a whole.

SWITCH TO BLENDS

The textile trade press continues to report with increasing frequency on the number of mills which previously produced only cotton textiles who are now switching to blended fabrics. The latest of the large-scale producers to make such an announcement was the Springs Cotton Mills chain—located mainly in

South Carolina—which is now producing cotton-polyester mixtures. This shift in production from straight cotton goods to mixtures of cottons and synthetic fibers might be regarded as inevitable in any event—but the trend has without any question been accelerated by the cotton price structure.

We attach herewith, and ask that it be included in the transcript of these hearings, extracts from the annual report to the stockholders in 1962 by the Cone Mills, with headquarters in Greensboro, N.C. This report is not an isolated example. It is typical of what is going on in the industry today.

This company indicates very plainly in this report that it may close down additional mills as a result of reduced earnings. The situation as to cotton prices, the company claims, is at the root of its difficulties. This company also explains that it "is confronted with the necessity of converting to synthetics where it, at least, will get a fair opportunity in raw material costs to compete in the textile market, an opportunity that now does not exist as far as its historic raw material—cotton—is concerned."

CAN THE COTTON TEXTILE INDUSTRY CONVERT TO SYNTHETICS WITHOUT SEVERE ECONOMIC LOSSES AND HUMAN SUFFERING?

The answer is, of course, "No." The larger plants owned by companies which have adequate capital might be able to switch over without disrupting operations and undue losses. But the smaller mills insist that for them this is impossible. Within recent days in the House of Representatives, letters have been inserted in the Record from such manufacturers who make it clear that if they are obliged to convert, they will simply have to go out of business.

I am something of a specialist, gentlemen, in what happens to millworkers when the mills they have worked in close down. I have been studying this problem rather closely over a long period of years. When such workers are deprived of their normal livelihood, they are not readily reemployed elsewhere. Indeed, many, if not most, of such workers are simply forced out of the labor market altogether—they never find steady work elsewhere—either in other textile plants or in any other type of employment which can provide a living wage. There are a number of reasons why this happens. If the committee would wish to take the time to hear my explanation on this point, I would welcome the chance to summarize these briefly.

The cotton textile industry has other problems than those arising from the two-price cotton system. It would not automatically be able to operate profitably and happily ever after if S. 1190 were enacted or if similar legislation were to become law. However, the chance of this oldest of all American manufacturing industries surviving and getting along better would be enormously enhanced by the adoption of a statute such as S. 1190.

To the Stockholders:

The company's sales volume reached a new high in 1962 at approximately \$220 million, an increase of over \$5 million from the previous high in 1961. However, during the last 6 months of the year earnings were extremely unsatisfactory, and the company's earnings for the entire year are only slightly improved over the lowest year since World War II. Eighty-five percent of the company's 1962 earnings were produced during the first 6 months. A year ago, in the 1961 annual report, it was recognized that the first half of the year would produce considerably better results than the corresponding period in 1961. It was also pointed out that the last half of the year was at that time impossible to appraise. Actually, during the latter part of 1962 and thus far in 1963, the company's overall sales have been about as unprofitable as any period in its history. Low margins in the cotton textile industry can be in large part attributed to the publicity regarding the possibility of legislative correction of the Federal Government's two-price cotton policy. This possibility of lower domestic cotton costs has resulted in the price structure becoming consistently less satisfactory and the trade less and less willing to make normal forward commitments.

In February 1963, the Secretary of Agriculture announced a cotton support price for the 1963-64 crop at the same high basis as for the crop year 1962-63. This insures under the present law that the company, together with other cotton spinners, will be unable to purchase lower priced cotton during 1963. Some of the grades and staples of the 1963-64 crop may be higher in price.

It now seems as this report goes to press that we can expect no action from the administration. The company has suffered unhappy results from the publicity attendant with possible legislation which it now appears will probably not develop. The Government's subsidy of cheap cotton for foreign producers, coupled with

other cost advantages that they have, together with the increased imports being encouraged from these sources, has, on the one hand, operated to maintain high costs by law for our company's production, and, at the same time, insures cheap foreign imports which erode the company's domestic market.

The company, as a major cotton goods producer, is confronted with the necessity to convert to synthetics where it, at least, will get a fair opportunity in raw material costs to compete in the textile market, an opportunity that now does not exist as far as its historic raw material—cotton—is concerned. The company is already using synthetic fibers in blends to an extent not heretofore anticipated, but it must be pointed out, however, that as one of the larger companies tied principally to cotton heretofore, this governmentally imposed cotton problem is hurting Cone Mills more than most other textile manufacturers.

The company's management is carefully examining the profitability, both historically and prospectively, of many of its product lines, and it is anticipated that during the year some of the company's unprofitable activities will be liquidated, as it becomes evident that these particular products will be unable to show a profit under the legislation and governmental policies now in effect. Liquidation of some of these unprofitable areas in the company's business will undoubtedly result in lower sales in 1963, but could result in higher overall company profits. Certain areas of the company's business during the year 1962 produced a satisfactory rate of profit. If the unprofitable areas of the business had been eliminated during 1962, the profits would have been approximately 25 percent greater and the sales approximately 25 percent less.

During 1962, the company continued to modernize plants and replace equipment, making an investment of \$6,900,000 in productive facilities and machinery.

On May 15, 1962, the company placed a 15-year \$20 million loan with the Metropolitan Life Insurance Co. of America. The increased working capital thus provided is adequate for the company's now anticipated needs.

There is no sound basis at this time for making an estimate of the results of operations for the year 1963. In 1962 starting-up expenses were absorbed for new products which should be profitable in 1963. This factor coupled with the elimination of certain unprofitable lines should show better overall results than were produced for the year 1962. The company's management is aggressively searching for more profitable areas in which to employ its capital and productive facilities.

CEASAR CONE,
President.
BENJAMIN CONE,
Chairman of the Board.

GREENSBORO, N.C., *March 15, 1963.*

The CHAIRMAN. Without objection the committee will stand adjourned until tomorrow morning at 10 a.m.

(Whereupon, at 1:05 p.m., the committee was recessed, to reconvene at 10 a.m. on Tuesday, May 21, 1963.)

COTTON PROGRAMS

TUESDAY, MAY 21, 1963

U.S. SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D.C.

The committee met, pursuant to recess, at 10 a. m., in room 324, Old Senate Office Building, Senator Allen J. Ellender (chairman) presiding.

Present: Senators Ellender (chairman), Johnston, Talmadge, Jordan of North Carolina, Aiken, Young of North Dakota, Cooper, and Boggs.

The CHAIRMAN. The committee will please come to order.

The committee will continue hearings on four bills before the Senate committee, being S. 608, S. 1190, S. 1458, and S. 1511, all dealing with cotton legislation. These hearings will deal not only with those bills, but any others that may be proposed before the committee takes final action.

Today we have with us Mr. L. L. Lovell, president of the Louisiana Farm Bureau Federation. Will you step forward, please, Mr. Lovell?

STATEMENT OF L. L. LOVELL, PRESIDENT, LOUISIANA FARM BUREAU FEDERATION, BATON ROUGE, LA.; A. W. LANGENEGGER, PRESIDENT, NEW MEXICO FARM & LIVESTOCK BUREAU, LAS CRUCES, N. MEX.; AND C. H. DeVANEY, PRESIDENT, TEXAS FARM BUREAU FEDERATION, WACO, TEX.; ALL REPRESENTING THE AMERICAN FARM BUREAU FEDERATION

Mr. LOVELL. Thank you, Senator.

I would like to ask that Mr. Langenegger and Mr. DeVaney sit with me at the table, if I may.

The CHAIRMAN. All right—get as much help as you want, sir.

Mr. LOVELL. I might need it. At least I feel more confident with two competent experts here with me.

The CHAIRMAN. I notice that you have a prepared statement, Mr. Lovell. Do you desire to read it?

Mr. LOVELL. I would like to suggest, if it is agreeable with you, that I present the statement in its entirety.

The CHAIRMAN. All right, that may be done.

Mr. LOVELL. I would like to read it in its entirety and then hold a question period afterward.

The CHAIRMAN. All right, you may proceed.

Mr. LOVELL. We appreciate the opportunity to appear before this committee and review some of the serious problems confronting the cotton farmer and the entire cotton industry. We would like to

comment briefly on some of the cotton bills currently before this committee. We would also like to offer some suggestions as to how to correct the unfortunate situation the entire cotton industry finds itself in today.

There is always the temptation when mistakes are made in administering programs, such as has been the case with cotton, to amend the law and compound the difficulty. In our opinion, some of the proposals that have been made to help solve the current cotton problem fall into this category.

You are well aware of the fact that Farm Bureau has a membership of over 1,607,000 farm families in 49 States and Puerto Rico, and a large percentage of our membership has a direct interest in cotton production in the United States.

Cotton in trouble: There are many clear indications of the current troubled situation in cotton:

(1) Because it is not priced competitively, cotton has been gradually but dramatically losing its percentage share of the domestic consumption of all fibers. This percentage share has dropped from 69.4 percent in 1949 down to 59.8 percent in 1962. This is at the lowest level in our history.

There is a table 1 which covers this problem.

If this trend continues, cotton producers will be in even more serious trouble.

(2) Cotton acreage in this country also has had a longtime downward trend. Harvested acreage of cotton has dropped from 27,439,000 in 1949 to 15,569,000 in 1962. (See table 3.) A lot of this shifted acreage has gone into feed grains, soybeans, and other crops, many of which are now in surplus. The Secretary of Agriculture has set the 1963 cotton allotment at 16 million—the minimum under the 1958 act. This is down 2 million acres from 1962 and means higher per-unit production costs and in most cases lower farm net income.

(3) Exports of cotton from this country are sharply down again this marketing year from what they were in 1959 and 1960. Latest official estimate of 1962–63 exports is 3.5 million bales as compared to an average of 6,902,000 in 1959 and 1960. This is true in spite of the high export subsidy rate of 8½ cents per pound (see table 2). It should be obvious to anyone that there is no solution to the current cotton problem unless and until cotton is made competitive in the export market.

(4) Carryover stocks of cotton again are moving up, and the latest information we have from the USDA is that the August 1, 1963, carryover will be about 11 million bales—up 3,241,000 bales since last August 1. This increase in carryover is approximately equal to the reduction in exports (see table 2 attached).

(5) Because of the current level of price support, even the 8½ cent export subsidy has not resulted in a competitive price for American cotton on the world market. It has, however, encouraged the importation of cotton textiles. This, of course, creates hardship for both the domestic textile industry and labor.

A review of the Agricultural Act of 1958 as applied to cotton:

We faced a similar situation with regard to cotton in 1957. Early in 1958 all segments of the cotton industry, including Farm Bureau, joined forces to support passage of the Agricultural Act of 1958. The basic philosophy on which this legislation was founded was that cotton

should move toward a one-price system that would be competitive both at home and abroad. Congress, in effect, provided a bridge to reach the proper destination for cotton.

We should all recall that immediately after the passage of the 1958 act the total distribution of U.S. cotton increased substantially and the situation dramatically improved during the next 2 years.

We have just finished what was to have been the 4-year transition period for cotton under the 1958 act. It would be helpful to review the history of its operation to date.

The cotton program instituted by the 1958 act established new methods for determining the level of price support, Commodity Credit Corporation resale prices, and acreage allotments to replace those that had been in use for many years under the old law.

The price support plan set forth in the act provided for a change, by means of four annual transitional steps, from the formula system of determining supports within the range of 75 to 90 percent of parity, depending on supplies—to a discretionary system with a minimum support of 65 percent of parity. Coupled with the price support change was a provision that in 1961 and thereafter the CCC cotton resale price for unrestricted use could not be less than 115 percent of the support level plus reasonable carrying charges. (Under the previous law the resale price was 105 percent.)

The first transitional feature of the new law provided for 1959 and 1960 between two alternative programs. These included a program identified as choice "A," under which the farmer could plant within his assigned share of the national allotment and receive a relatively high level of price support; or, a program identified as choice "B," whereby he could plant an acreage up to 40 percent above his assigned allotment and receive a lower level price support. The two support levels were 80 and 65 percent of parity respectively for 1959 and 75 to 60 percent for 1960.

The next transitional step provided for in the law was to have become operative in 1961. This would have reinstated a single support of not less than 70 percent of parity, and instituted the minimum CCC resale price of 115 percent of the support level plus carrying charges. Also, beginning in 1961, the 1958 act provided that cotton price supports be related to the average grade and staple length of the crop rather than to middling seven-eighths of an inch, as was the case previously.

The Agricultural Act of 1958 was designed to strengthen the cotton industry by adjusting price supports to a more competitive basis over a 4-year transitional period in order to make it possible to expand markets and increase acreage allotments and raise per family net farm income.

Early in 1961 the Secretary of Agriculture disregarded the basic intent of the 1958 act and raised the support level for the 1961 crop of upland cotton to 82 percent of parity. (Had the Senate version of the 1958 act prevailed in conference, the Secretary would not have had this discretionary authority.) This made the support rate 33.04 cents per pound, gross weight, basis middling 1-inch cotton or 31.88 cents per pound on basis of average quality. This also raised the average spot market price middling 1 inch from 30.96 to 33.67. This caused the export subsidy to jump from 6 to 8½ cents a pound—which still did not maintain our competitive position in the world market.

Instead of raising the price support—and the export subsidy—he should have lowered both.

The final transitional step to the permanent program set forth in the 1958 act on cotton was to have become effective with the 1962 cotton crop. This contemplated final step differed from the legal requirement for the 1961 crop only by changing the minimum support level to 65 percent of parity. The Secretary had the authority to set the support level in 1962 anywhere between 65 and 90 percent of parity.

Early in 1962 the Secretary again disregarded the intent of the 1958 act and set the support level at approximately 82 percent of the January parity price for upland cotton. This meant a support rate to producers at not less than the higher of (a) 32.47 cents per pound, gross weight, basic middling 1-inch cotton, at average location, or (b) a national average of 31.88 cents per pound, gross weight.

On October 15, 1962, the USDA announced a national marketing allotment of 14,367,000 bales (standard bales of 500 gross weight) and a national allotment of 16 million acres for the 1963 crop of upland cotton. This was the minimum permitted under the law and compares to 18,101,718 acres allowed for the 1962 crop.

The results achieved during the first half of the transitional period provided by the 1958 act were more gratifying.

(1) The competitive position of American cotton was strengthened.

(2) Domestic mill consumption of upland cotton rose from an average of 8.2 million bales in the 2 years 1957 and 1958, to 8.5 million in the 2 years 1959 and 1960. See table 2.

(3) In the same period exports rose from a yearly average of 4.2 to 6.9 million bales; total utilization rose from a yearly average of 12.5 to 15.4 million bales; the carryover was reduced from an average of 8.6 million bales in 1957 and 1958 to 7.2 million in 1959 and 1960.

(4) As a result of this progress the national acreage allotment was raised to 18,458,424 acres in 1961, which made the 1961 allotment the highest for any year since 1954.

The progress which we had been making toward a vastly improved cotton situation was thrown into reverse when the Secretary decided to ignore the clear intent of the Agricultural Act of 1958 and to raise the support price for cotton effective with the 1961 crop.

When current estimates for the average of the 2 marketing years, 1961 and 1962, are compared with the average of the 2 years, 1959 and 1960, it is found that:

Domestic consumption has decreased slightly from a yearly average of 8.5 to 8.45 million bales; exports have dropped from a yearly average of 6.9 to 4.2 million bales and total disappearance is down from an average of 15.4 to 12.6 million bales. The carryover, which was down to 7.1 million bales at the end of the 1960 marketing year, is expected to rise to 11 million bales at the end of the current marketing year.

The USDA report of May 7, 1963, shows investment by CCC in loans and inventories, in upland cotton, is up \$744 million from just 1 year ago.

Cotton bills before this committee:

It is our understanding there are three cotton bills being considered by this committee that utilize some form of compensatory payment to bring domestic and foreign prices of cotton in line. They are S. 608

by Senators Sparkman and Hill, S. 1190 by Senators Talmadge and Humphrey, and S. 1511 by Senator Ellender.

These three bills differ considerably in detail, as to support level, the acreage permitted to be grown, and to whom the compensatory payment shall be made. They all three make use of compensatory payment in some form, however, to offset the disparity between domestic and world prices for cotton.

In addition to the above-mentioned three bills there is another, S. 1458 by Senator Ellender, being considered.

The CHAIRMAN. Let me point out that both of those bills were introduced by me by request.

Mr. LOVELL. Yes, sir.

This latter bill, for a 2-year period, would set the price support at 30 cents for Middling 1-inch cotton and would increase the national minimum allotment for cotton to not less than 17.5 million acres. There would be no compensatory payments authorized under this bill.

The present cotton situation and the alternatives available have been given serious study by our Farm Bureau members. The following policy resolutions adopted by the official voting delegates of the member State Farm Bureaus are pertinent to the issues now before this committee:

Farm Bureau resolution on cotton and compensatory payments:

If the cotton industry is to survive and prosper, our policy must be directed toward returning to the market system. In order to move in this direction we favor restoration of the acreage allotment cut announced for the 1963 crop and a price support level which will permit the estimated production to be marketed with a reasonable export subsidy.

If this cannot be accomplished by administrative action, we insist that it be done by legislation.

We will support proposals consistent with Farm Bureau policy which would be equally effective in returning to the market system.

Compensatory payments are proposed in a variety of forms. Regardless of the form in which presented, the payment approach is unsound and dangerous to our economic and political system. It would be fantastically expensive and would stimulate production, increase unit costs, depress market prices, lead to tight production controls, and make farmers dependent on congressional appropriations for a substantial part of their total income.

Limitations on payments to individuals would place a ceiling on opportunity and level farm incomes downward.

Payment programs would socialize the production and distribution of food and fiber by having consumers pay a part of the cost through taxes—rather than full value at the store. This is a trap for producers. Ultimately, the payment approach also would be a trap for consumers, since it would encourage inefficiency and thereby result in high real costs of food and fiber.

We vigorously oppose any system of compensatory payments for agriculture.

We are opposed to compensatory payment programs for cotton as envisioned in S. 608, S. 1190, and S. 1511 for, among others, the following reasons:

(1) It is wishful thinking to assume that any program, such as the so-called trade incentive plan, can be confined to cotton. It would be equally applicable to any commodity that is facing increased competition from substitutes as a result of price support programs. For example, butter would be an obvious candidate for similar treatment. If a butter payment program reduced consumption of margarine, the next step might well be to make trade incentive payments to maintain consumption of soybean and cottonseed oil, both of which are made from price-supported products.

(2) The compensatory payment plan is a defeatist approach because it assumes that a fair return to producers is not possible in the marketplace. It says to our competitors—foreign cotton producers, and both foreign and domestic producers of synthetics, (a), cotton is only worth 24 cents per pound—basis Middling 1-inch—and (b), we cannot compete either at home or abroad without a subsidy program that uses Federal tax dollars to offset a substantial portion of the cost of producing cotton. In our opinion, these premises are both wrong and highly damaging to the future of the U.S. farmers who would like to continue to produce cotton in response to market demand.

Our competitors would be tempted to make future plans on the assumption that U.S. cotton will be a declining factor in the textile picture. That planning itself would, in fact, make cotton's situation more difficult.

Our competitors would question—and in our opinion with justification—how long the American public would continue to permit the Government to pay such large subsidies on both exports and domestic mill consumption. As we have already indicated, on the basis of the current support rate and $8\frac{1}{2}$ cents per pound export subsidy, the cost of the export subsidy is about \$200 million. Domestic compensatory payments at $8\frac{1}{2}$ cents per pound on domestic consumption of 8,500,000 bales would add another \$360 million in costs to taxpayers.

In addition, there is every reason to believe that it would only be a short time until limitations on payments would be demanded by U.S. taxpayers. This limitation would come regardless of who the payment is made to at the outset. Such a limitation on payment would place a ceiling on opportunity and level farm incomes downward.

If legislation were enacted to provide for a subsidy of $8\frac{1}{2}$ cents per pound on the domestic consumed U.S. cotton, in addition to the limitation on individual producer opportunity referred to above, it is not unreasonable to assume that there would be limitations on the total domestic consumption of cotton. As an example, to assume 9 million bales domestic consumption, it would cost the taxpayer in excess of \$360 million. Substantial savings could be made if the domestic consumption were reduced, say, to 6 million bales; and the political pressure would be in this direction. It is not realistic to assume that the synthetic industry will stand idly by and allow their tax dollars to subsidize their competitor. Since the domestic consumption of cotton would be dependent upon the tax dollars appropriated, in the end this program will accelerate the conversion to synthetics.

Our recommendations:

Our aim must be—

- (1) To make American cotton competitive in world markets;
- (2) To allow cotton to compete favorably with synthetics in the domestic market;
- (3) To reduce the cost to taxpayers;
- (4) To reduce unit production cost through increased efficiency; and
- (5) To reestablish confidence in the cotton industry so that long-range plans can be made, leading to increased utilization of U.S. cotton on a sound basis.

The achievement of the above objectives is an absolute necessity if we are going to have increased per family net income to cotton producers.

In order to achieve these objectives:

(1) We will vigorously support a stepped-up research program for cotton, designed to reduce the cost of production. We believe that with added emphasis and with a relatively small expenditure, great strides can be made very quickly in reducing the unit cost of producing cotton.

(2) We recommend, therefore, that beginning with the 1964 crop year the Secretary of Agriculture restore the acreage cut made for the 1963 crop back to the acreage allotted in 1962 and announce a reduction in the price support level for 1964 and an export subsidy sufficient to insure an adequate volume of exports. [The Secretary of Agriculture currently has the authority to do this under the 1958 act.]

We sincerely believe that the announced intention for a long-range policy on the part of the United States to compete for markets at home and abroad is more important to the future of the cotton industry than a few extra cents per pound price support. The net income of farmers is determined by the volume sold times the price received minus costs paid, and we believe each of these factors is of great significance in the future of the cotton industry.

The price at which we are now exporting cotton is a result of Government intervention, and it does not necessarily indicate what cotton would be worth under different circumstances. If we were to put the world on notice that we are prepared both to move to a one-price system and to eliminate on an orderly basis our present reliance on Government subsidies, adjustment would begin to take place in the production of cotton, in the demand for cotton, and in the plans of our competitors.

(3) While the present export subsidy program undoubtedly is creating a serious problem for domestic mills, the actual disadvantage created by the program is considerably less than the amount of the subsidy. Domestic mills have a partial offset in lower transportation costs, tariff rates on imported textile products and equalization payments on textile exports. The domestic mills have tended to make the export subsidy program on raw cotton a whipping boy for a number of problems, one of which is minimum wage rates fixed by the Federal Government. The very real basis the mills have for complaining about the present subsidy on raw cotton would be materially reduced if a reduction in the rate of the subsidy were made possible by a reduction in the support level.

(4) A program which would permit the CCC to sell cotton to the domestic industry at or below the loan price would set a ceiling on prices and destroy the operations of our present cotton marketing system. It would require a vast Government bureaucracy to administer.

Since the Secretary of Agriculture has demonstrated his unwillingness to administer the 1958 act consistent with the best long-range interest of the cotton industry, we recommend legislative action to achieve this aim.

Of the bills now before the committee, S. 1458 most nearly achieves our basic objective. It is the only bill under consideration which

contains a mandate to the Secretary in regard to regaining our export markets.

It reduces the price to domestic mills—not as much as other proposals, but on a much sounder, long-range basis. It is by far the least costly of the proposals under consideration to the taxpayers. It is the only proposal which would provide farmers the increased volume that is so necessary to reduced unit production cost. S. 1458 reduces the cost to domestic mills and reduces the inequity of the export subsidy—these reductions are real, not fanciful or dependent upon the whims of future congressional appropriations. In our opinion, the confidence in the cotton industry cannot be restored if the industry's future depends upon the Federal Treasury for a substantial portion of its income.

We believe that S. 1458 will serve as a bridge to the full implementation of the Agricultural Act of 1958 by demonstrating once again the soundness of the basic philosophy of the act.

By adopting our recommendation, the Congress would be moving in the direction of a one-price system; it would reassure all segments of the cotton industry that we are embarking on a policy of expanded markets for cotton; it would serve notice both at home and abroad that we intend to compete for these markets. At the same time we would save the taxpayers of the United States hundreds of millions of dollars each year.

In reducing the direct subsidies now being made or proposed to be made and—more importantly—by restoring the market price system for cotton, such a program would return us to a consumption level that prevailed in 1959–60. It would encourage cotton producers to adopt improved technology in an effort to reduce their unit cost of production in order to be more competitive. In other words, it would restore and revitalize confidence in the total industry.

(The tables attached to Mr. Lovell's statement are as follows:)

TABLE 1.—Domestic consumption of fibers, total and per capita, 1930 to 1961

Year beginning Jan. 1	Population July 1 ¹	Cotton			Wool			Rayon and acetate ²			Noncellulosic man made ²			All fibers ³	
		Total	Percent- age of fibers	Per capita Pounds	Total	Percent- age of fibers	Per capita Pounds	Total	Percent- age of fibers	Per capita Pounds	Total	Percent- age of fibers	Per capita Pounds	Total	Per capita Pounds
1930	123.1	2,457.6	85.9	20.0	286.5	10.0	2.3	117.1	4.1	1.0	—	—	—	23.2	23.2
1931	124.0	2,519.6	85.0	20.3	325.2	10.8	2.6	157.5	5.2	1.3	—	—	—	24.2	24.2
1932	124.8	2,398.4	85.5	18.7	240.8	8.8	1.9	154.4	5.7	1.2	—	—	—	21.8	21.8
1933	125.6	2,942.0	84.3	23.4	330.5	9.5	2.6	216.4	6.2	1.7	—	—	—	27.8	27.8
1934	126.4	2,779.8	85.3	20.4	239.3	7.9	1.9	205.9	6.8	1.6	—	—	—	23.9	23.9
1935	127.2	2,700.9	79.3	21.2	433.6	12.7	3.4	227.0	8.0	2.1	—	—	—	26.8	26.8
1936	128.1	3,433.0	81.6	26.8	434.2	10.3	3.4	340.7	8.1	2.7	—	—	—	32.8	32.8
1937	128.8	3,598.7	83.1	27.9	405.0	9.4	3.1	326.5	7.5	2.5	—	—	—	33.6	33.6
1938	129.8	2,809.2	81.6	21.6	295.8	8.6	2.3	335.8	9.8	2.6	—	—	—	26.5	26.5
1939	130.9	3,509.0	79.9	26.8	418.6	9.5	3.2	465.3	10.6	3.6	—	—	—	33.6	33.6
1940	132.1	3,822.0	80.9	28.9	416.9	8.8	3.2	483.2	10.2	3.7	—	—	—	35.8	35.8
1941	133.4	4,936.9	79.7	37.0	663.1	10.7	5.0	584.5	9.4	4.4	—	—	—	46.4	46.4
1942	134.9	5,424.3	81.3	40.2	607.1	9.1	4.5	621.4	9.3	4.6	—	—	—	49.5	49.5
1943	136.7	5,008.9	79.4	36.7	605.0	9.6	4.4	663.7	10.5	4.9	—	—	—	46.2	46.2
1944	138.4	4,507.9	77.4	32.6	561.5	9.6	4.1	707.2	12.2	5.1	—	—	—	42.1	42.1
1945	139.9	4,248.7	75.0	30.4	604.6	10.7	4.3	766.8	13.5	5.5	—	—	—	40.5	40.5
1946	141.4	4,450.4	73.6	31.5	699.1	11.6	4.9	846.6	14.0	6.0	—	—	—	42.8	42.8
1947	144.1	3,915.8	70.8	27.2	668.1	12.1	4.6	901.2	16.3	6.3	—	—	—	38.4	38.4
1948	146.6	4,025.7	68.4	27.5	714.7	12.1	4.9	1,081.1	18.4	7.4	—	—	—	40.2	40.2
1949	149.2	3,472.6	69.4	23.3	533.5	10.7	3.6	911.9	18.2	6.1	—	—	—	33.5	33.5
1950	151.7	4,464.1	67.7	29.4	691.1	10.5	4.6	1,305.4	19.8	8.6	—	—	—	41.7	41.7
1951	154.4	4,513.9	70.1	29.2	532.3	8.3	3.5	1,206.4	18.7	7.8	—	—	—	38.9	38.9
1952	157.0	4,165.4	68.2	26.5	548.3	9.0	3.5	1,161.4	18.9	7.4	—	—	—	38.8	38.8
1953	159.6	4,209.4	67.9	26.4	550.8	8.9	3.5	1,167.9	18.9	7.3	—	—	—	35.4	35.4
1954	162.4	3,885.6	67.6	23.9	439.5	7.7	2.7	1,106.6	19.3	6.8	—	—	—	39.4	39.4
1955	165.3	4,206.6	64.5	25.5	489.7	7.5	3.0	1,395.0	21.4	8.4	—	—	—	38.0	38.0
1956	168.2	4,216.0	66.0	25.1	526.2	8.2	3.1	1,167.4	18.3	6.9	—	—	—	35.2	35.2
1957	171.2	3,878.0	64.3	22.7	449.4	7.5	2.6	1,145.9	18.9	6.7	—	—	—	33.5	33.5
1958	174.1	3,729.0	63.9	21.4	416.7	7.1	2.4	1,113.4	18.1	6.4	—	—	—	36.3	36.3
1959	177.1	4,242.8	62.6	24.1	557.3	8.1	3.1	1,256.3	18.4	7.1	—	—	—	36.6	36.6
1960	180.7	4,232.8	64.6	23.4	538.5	8.2	3.0	1,031.8	15.7	5.7	—	—	—	35.7	35.7
1961 ⁴	183.7	4,043.3	61.9	22.1	535.0	8.1	2.9	1,105.4	16.9	6.0	—	—	—	35.7	35.7
1962 ⁵	186.6	4,278.1	59.8	22.9	568.7	7.9	3.0	1,238.7	17.3	6.6	—	—	—	38.4	38.4

¹ Bureau of the Census. Population continental United States as of July 1, including Armed Forces overseas.² Includes fiber waste.³ Does not include silk and flax.⁴ Less than 0.05 pound.⁵ Includes picker lap.⁶ Preliminary.

TABLE 2.—*Carryover and distribution of upland cotton, 1957-63, with comparisons*

Marketing year beginning Aug. 1	Mill con- sumption	Exports	Export price, middling, 1-inch	Total dis- tribution	End-year carryover
	<i>Thousands of bales</i>	<i>Thousands of bales</i>		<i>Thousands of bales</i>	<i>Thousands of bales</i>
1957-58.....	7,900	5,707	\$28.39	13,607	8,615
1958-59.....	8,594	2,766	27.97	11,360	8,733
1959-60.....	8,879	7,178	23.93	16,058	7,404
1960-61.....	8,131	6,625	24.96	14,756	7,090
1961-62.....	8,806	4,923	25.17	13,729	7,759
1962-63.....	8,100	3,500	25.11	11,600	11,000
1957-58 average.....	8,247	4,236	28.18	12,483	8,674
1959-60 average.....	8,505	6,902	24.44	15,407	7,247
1961-62 average.....	8,453	4,211	25.14	12,664	9,380

¹ Estimated. Based on 9-month average, plus 3 months at current level.

TABLE 3.—*Cotton: Harvested acreage by regions and each region as a percentage of total harvested acreage, United States, 1930 to date*

Crop year beginning Aug. 1	West ¹		Southwest ²		Delta ³		Southeast ⁴		Total, thousands of acres
	Thousands of acres	Per- cent	Thousands of acres	Per- cent	Thousands of acres	Per- cent	Thousands of acres	Per- cent	
1930.....	608	1.4	20,069	47.3	11,123	26.2	10,644	25.1	42,444
1931.....	493	1.3	18,132	46.8	10,541	27.3	9,539	24.6	38,704
1932.....	348	1.0	16,443	45.7	10,351	28.9	8,749	24.4	35,891
1933.....	443	1.5	13,930	47.4	7,921	27.0	7,098	24.1	29,383
1934.....	449	1.7	12,746	47.4	6,990	26.0	6,680	24.9	26,866
1935.....	468	1.7	12,976	47.2	7,234	26.3	6,831	24.8	27,509
1936.....	692	2.3	13,849	46.6	8,120	27.3	7,094	23.8	29,755
1937.....	1,078	3.2	14,912	44.4	9,296	27.6	8,337	24.8	33,623
1938.....	638	2.6	10,441	43.1	6,887	28.4	6,283	25.9	24,248
1939.....	608	2.6	10,304	43.3	6,889	28.9	6,004	25.2	23,805
1940.....	675	2.8	10,294	43.2	6,835	28.6	6,056	25.4	23,861
1941.....	719	3.2	9,376	42.2	6,513	29.3	5,628	25.3	22,236
1942.....	756	3.3	9,829	43.5	6,520	28.9	5,497	24.3	22,602
1943.....	601	2.8	9,280	43.0	6,435	29.7	5,294	24.5	21,610
1944.....	559	2.8	8,430	43.1	6,031	30.7	4,597	23.4	19,617
1945.....	587	3.4	6,885	40.5	5,355	31.4	4,201	24.7	17,029
1946.....	622	3.5	7,020	39.9	5,601	31.9	4,342	24.7	17,584
1947.....	922	4.3	9,472	44.5	6,388	29.9	4,548	21.3	21,330
1948.....	1,294	5.6	9,638	42.1	7,148	31.2	4,831	21.1	22,911
1949.....	1,611	5.9	12,400	45.2	7,775	28.3	5,653	20.6	27,439
1950.....	1,026	5.8	7,495	41.9	5,493	30.8	3,829	21.5	17,843
1951.....	2,179	8.1	13,335	49.4	6,650	24.7	4,785	17.8	26,949
1952.....	2,357	9.1	11,920	46.0	6,633	25.6	5,011	19.3	25,921
1953.....	2,347	9.6	9,920	40.8	7,027	28.9	5,046	20.7	24,341
1954.....	1,509	7.8	8,660	45.0	5,459	28.4	3,623	18.8	19,251
1955.....	1,287	7.6	7,690	45.5	4,746	28.0	3,206	18.9	16,928
1956.....	1,290	8.3	6,915	44.3	4,441	28.4	2,969	19.0	15,615
1957.....	1,248	9.2	6,445	47.5	3,683	27.2	2,183	16.1	13,558
1958.....	1,288	10.9	5,805	48.9	3,206	27.1	1,550	13.1	11,849
1959.....	1,459	9.7	6,975	46.1	4,195	27.7	2,488	16.5	14,117
1960.....	1,577	10.3	6,955	45.4	4,284	28.0	2,493	16.3	15,309
1961.....	1,408	9.0	7,205	46.1	4,405	28.2	2,616	16.7	15,634
1962 ⁵	1,419	9.1	7,112	45.7	4,434	28.5	2,604	16.7	15,569

¹ Includes California, Arizona, New Mexico, and Nevada.

² Includes Texas, Oklahoma, and Kansas.

³ Includes Missouri, Arkansas, Tennessee, Mississippi, Louisiana, Illinois, and Kentucky.

⁴ Includes Virginia, North Carolina, South Carolina, Georgia, Florida, and Alabama.

⁵ Preliminary, Crop Reporting Board report of Sept. 10, 1962.

Now, Mr. Chairman, I would like for my two associates to introduce themselves and to add anything that they would like to add.

Mr. LANGENEGGER. I am Bill Langenegger, a cottongrower and live in southeastern New Mexico. I have been a cotton producer for over 20 years. I heartily concur in this statement presented by Mr. Lovell. And I believe that in the interest of time that I would invite questions from the committee if there is anything that they would

like to have clarified in regard to the statement or anything further, and I will be most happy to attempt to answer any questions.

Mr. DeVANEY. I am C. H. DeVaney, president of the Texas Farm Bureau Federation, and I am a livestock and cotton farmer out in the south plains area. We are in agreement with the statement that has been presented here.

Texas is the largest cotton producing State in the Nation and we produce about one-third of, or almost one-third of, the total cotton produced in the United States. We have all types of cotton producing areas from the Rio with low rainfall, a dry area, to the high rainfall area, and then the irrigated areas in various parts of the State.

We believe that this program we are supporting here would be very helpful to the cotton industry in Texas and we certainly are interested in helping that in any way that we can.

Thank you.

The CHAIRMAN. As I understand the bill that I introduced by request it seems, in a measure, to restore the 1958 act; that is, what you really do is to fix the price support at 30 cents and, if necessary, make it as low as 29 cents.

Mr. LOVELL. That is correct.

The CHAIRMAN. For the next 2 years. Is it a fact that under the bill that cotton would be sold at world prices?

Mr. LOVELL. Yes. Senator, if you will turn to table 2 of my statement——

The CHAIRMAN. I am just asking the question.

Mr. LOVELL. Yes; with the export subsidy provisions of the bill this would mean that American cotton would be at 23.5 cents on the world market.

The CHAIRMAN. In other words, by fixing the price of cotton at the world price it is your view that we would regain our trade in the world?

Mr. LOVELL. Yes. That is illustrated in table 2.

The CHAIRMAN. If you will just answer the question, if you please.

Mr. LOVELL. All right; OK.

The CHAIRMAN. In 1959 and 1960 when the 1958 program was fully effective, exports were 7.2 million bales, and the next year they went down to 6.6 million bales, and in 1961 they went down to 4.9 million bales. And it is estimated that this coming year there will be 4 million bales. All of that cotton is sold abroad at world prices.

Why is it that sales have decreased, even though cotton was sold at world prices?

Mr. LOVELL. Let me define "world prices" for you, Senator. In 1959 the world price; that is, our price on the world market, was 23.93 Middling 1-inch. In 1960 it was 24.96 Middling 1-inch. In 1961 it was 25.17 Middling 1-inch. This year we still have to estimate what it is, but it will be above 25 cents again.

So what happens is that we increased the world price of our cotton approximately a cent a pound and on the basis of above 1959-60 level when we exported 7 million bales on approximately one-half cent a pound on the basis of 1960-61 when we exported 6.6 million bales and with this increase in price we lost that much market.

The CHAIRMAN. I know, but the object of your bill, and as I understand it in the past, you sought that, but you are proposing here to fix the price for exports by paying a subsidy to someone?

Mr. LOVELL. Right.

The CHAIRMAN. That is what you were then proposing?

Mr. LOVELL. Yes.

The CHAIRMAN. So that we can compete in the world market. And I ask you then, if we did that—even though we had the same method then that you now are advocating, why is it that the export of cotton has been decreasing continuously? That is what I cannot understand.

Mr. LOVELL. It would be a definition of what is the world price. My definition of the world price——

The CHAIRMAN. We were paying a subsidy, as much as $8\frac{1}{2}$ cents, to be able to obtain that.

Mr. LOVELL. With the $8\frac{1}{2}$ cents——

The CHAIRMAN. Do you mean to say that we did not sell at world prices?

Mr. LOVELL. That is correct.

The CHAIRMAN. It was below world prices?

Mr. LOVELL. Yes.

The CHAIRMAN. How would you attain it, then?

Mr. LOVELL. You have an $8\frac{1}{2}$ -cent subsidy and you have a $32\frac{1}{2}$ -cent price support, so you have a net effective price of 25.7 or 25.2.

I am going to reduce the price support $2\frac{1}{2}$ cents a pound under this bill.

The CHAIRMAN. You mean to the producer?

Mr. LOVELL. Yes.

The CHAIRMAN. That is right.

Mr. LOVELL. I am not going to reduce the export subsidy but 2 cents a pound.

The CHAIRMAN. That means that we will sell at $8\frac{1}{2}$ cents instead or, rather, instead of that it will be $6\frac{1}{2}$ cents—from what?

Mr. LOVELL. From 30 cents.

The CHAIRMAN. That will make it $23\frac{1}{2}$ cents.

Mr. LOVELL. Right. It will actually be about one-half cent above that, because the price will be above the price support under this law. The price of cotton would be at least one-half cent a pound above the price support, but you are talking about 24 cents export price.

The CHAIRMAN. Is it your contention that the subsidy payment on all cotton shipped abroad was not sufficient to make our cotton competitive on the world market?

Mr. LOVELL. Yes, sir.

The CHAIRMAN. That is your contention?

Mr. LOVELL. Yes, I think the tables will absolutely bear that contention out. At the present time——

The CHAIRMAN. With the surplus that you contemplate of 11 million bales, how can you advocate—would the 11 million bales of cotton that you contemplate that would be in surplus come August—how can you advocate that we increase the acreage by about 2 million?

Mr. LOVELL. A million and a half, Senator.

The CHAIRMAN. Well, you said——

Mr. LOVELL. 17.5 in the bill. We advocate that the Secretary administratively increase 2 million, but in the bill——

The CHAIRMAN. You said 16 million—the minimum is 16.3 million, is it not—and you advocate 18.1 million?

Mr. LOVELL. If it is done by administrative action. If it is done by legislative action, which would be Senate bill 1458, we advocate 17.5.

The CHAIRMAN. All right. Whether it be 17.5, that will be a million too?

Mr. LOVELL. Yes.

The CHAIRMAN. How can you advocate an increase in that manner and not expect to decrease it?

Mr. LOVELL. The total offtake under the proposal—the price support and the export subsidy provision contained in Senate bill 1458 will guarantee a total offtake in excess of 15 million bales. At 17.5 total acreage allotments the total production will be substantially less than that. If you are going to reduce the farmer's price support and do not give him an increase in acreage, you are going to make a real reduction in farm income. And we are not here to propose a reduction in farm income.

The CHAIRMAN. But you are, though, if you cut back the price at 30 cents—the sufferers will be the little fellows who cannot compete with your friend next to you—what is your name?

Mr. LANGENEGGER. My name is Langenegger.

The CHAIRMAN. How much do you plant?

Mr. LANGENEGGER. 761 acres.

The CHAIRMAN. All mechanized?

Mr. LANGENEGGER. Yes Sir.

The CHAIRMAN. And you have irrigation?

Mr. LANGENEGGER. Yes, sir.

The CHAIRMAN. What is your production per acre?

Mr. LANGENEGGER. About 2½ bales.

The CHAIRMAN. 2½ bales?

Mr. LANGENEGGER. Yes.

The CHAIRMAN. And you expect to put the little 5- or 10-acre farmer in Georgia or Louisiana—

Mr. LOVELL. Let us talk about the one in Louisiana, because you and I both know him.

The CHAIRMAN (continuing). Against this man with 700 acres all mechanized, producing 2½ bales per acre?

Mr. LOVELL. Let us talk about a farmer—

The CHAIRMAN. I take it that is your idea.

Mr. LOVELL. In fact, I am going to do him more good than I am going to do Mr. Langenegger good.

The CHAIRMAN. Let us find out how that comes about—that is the basic point.

Mr. LOVELL. This small farmer in Louisiana is engaged in selling his labor. This is what he is doing. He is working this cotton himself. The only thing he is buying—he is not hiring the labor like Bill here is. The only thing he is buying is fertilizer and poison. His principal source of income is how many days he can work raising cotton, farming the land. So his income is more dependent upon his gross income than it is on what is the so-called net income to a commercial producer, because most of his operating cost is his own family; and, therefore, his operating costs are income to him.

The CHAIRMAN. I know that, but if you cut his price 2½ cents—

Mr. LOVELL. I am going to increase his acreage; I am going to increase the number of days he can work.

The CHAIRMAN. How much would the acreage be increased?

Mr. LOVELL. It will be increased——

The CHAIRMAN. You would increase it only 1½ million.

Mr. LOVELL. Roughly, 10 percent.

The CHAIRMAN. In other words, you would give him an acre more; if he produces as many as 10 acres you would give him 11 acres?

Mr. LOVELL. Right.

The CHAIRMAN. But in order to get that extra acre, you are going to pay him 2½ cents a bale less or, rather, 2½ cents a pound less; is that correct?

Mr. LOVELL. That is correct.

The CHAIRMAN. And the next year, that is 1965, you might go down another cent?

Mr. LOVELL. Only if we do not sell.

The CHAIRMAN. It is possible that it might go to that, I understand.

Mr. LOVELL. The figures do not——

The CHAIRMAN. I say that it might. Am I right?

Mr. LOVELL. There is a possibility, but the figures do not indicate that the price——

The CHAIRMAN. Why do you put it in there if there is no possibility?

Mr. LOVELL. We put it in there because I thought that we could not argue untenably that you are going to set the price and increase the acres and take no provision for the carryover, but at the level we are talking about, when we had it the last time, we consumed 16 million bales of cotton, and we are talking about a production at the most of 14½, but let us go back to this little farmer again.

If you will figure his gross income——

Senator AIKEN. This 10-acre man?

Mr. LOVELL. The 10-acre man; yes.

Let us say that he is producing a bale of cotton to the acre. You have got in one case 10 acres at \$162.50 a bale, so that he has got \$1,625. And in the next case he has got 11 acres at \$152.50 a bale, and that figures that he has got \$1,677.50.

The CHAIRMAN. How much more is that?

Mr. LOVELL. It is \$20 or \$25 more.

The CHAIRMAN. So that he plants 1 acre more and gets that?

Senator JOHNSTON. You must also figure in the extra fertilizer. There is the cost of that fertilizer, he may have to borrow the money for it, and all of that.

Senator AIKEN. Why would he increase the surplus?

Mr. LOVELL. What?

Senator AIKEN. Why would he increase his surplus earnings if he got \$1,550 gross?

Mr. LOVELL. In the first place, the man who has got \$1,650 as his total income is in pretty bad shape. You will agree with that.

Senator AIKEN. Yes.

Mr. LOVELL. Do not fool yourselves that he is going to stay in the cotton business, no matter where you set the price.

Senator AIKEN. That is correct.

Senator TALMADGE. Will you yield at that point?

Senator AIKEN. Yes.

Senator TALMADGE. The statistics from the Department of Agriculture for the year 1959 indicate that the farmers who produced less than 10 bales of cotton had an average yield of 0.599 bales per acre;

in other words, slightly over one-half bale per acre, whereas the witness used an average yield of 1 bale.

And that graduates up. The larger the number of bales the farmer produces, the greater his yield per acre. For instance, a farmer that produces 10,000 bales or more, and there are eight of them, or were in 1959, the average yield was 2.72 bales per acre as against the little fellow's 0.99 bales per acre.

Thank you.

Mr. LOVELL. In Louisiana this would not be true. The small farmers in Louisiana have a better yield per acre than the big ones.

The CHAIRMAN. What do you say that it averages, the small farmer, the same as Senator Talmadge has mentioned?

Mr. LOVELL. It varies tremendously from parish to parish. It is about 2 bales per acre in one parish, whereas in another one—Washington Parish it just barely hits 1 bale, but on the average the small farmers average in Louisiana equal to or a little better than large farmers, roughly a bale to the acre.

The CHAIRMAN. Mr. Lovell, you have read the proposal by Senator Talmadge?

Mr. LOVELL. Yes, sir; I did.

The CHAIRMAN. Have you any criticism as to that bill? If so, give it to us in a nutshell.

Mr. LOVELL. I would like to make two points. The first is that if you assume that you are going to stay in the export market—and Senator Talmadge's bill does not make this quite clear—but I say, you are going to assume that you have got to stay in the export market, the cotton must sell for 24 cents, and then the cost of the domestic subsidy is very high, because it subsidizes graduated, of course, all of the cotton consumed, to represent the difference between the market price that is 24 cents and what the particular farmer would receive which could be as high as 36 cents and could be as low as 28 cents, I believe, which is the lowest figure.

Senator TALMADGE. That is correct.

Mr. LOVELL. Now, if you assume that we are going to get out of the export market, then Senator Talmadge's bill might not be so expensive, but the only way it cannot be very expensive is to take us out of the export market. I do not think anybody here or in the United States at all can assume that we are going to get out of the export market.

Senator TALMADGE. Would you yield at that point?

Mr. LOVELL. Yes.

Senator TALMADGE. Does not our export market, or does it not at the present time, and has it not for many years, been wholly dependent upon the subsidy the taxpayers paid maintaining that market?

Mr. LOVELL. It has been.

Senator TALMADGE. And you yourself just finished testifying that you want to continue that export subsidy.

Mr. LOVELL. I certainly do, for at least the immediate future.

Senator TALMADGE. You have so testified, have you not?

Mr. LOVELL. Yes.

The CHAIRMAN. And not give it to the domestic users?

Mr. LOVELL. No. I do not think this is necessary.

The CHAIRMAN. That is your essential difference?

Mr. LOVELL. There is another difference. I would like to ask Senator Talmadge about this. I am not sure that I understand this. I may be wrong, so you will have to bear with me if I am wrong.

Senator TALMADGE. Of course.

Mr. LOVELL. You provide that the domestic consumption shall be allocated in bales to the producer.

Senator TALMADGE. That is correct.

Mr. LOVELL. Instead of the acres. And you also provide that the domestic consumption that is so allotted could be released and reapportioned.

Senator TALMADGE. That is correct, the same as the present law on a State and county level.

Mr. LOVEALL. So far as acreage—

Senator TALMADGE. Yes.

Mr. LOVELL. This is a market that we are now releasing.

Senator TALMADGE. Converting it to bales, whereas we have acres at the present time.

Mr. LOVELL. As I would read the law, you say that the purpose of the law, you define production for the domestic market as being, for instance, if you are in a conservation reserve, you will have assumed that you produce for the domestic market.

Senator TALMADGE. You would have to produce 75 percent of your allotment.

Mr. LOVELL. Or release it.

Senator TALMADGE. That is correct.

Mr. LOVELL. But the farmer could release his—say he had 10 bales in the domestic market—he could release the 10 bales for the purpose of the law, it would be assumed that he had produced it.

Senator TALMADGE. Yes, provided it was released to someone else.

Mr. LOVELL. If I would understand this, then, it would be possible and very probable that a farmer in Georgia, for example, raising 200 acres of cotton would be entirely different from a farmer in Louisiana raising 200 acres of cotton. The farmer in Georgia raising 200 acres of cotton conceivably could be raising it all for the domestic market.

Senator TALMADGE. Actually I do not think that you get the full point that is in my bill. What I am trying to do is to recognize the differential in the standard of living in America and overseas. I think that we recognize—

Mr. LOVELL. I am talking about the standard of living between Georgia and Louisiana—that is what I am talking about.

Senator TALMADGE. Let me finish my point. I think we will get to whatever questions you have then.

And guarantee the support price for domestic production only. The Secretary would declare the number of bales annually—it may be as low as 8 million or it may be as high as 10 million.

Then the support price would be graduated, depending upon the number of bales that a farmer would produce—the highest support prices to the smaller production; the lower support price to the higher production, taking advantage of the cost in the differential of production.

Over and above that, every farmer would be free to plant as much cotton as he saw fit for export or could be used; in any event the cotton would be priced at the same price, the domestic and the export bales.

would sell at the same price. But then this would give the small farmer you mentioned a moment ago in Louisiana, that you would give 1 acre, under my bill he could have 100, 200 acres, if he wanted them.

Mr. LOVELL. He would have to sell at 24 cents.

Senator TALMADGE. Also, the larger farmer would do the same thing. If they wanted to assume the risk.

We have several farmers in this country that produce in large amounts. There is one producing 50,000 bales per year and his subsidy at the present time is \$2 million annually. His subsidy is \$175,000 a month. I do not believe the taxpayers ought to carry that burden.

He would get a guaranteed support price, even the largest farmer, of 28 cents. So if he wanted to produce additional cotton, he could produce it at 24 cents, and that would give him a mean price of 27 cents.

On the other hand, take the little farmer with his domestic allotment, with a support price of say 36 cents, if he wanted to produce three times as much cotton as at present, that would bring his mean price up considerably above the 24-cent level.

Mr. LOVELL. Now, Senator, I want to go back to this——

The CHAIRMAN. Will you answer the questions, if you do not mind?

Senator TALMADGE. I do not mind answering his questions if he will make clear what he is trying to ask.

The CHAIRMAN. What I want to find out is this, and I think that this may be in his mind—do I understand that it is your view, Mr. Lovell, that the cotton farmer in Louisiana and the cotton farmer in Georgia are to be paid a different subsidy?

Mr. LOVELL. Could be.

The CHAIRMAN. Under the same circumstances?

Mr. LOVELL. Senator Talmadge's bill, if I read it right, defines the base year from which all of the domestic market is going to be extrapolated as the acreage allotment in 1963 times the normal yield for 1963.

Senator TALMADGE. Right.

Mr. LOVELL. Without any regard to how many acres were actually planted in the State.

Senator TALMADGE. No; that is not true. You would convert it and allocate to each State bales on the historical production.

Mr. LOVELL. On the allotment for 1963, that is your base year?

Senator TALMADGE. That is correct.

Mr. LOVELL. If the allotment was 1 million—I do not know how much it is—and they end up planting in 1963 600,000 acres, their basic domestic allotment would be based on the 1 million acres that they were allotted, not what they actually utilized?

Senator TALMADGE. The bill provides that the conversion will be into bales on the basis of the acres and the historical production in accordance with the present law.

Mr. LOVELL. Yes.

Senator TALMADGE. So that each State would maintain its relative position. The bill provides also the same thing for the counties. And then in the course of a 5-year period, your conversion would work partially on the basis of yield and partially on the basis of

history, so as not to disrupt the historical ground of production in each State and in each county.

Mr. LOVELL. Will you agree with this Senator, that in some counties in the United States a man could raise 400 acres of cotton under this bill and get it all classified as domestic market?

Senator TALMADGE. No, he would have his base—his acres would be converted to bales on the basis of history and then, of course, if someone wanted to release to that particular farmer his portion of the domestic market, of course, he could plant it, but as he did so, his support price would go down.

Mr. LOVELL. I understand. He might go down to 70 percent price support, but it would be possible in certain counties in the Southeast that a man could plant all of the cotton that he wanted to plant and still have 100 percent qualify for the domestic market?

Senator TALMADGE. That would not be true.

The CHAIRMAN. No.

Senator TALMADGE. Under the present Release and Reapportionment Act, some farmers do benefit. On the county level, you might find some that plant all of the cotton. He goes in and asks for extra acreage and the local committee allocates it in accordance to their best judgment.

That is supported now at 32.47 cents. If he got above 15 bales, his support price would go down.

Mr. LOVELL. I understand.

Senator TALMADGE. If he got it above 30 bales, it will go down further. He will not benefit any more than he is benefiting right now and perhaps not to the same degree.

The CHAIRMAN. Senator Talmadge, is it true or not that in the situation which Mr. Lovell has referred to, his case in Georgie, it would also happen in Texas and in Louisiana?

Senator TALMADGE. Yes, sir. The chairman knows, and Mr. Lovell knows, that we have confined this cotton acreage to a State and then we have gone further than that, we have confined it within the county.

The CHAIRMAN. That was the point that I was trying to make.

Mr. LOVELL. There is one difference, Senator: You have five States in the United States today that have a bigger allotment than they are planting.

The CHAIRMAN. They are entitled to do so.

Mr. LOVELL. I understand; I am not saying that. I wanted Senator Talmadge to agree with me that under his law, a farmer in Louisiana who was raising 200 acres of cotton would be getting or could be getting an entirely different price than a farmer in Georgia who is raising 200 acres of cotton.

Senator TALMADGE. No, that is not true. The price support is predicated, under my bill, upon the production of cotton.

Mr. LOVELL. The price support in your bill is predicated on how much of the domestic market is released. As long as you got a release for the domestic market, then a farmer who is given that release can plant as many acres as he wants to for the domestic market, as long as those acres are released.

Senator TALMADGE. What you are doing is attacking the present law on release and reapportionment. Mine does not change it.

Mr. LOVELL. In one place you are releasing acres which will bring the same price for cotton, regardless of who gets it, and in this case we

are releasing premium price cotton. Your bill releases premium price cotton.

Senator TALMADGE. What do you think the present law does? 32.47—do you think that is high-price cotton?

Mr. LOVELL. Yes.

Senator TALMADGE. You are arguing about that.

Mr. LOVELL. I say that under the present law, every farmer in the United States is treated the same for the price of his cotton.

Senator TALMADGE. That is right.

Mr. LOVELL. Under your law that would not be so.

It would not have any relationship to how much cotton he plants.

Senator TALMADGE. Let me ask you, do you think that a fellow who has 1-acre allotment ought to be compelled to have the same price support as this gentleman who has 50,000 acres or 50,000 bales of cotton—do you think it is equitable distribution of the tax money of this country when we support maybe one small farmer with \$42.50 of the tax money and support another farmer with a subsidy of over \$2 million?

Mr. LOVELL. Well, Senator, the point I am making, though, is——

Senator TALMADGE. Answer my question.

Mr. LOVELL. Under your bill——

Senator TALMADGE. Answer my question.

Mr. LOVELL. Do I think—I think that everybody in the United States should be treated according to his ability to contribute to the welfare of society. That is, if you are dealing with economics. If you are dealing with welfare, then vote the money out of the Department of Health, Education, and Welfare and give it to him as a welfare program.

Senator TALMADGE. I asked you a question about the distribution of public funds and price support. Do you think that the tax money ought to be used in subsidies in one instance as low as \$40.50 and in another instance in excess of \$2 million?

Mr. LOVELL. For one farmer—if the purpose is to strengthen the industry, then the price-support program should be equally applicable to all people who are participating in that industry, regardless of their size.

If the purpose of the price-support program is to provide welfare, then I say that it ought to be handled by some other committee, but I do not think that this committee should get into the welfare features of agriculture.

If your purpose is to try to save an industry, then you ought to try to save everybody that is in that industry.

But the point I want to get back to is this: The point I am trying to get to understand is that you are not talking about a man with 1 acre of cotton—under your bill a man could have 400 acres of cotton—he could have 400 acres of cotton, I repeat, and still have every bit of it sold on the domestic market.

Senator TALMADGE. Under the present law—under release and reapportionment, any farmer could get as much acreage as available in any county in the United States that he wanted to plant.

If you are opposed to that, you ought to ask us to repeal it.

I am not opposed to it. I supported it vigorously. I thought the Farm Bureau and every other farm organization in America supported the release and apportionment.

The CHAIRMAN. I think that is enough, gentlemen, on the record to indicate the position of both. As I understand, Senator Talmadge's applies similarly to any State. If you use it you are bound to use the same law. We are not passing a law here that would apply differently to Georgia than to Louisiana. I can well understand that if these transfers are made for a farm in Louisiana or in Georgia or in Texas, the total benefits may differ.

Mr. LOVELL. You would have the same situation between parishes in Louisiana.

The CHAIRMAN. The situation that you described is beside the point.

The other bill that I did not ask about was introduced by request. This had the effect of paying a subsidy to both foreign and domestic users of cotton, plus an extra payment to the small farm, 15 acres or more.

Mr. LOVELL. In this bill—this bill is entirely different from Senator Talmadge's bill. This bill is quite vague. It is rather difficult to decide what this bill is going to do, because it is mostly at the discretion of the Secretary. It would appear, though, from a reading of the bill that the price support of cotton for anything over 15 bales would be 29.25 cents, to be accurate. Not only that, but it provides that the Secretary will buy the first 15 bales of everybody's cotton and resell them at that price. Since you are talking about roughly a third of the crop, if you took the first 15 bales of everybody producing cotton in the United States you are talking about roughly one-third of the crop, and if he was going to buy one-third of the crop at 32.50 cents and resell it at 29.25 cents, then you have fixed the price of cotton at 29.25 cents and it becomes a ceiling and a floor. It becomes an absolute fixed price which I certainly am not in favor of.

Then, in addition to that, the bill, as I say, is vague, but if you say that we want to stay in the export market, which means you have to export at 24 cents, then you assume that you are going to give the mills the difference in its entirety, then you are talking about approximately \$700 million in expenditure, but the bill leaves a great deal to the discretion of the Secretary and I cannot be sure that is what he would do under the bill.

The CHAIRMAN. The cost of each bill has been put in the record so that we will not go into that.

Are there any further questions?

Senator TALMADGE. I have one or two, Mr. Chairman.

The CHAIRMAN. Yes.

Senator TALMADGE. That is, if Senator Johnston has none.

Senator JOHNSTON. No.

Senator TALMADGE. Do you advocate the support prices of 30 cents?

Mr. LOVELL. Yes, sir.

Senator TALMADGE. Is not that a subsidy, inasmuch as it is over and above the world price?

Mr. LOVELL. Not if the domestic mills can pay 30 cents and merchandise cotton—it is not a subsidy.

Senator TALMADGE. Are you not in favor of a one-price system for cotton?

Mr. LOVELL. Yes, sir.

Senator TALMADGE. How do you equate the two then, that you are in favor of 30-cent cotton and the one-price system at the same time—

how will you accomplish that when the world price, as you say, is a little above 23 cents at the present time?

Mr. LOVELL. Senator, I have to start from where we are. There is no way in the world that American cotton can be produced in any volume today at the world price. I, for one, am absolutely convinced that given a research program and a little further breakthrough on weed control that we can produce cotton competitively, whether it will take 3, 5, or 10 years, I don't know. Somebody once said that we never could produce sugar at the world price, but we can now. The world price has to come up. We have to maintain our position at a slightly decreasing price level. And somewhere down the road we are going to cross. We will attack this problem and attack it vigorously. I would not want to say how long it will take, but it can be done, and it can be done through increased efficiency within a market price system and that, in my opinion, is the salvation of the cotton industry.

Senator TALMADGE. You oppose 24-cent cotton, do you not, sir?

Mr. LOVELL. Yes, sir.

Senator TALMADGE. You also oppose subsidies?

Mr. LOVELL. Well, I am not opposed to an export subsidy.

Senator TALMADGE. But you are opposed to a subsidy to a farmer?

Mr. LOVELL. I am opposed to a subsidy which has no point. I am not opposed to a subsidy if the subsidy will be used as a method of eliminating the need for subsidies in the future and that, in my opinion, is what an export subsidy will do, but I am opposed to a subsidy if it is going to be grafted into the economy and be there from then on.

Senator TALMADGE. Is not the tax money that we spend to support the price of cotton a subsidy?

Mr. LOVELL. The last 2 years it has been. It will not be under S. 1458, because the Commodity Credit Corporation would actually sell more cotton than it took in, and they would actually have a reduction in the Commodity Credit Corporation stocks, so that you could not say that the price support program for cotton would be a subsidy under these conditions.

Senator TALMADGE. Let me see if you have lost me.

Mr. LOVELL. I doubt it.

Senator TALMADGE. I think that you said a little over 23 cents was the world price and that you want to support cotton at 30 cents, and you say that is not a subsidy. Then what is it?

Mr. LOVELL. Well, it is a price at which the domestic mills can spin cotton and sell cotton in the continental United States.

Senator TALMADGE. How does that equate with your philosophy that you also want a one-price system for cotton—what are you going to do with the Louisiana and Georgia cotton that is going to Japan at 23.5 cents?

Mr. LOVELL. I am going to let it continue to go at 23.5 cents until we can reduce the cost of producing cotton in Georgia and Louisiana, which we can do.

Senator TALMADGE. You want to subsidize that cotton to the Japanese, but you do not want to subsidize it to the American farmers unless you can—

Mr. LOVELL. I do not want to have domestic subsidy in any form—disguised or otherwise.

Senator TALMADGE. What do you think the 30-cent cotton is if it is not a subsidy, if the going price for the product is 23 cents plus?

Mr. LOVELL. Well, if we had an unlimited amount of import of raw cotton, then I would say that 30 cents would be a subsidy, but fortunately we do not let people import raw cotton into the United States.

Senator JORDAN of North Carolina. Except for certain cloth that comes in.

Senator TALMADGE. 800,000 pounds of it.

Mr. LOVELL. I am talking about raw cotton—I am a cotton producer. Do not get me confused with anybody else. I raise cotton for a living. We have very strict controls on the importation of raw cotton into the United States.

Senator TALMADGE. What about the cotton that comes back in the form of cloth—do you not think that deprives some cotton farmer of the opportunity to produce it?

Mr. LOVELL. Yes, sir.

Senator TALMADGE. And the employees of the opportunity to receive the money?

Mr. LOVELL. It does.

Senator TALMADGE. What do you think a subsidy is—you have lost me there.

Mr. LOVELL. Well, a subsidy is where you take the Federal tax dollars to try to help an economic situation whether it applies to an airline or to agriculture. I said before that I am not opposed to a subsidy if it is used in order to make that industry better, to enable that industry to be able to stand on its feet without a subsidy. We have done this ever since the United States was created. We have subsidized, on a temporary basis, thousands of industries which we finally were able to have stand on their own feet. That is what I want to do for cotton.

Senator TALMADGE. You are not opposed to the 30-cent subsidy on cotton, but you are opposed to the 32.47-cent subsidy on cotton; that is it?

Mr. LOVELL. That is correct. And the reason that I am opposed to that is because I can show you by the record that with the 30-cent price we are going to start regaining our domestic market; in other words, the price of cotton to the mills was increased roughly 1 cent and a half, and we lost \$600,000.

Senator TALMADGE. What do synthetic fibers sell for?

Mr. LOVELL. About 27 cents.

Senator TALMADGE. What makes you think that if you sell at 30 cents, it will displace the 27-cent article?

Mr. LOVELL. Because in 1959 and 1960 cotton was selling at 31 cents—let me get the table—well, roughly, 31.5 cents—in 1959-60, cotton was selling at 31.5 cents and synthetic was selling at 27 cents, and we sold cotton to the domestic mills. And I say that if we could do it just 3 years ago, we can do it again today, but what we are talking about is a cent and a half lower than what we had about 3 years ago, and synthetic prices are the same. And I say that history proves that this will work.

Senator TALMADGE. I have no further questions, Mr. Chairman.

The CHAIRMAN. Any further questions?

We thank you gentlemen very much.

Mr. LOVELL. Thank you very much.

The CHAIRMAN. All right. The next is Mr. Phil Campbell, commissioner of agriculture from Georgia.

Senator TALMADGE. Mr. Chairman and gentlemen of the committee, it is a great privilege for me to welcome Mr. Campbell, commissioner of agriculture, to testify before this committee.

Mr. Campbell was chairman of the agriculture committee of the house of representatives when I was Governor of my State.

He has served as commissioner of agriculture in Georgia in a very outstanding manner.

He is one of the few gentlemen that I know who was trained in agriculture and also has practical experience on farms. He worked his way through college milking cows. He was born and bred on a small cotton-dairy farm in Georgia. The people of our State are very proud of it. He is a very fine commissioner.

Sit down, Phil.

STATEMENT OF PHIL CAMPBELL, GEORGIA COMMISSIONER OF AGRICULTURE, ATLANTA, GA.

The CHAIRMAN. All right, that is a good nominating speech.

Mr. CAMPBELL. Mr. Chairman and members of the Senate Agricultural Committee, I appreciate the very kind words from the Senator from my home State, Senator Talmadge, whom all the citizens of my State love dearly. I know of no man who has represented the pulse beat of the entire citizenry of the State of Georgia as has Senator Talmadge, and I appreciate his kind remarks.

The CHAIRMAN. We are all acquainted with that, and all of us love him.

Mr. CAMPBELL. Mr. Chairman in presenting my testimony I would like to just briefly make a few statements other than the written testimony which I have presented, stating, if my memory is correct, that the Congress of the United States passed the original farm legislation in the middle of the depression in order to pull us out of a situation where farmers were standing at courthouse doors in the Midwest, such as the great State of Iowa, with shotguns, trying to prevent the judges and the sheriffs from foreclosing and taking their farms away from them.

At that time, it was a drastic legislation that was unprecedented. It was done in order to pull the farm economy out of the position where it was.

In my home county at that time 80 percent of the farmers were sharecroppers and did not own their own land.

Today, in thinking of farm legislation, I feel that different approach should be taken, and this approach has been taken by Senator Talmadge in his cotton bill, S. 1190, in that he has abandoned the philosophy that any production of cotton should be subsidized and only the production of cotton which is consumed in the United States should be subsidized.

This to me is a point which I think Congress should examine very closely as contrasted to the milk program and the Federal grain program wherein every bushel is subsidized regardless of whether it is to be exported.

If we are to subsidize the production of crops to be exported overseas we also should perhaps subsidize the production of automobiles and a lot of other goods to be exported overseas.

I think the drawing line should be on the domestic consumption as to what should be subsidized and that is where Senator Talmadge in this particular bill, S. 1190, has drawn the line on the subsidizing of farm production.

I appreciate the opportunity to be here today to testify in support of Senator Talmadge's cotton bill, S. 1190. I am sure each of you are thoroughly familiar with the bill, and realize it accomplishes the following four points which I would like to emphasize today:

1. This bill allows cotton farmers to produce any acreage of cotton which they desire.

Any one farmer in the United States could produce any amount of cotton he desired to produce under this bill.

2. Rather than acreage quotas, it provides for subsidy payments on production quotas, determined historically and based on current total U.S. consumption of cotton with the bracket subsidy payments to the farmer established on a basis of production with the smaller producer receiving the higher subsidy rate.

3. This bill places American cotton on the market at world market prices, allowing American users to purchase cotton competitively with other world users of cotton.

4. This bill gets the Federal Government out of the business of acquiring ownership of cotton, of handling cotton, and of storing cotton, all of which have proven quite costly.

This bill is designed for the growers and processors of cotton.

I have a strong conviction that this is the best piece of cotton legislation that can be passed for the benefit of (1) the cotton producers of America, (2) the cotton users of America, particularly the textile manufacturers, (3) the total economy of the United States as affected by the producers and users of cotton and labor utilized in this industry in the United States, and (4) the U.S. Treasury.

In my discussions of this legislation with farmers, farm organization representatives, textile manufacturers, and elected officials, I have been given only two reasons in opposition to the Talmadge cotton bill:

One, that it is a direct subsidy program to the farmer, and two, that it is the best cotton program offered, but that it cannot be passed.

To me, neither of these objections is valid, as a direct subsidy to the farmer removes the cloak of false pretense from the fact that American agriculture is and has been subsidized since the early thirties.

Only recently have I found the truth behind these two points of opposition. In the first case, those who complain bitterly in opposition to a direct subsidy to farmers are those farmers receiving huge benefits who do not wish anyone to know the tremendous size of their checks, should they receive a direct subsidy payment.

Actually 30,000 farmers of the 930,000 with allotments are producing approximately 8 million bales which is the approximate current amount of domestic consumption.

As to the second point, I have never seen such a steamrolling campaign instigated and carried out as that now waging throughout the cotton industry of handlers and large growers to condemn a bill before Congress with faint praise as a means to try to kill the bill.

The word has been put out and repeated hundreds and thousands of times that the Talmadge bill is the best one that has been offered but that it cannot be passed. This is a tactical maneuver by the large

growers who are receiving cash benefits at the same time that they are stifling the small growers out of business by the rigid allotment program.

I am going to touch on this point later and to me it is the most important point.

And under the present program, and any other that I have seen offered, the Federal Government is in consort driving the small farmers out of business because of technological changes on the farm.

These large growers have enlisted the assistance of the handlers and processors of cotton who are primarily on the side of the large growers who are receiving huge cash benefits.

As an example, I think the public image is that the Federal Government is maintaining a public assistance program primarily in my area of the United States in the Southeast in keeping a lot of people in the cotton business who should be out of the cotton business.

This impression has gained an extensive image generally that in the Southeastern States, exclusive of Mississippi and Louisiana, there are huge benefits being poured into small farms to keep a lot of little fellows on the land.

The true facts are that only 16 percent of the cotton subsidy goes into the Southeastern States exclusive of Mississippi and Louisiana. With only 16 percent going into those States you can see that the image created by the larger growers is not true. I am not saying that I speak for everyone.

Under the present and past cotton programs, and under each of those presently proposed, except S. 1190, the Talmadge bill, small farmers have been squeezed, are being squeezed, and would continue to be squeezed out of production with large farmers accumulating more and more subsidies as a result of cultivating and technological changes in the production of cotton.

A good example is my personal cotton allotment of 30 acres on my farm in north Georgia which is not of sufficient size to warrant a cottonpicker.

In the thirties 10 acres was sufficient for a man to go out and harvest the 10 acres with his farm equipment. Since that time, all of you know we have had a technological revolution in agriculture to the point now that in order to cultivate cotton competitively you must have planting and cultivating machinery, you must have spraying and equipment in the areas where you have to fight the boll weevil. And you must have a cottonpicker to harvest it.

So under the present program patterned after the present program you can look forward to the balance of the small farmers going out of business and their allotments being transferred into the hands of the big few who presently are drawing most of the benefits under the program.

Under the Talmadge plan this would be reversed and a farmer would be able to plant 75 or 100 acres of cotton rather than the 30 as in my instance.

On my farm he would be able to sell the balance of this at the world market price. This would carry the overhead, and he would be able to net and possibly live from the profit he would get out of the direct subsidy for his portion of the domestic consumption allotment.

This to me is a picture that needs to be understood. It needs to be looked into.

You can take the figures of the cotton program as it is today and as it has been in the past and ferret these facts out.

This has been done.

This is a completely different picture from that which we had when the first programs were put into effect in the thirties, when we were still farming with mules, and we did not have the situation which we have today when you must go to machinery and you do not lose labor anymore.

Only under the Talmadge bill would I, with a 30-acre cotton allotment, or a 20-bale allotment, be able to have the size operation which would warrant my buying a cottonpicker. Under the Talmadge proposal, if desired, I would be able to plant enough cotton acreage to warrant the purchase of farm equipment, including spraying, cultivating, planting, and picking machine to continue in the cotton business.

From this you can see that under the present cotton program, and proposals other than the Talmadge bill, all small farmers are having to drop out of cotton production because of changes in cultivation and technological practices. If these small growers are allowed to produce for the world market—which the big growers continually say they can do. And you have had their testimony—the person who has got to produce on the world market in order to stay in business is the small grower in order to pay for this machinery.

This is the reverse of what you have been hearing—that cotton would bear the cost of this equipment, allowing a net profit from the domestic quota assigned.

Under the rigidity of the present program, small cotton farmers are having to abandon their allotments and large farmers are continuing to get larger—with 30,000 of the 930,000 which have allotments producing essentially the domestic consumption.

The primary reason I strongly support the Talmadge cotton bill is that if the Talmadge bill becomes law it will be the first farm cotton program to allow the cotton farmer to be master of his destiny by being allowed to determine the size of his individual farm operation, without at the same time tending to bankrupt the Treasury.

This bill gives the cotton farmer the opportunity to utilize his labor, machinery, finances, land, and own managerial ability to whatever degree he so desires. Previous hidebound, camouflaged farm programs have not allowed the farmer to be the master of his own destiny as these programs mandatorily told him the size of his operations.

This bill allows the farmer to determine the size of his cotton operations without tending to bankrupt the Federal Treasury as it limits the subsidy payments to domestic consumption only.

And we are not subsidizing farm productions in America for export abroad.

An unlimited subsidy of cotton, as is presently the case on milk production and feed grain programs, could be extremely costly to the Federal Treasury.

Our Nation's farmers are expected to produce a surplus—I want to repeat that. Our Nation's farmers are expected to produce a surplus—or in abundance—in order to protect the American economy. No one wants or expects the farmers to produce in shortage, even though producing in surplus wrecks the price structure and eliminates net profit.

It is realized that a portion of agriculture must be subsidized if we are to maintain a healthy agriculture production in this country. Accepting this theory, as I am sure we all must and will do, then the direct subsidy plan is the best vehicle as it is the most acceptable to the farmer and all segments of the economy. I have never heard of a farmer who refused to accept direct subsidy payments, when tendered to him.

In order to maintain this abundance and therefore a higher standard of living and cheapest food in the world, segments of agriculture must be subsidized.

The Talmadge bill would not encourage shortage of production, but will allow the farmer flexibility of unit production level most advantageous to him by subsidizing only the production used for consumption in the United States.

The Talmadge program would eliminate any personal or geographical discriminations of production.

Again, thank you, gentlemen, for this opportunity to appear in support of the Talmadge cotton bill, S. 1190.

And in closing I would like to make this statement, that the United States of America is moving to a corporate society very rapidly, and you gentlemen in Congress have seen fit to pass laws for small businessmen in opposition to large corporations in other industries.

In your defense contracts you set aside certain areas of work and they do it administratively from the executive branch to see to it that small businessmen are kept in business.

At the same time, you have passed laws against monopolistic practices.

Under the present farm program we are moving very rapidly to the same situation which you are fighting to ward off in industry and to me this approach, as outlined in this bill, is the only thing that will prevent a corporate structure in agriculture as we already have in the industry to the extent that you Members are passing laws trying to protect small businessmen, and I beg of you to do the same in agriculture before it is too late.

Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Campbell, suppose that the Talmadge bill were enacted, as I understand it, you say you have a 30-acre allotment at the moment?

Mr. CAMPBELL. Yes, sir.

The CHAIRMAN. How much do you produce on that 30 acres?

Mr. CAMPBELL. Well, it averages slightly below a bale an acre. Some years I may go a little over or under.

The CHAIRMAN. But it averages a bale an acre?

Mr. CAMPBELL. Or slightly under; yes, sir.

The CHAIRMAN. Well, assuming that the Talmadge bill would be enacted, could you make enough profit on this 30 bales, that you would be permitted to sell in the domestic market by increasing the acreage, let's say, to 150 acres and get the world price on the balance of the cotton?

Mr. CAMPBELL. Well, I said in my testimony that this would be the case with many farmers, that they would go from, say, 30 to 75 bales.

In my case I would probably stop at the 50-acre limit or 80 or 90. Some other farmer may go that far.

The CHAIRMAN. Well, all right, let's take your 90—

Mr. CAMPBELL. You say the price as paid on the world market will pay your capital investment cost of the machinery whereas your 30 bales wouldn't. You have got to have a certain volume in order to go on this machinery purchase.

The CHAIRMAN. Well, then, let's put it this way. Do I understand that if the Talmadge bill were to go through, and you were permitted to plant 90 acres, would that justify you in purchasing sufficient machinery——

Mr. CAMPBELL. Yes, sir.

The CHAIRMAN (continuing). To operate at 90 acres?

And you could, as you say, pay for the upkeep of the machinery and the operation of it and so forth by planting that 90?

Let's assume that you produce a bale an acre. On 60 bales, you would be paid world price and on the 30, you would be paid not less than 80 nor more than 90 percent of parity on the first bales and on the rest it would be ——.

Mr. CAMPBELL. Yes; that would be a much more ideal situation than the present situation of 30 bales.

The CHAIRMAN. Well, from your past experience do you believe that you could make a go of it?

Mr. CAMPBELL. Most farms are not that specialized. Most farms have two or three other crops to go into it where they utilize the machinery as well.

But we have to buy particular equipment for cotton, your spraying equipment, your cultivating equipment, and your cottonpicker particularly.

Yet, they can use their plows and other equipment to go out to pick peanuts and other products.

Most farms have four or five sources of income.

The CHAIRMAN. Well, as I pointed out yesterday, what concerns me is the ability of this committee to go before the Congress and advocate a program that will cost much more than the present program. Then, on the other hand, we advocate a program in the milk industry and in the feed grain industry, and the wheat industry, which would reduce costs.

In other words, we say we want the support prices for certain crops decreased because the cost to the Government is too great. Then we switch to this corner over here and say we want to raise price supports for cotton.

What chance do you think we would have before the Congress in presenting such a——

Mr. CAMPBELL. Mr. Chairman, when they reduced the support price on corn and dairy products didn't they allow unlimited products and didn't the cost of the programs go up when you reduced the parity?

Historically in the past, when you reduced the parity of milk and Federal grains, did not the cost to the Government go up because the production was turned loose?

The CHAIRMAN. Well, the point is, however, that we have certain laws on the statute books now respecting, let's say dairying.

Mr. CAMPBELL. Yes, sir.

The CHAIRMAN. We are saying that that program is costing too much.

Mr. CAMPBELL. Yes; I am familiar with it.

The CHAIRMAN. \$500 million to——

Mr. CAMPBELL. \$600 million.

The CHAIRMAN (continuing). \$600 million a year.

Mr. CAMPBELL. Yes, sir.

The CHAIRMAN. Now, we say it ought to be reduced.

Mr. CAMPBELL. Yes, sir.

The CHAIRMAN. We take that position as to milk.

Now, when it comes to cotton, however, although it is very costly, the present program cost us around \$461 million and according to figures that I received yesterday and put in the record the Talmadge program would cost \$721 million.

You see the point I am trying to make to you? In one case you are saying "down with the cost," and in the other "let's raise it."

Now, that is what concerns me in presenting a proposal to Congress wherein we are increasing the cost of the program rather than what we are trying to do in others and that is decrease them.

Mr. CAMPBELL. Well, Mr. Chairman, do you know if the \$400 million includes all of the storage and the handling——

The CHAIRMAN. Everything. That is the figures on the cost of the present program.

Mr. CAMPBELL. That is the total cost of the present cotton program.

The CHAIRMAN. That is right.

Senator TALMADGE. Mr. Chairman, I don't think it includes the CCC acquisitions that have been variously estimated of up to 11 million bales.

The CHAIRMAN. Well, of course, may I say that I presume the costs given here are comparable. It is true that with all of the amount that we have on hand the current program would be higher.

Senator TALMADGE. Over a billion dollars this year I am informed.

The CHAIRMAN. According to the accumulation that we have on hand.

Senator TALMADGE. That is correct.

The CHAIRMAN. And, of course, we wouldn't shed ourselves of that cost if your bill went through. It would still be there.

In other words, what I asked the Department to do was to give us the estimated cost of these programs, assuming the same conditions would exist, that is starting with just an average carryover and——

Senator TALMADGE. Of course, Mr. Chairman, the first operation would take care of inventories now on hand that would be vastly reduced in cost.

But 10 million bales——

The CHAIRMAN. But, wouldn't there be a possibility of increasing that, because, as I pointed out yesterday, you provide price supports for everybody.

Senator TALMADGE. That is correct, only for domestic production.

The CHAIRMAN. No, no; for all production.

Mr. CAMPBELL. No, no, sir; only domestic.

The CHAIRMAN. I beg your pardon but producers have cotton——

Senator TALMADGE. Well, for 24 cents.

The CHAIRMAN. That is what I am talking about.

In other words, if the price of cotton, if they can't get 24 cents abroad they will get it by putting it in Government——

Senator TALMADGE. Of course, if the market broke, the Secretary would have the power to reduce the supports on that.

But if you subsidize your total of 10 million bales, Mr. Chairman, in direct payments of \$40 a bale the figure would only be \$400 million.

The CHAIRMAN. Any further questions.?

Senator YOUNG. I just wanted to commend the witness for a very able statement.

Sometime, when I have a little time, I am going to conduct a private investigation as to why Georgia produces so many able people.

Mr. CAMPBELL. You are very kind, Mr. Senator.

Senator TALMADGE. Mr. Chairman, I want——

The CHAIRMAN. Senator Cooper?

Senator TALMADGE. Excuse me, go ahead.

Senator COOPER. I understand you are theorizing that if Senator Talmadge's plan should be enacted, you would be able to increase your cotton production on your farm. Can you produce cotton for sale at 24 cents a pound? Can you do that?

Mr. CAMPBELL. The 24 cents I am certain would cover the production cost probably without net, but this is the point: your supply and demands would be in operation.

It is not in operation under the present program. If cotton dropped to 20 cents, I probably would produce only 20 or 30 bales. If it went to 26 cents, I probably would be in production in the market.

It would not be a rigid proposition. A farmer could determine from year to year according to the level of the price what he wanted to produce. In other words, the world market price would determine whether or not to plant 40 or 50 acres.

But it would give me some freedom of action of the ability to make decisions based on the world market proposition rather than the inflexible situation at the present time which is driving the small man out of business.

Senator COOPER. I guess your point, too, is that a great deal of your cost is more or less fixed labor cost, and if your income could be increased it would give you additional return on your capital investment?

Mr. CAMPBELL. Yes, sir.

Senator TALMADGE. Mr. Chairman, I want to compliment the witness on a very fine statement.

The CHAIRMAN. Thank you, very much.

Senator YOUNG. Just one other thing.

I notice in your bill that you make a real attempt to keep this small armer in business.

In doing so, I think you tend to hold down the production, because when the bigger farmer takes over a small farm doesn't he usually increase his production.

Mr. CAMPBELL. Corporation size; yes, sir.

Senator TALMADGE. The figure varies here. On the 10 bales—here are the figures on cotton.

Senator YOUNG. This idea of helping small businesses is nothing new. You have the small business set-asides. You have a dozen different gimmicks to help the small businessmen.

Mr. CAMPBELL. Yes, sir.

Senator YOUNG. And this is the first big attempt that I know of to help the small farmer.

Senator JOHNSTON. You have the wage and hour bill.

Mr. CAMPBELL. Yes, sir. But I say this same picture or pattern is developing in agriculture, and if you were to remove your Federal farm program, we would have corporation agriculture in 10 or 15 years or less, I am certain.

If you do away with your tobacco program in less than 5 years I doubt if there would be any tobacco grown in Georgia that wasn't under contract.

We have a better illustration in Georgia than I know of anyplace from the top down to the bottom, and the folks are interested.

They are completely integrated from the top down, from Wall Street.

The CHAIRMAN. All right. Anything else?

Thank you, very much, Mr. Campbell.

Mr. CAMPBELL. Thank you, sir.

The CHAIRMAN. All right, the next is Mr. Heidelberg.

Will you step forward please, sir?

STATEMENT OF FREDERIC H. HEIDELBERG, EXECUTIVE VICE PRESIDENT, NORTH CAROLINA COTTON PROMOTION ASSOCIATION, RALEIGH, N.C.

The CHAIRMAN. Mr. Heidelberg, will you identify yourself for the record, please, sir?

Mr. HEIDELBERG. Mr. Chairman, my name is Frederic H. Heidelberg. I am executive vice president of the North Carolina Cotton Promotion Association. Within North Carolina it is the recognized State level commodity organization of cotton producers, and is supported by all of them. It is in their behalf that I am here today to be heard by yourself, and the other distinguished members of this committee, in respect to the legislative proposals affecting cotton which are before you.

It is my understanding that you have three proposals under consideration, namely, S. 608 introduced jointly by Senators Sparkman and Hill, of Alabama, S. 1458 introduced by the distinguished chairman of this committee by request, and S. 1190 introduced jointly by Senator Talmadge of Georgia and Senator Humphrey of Minnesota. I shall comment upon them in that order.

S. 608 is a good bill. It has received the endorsement of cotton-producer spokesmen in my State, and across the Cotton Belt. It is essentially the same as H.R. 2495 which was introduced in January by Mr. Gathings, chairman of the Cotton Subcommittee of the House Committee on Agriculture. The principles embodied in it were endorsed by representative cottongrowers of the Southeastern States January 7 in Atlanta, by the American Cotton Producer Associates on January 8 in Memphis, by the Southwest Five-State Cotton Growers Association on January 9 at Phoenix, at a beltwide accord concerning cotton policy and legislation of grower representatives meeting at Memphis on January 12, and finally embodied in general provisions for cotton legislation agreed upon at Washington on January 14 by the National Cotton Advisory Committee. All of these findings are herewith submitted to you.

(Exhibits 1a through 1e are as follows:)

EXHIBIT 1a

RECOMMENDATIONS AGREED UPON IN ATLANTA, GA., JANUARY 7, 1963

We, the members of a cottongrowers group which met in Atlanta on January 7, 1963, from the States of Alabama, Georgia, Mississippi, North Carolina, South Carolina, Texas, and Virginia, do hereby agree to the following principles to be used in developing cotton legislation for 1963 and subsequent years and do submit these to the Secretary of Agriculture and the chairmen of the Agriculture Committees of the House and Senate for their careful and valued consideration.

1. Endorsement of a trade incentive payment to the cotton manufacturer with payment of this established as far as possible from the cotton farmer.
2. A base allotment of 16 million acres with the support price not less than in 1962.
3. A provision to permit each producer to overplant his base allotment up to a percentage not to exceed 20 percent with payment of marketing fees of at least 8½ cents per pound be paid to the U.S. Department of Agriculture on the cotton produced on this overplanted acreage.
4. Overplanted acreage shall not count toward farm acreage history.
5. After the first year of operation the overplanting privilege shall not be put into effect unless the carryover is being adequately reduced each year toward a normal carryover.
6. As domestic consumption and exports increase, the basic allotment holder shall receive a proportionate part of any increased acreage.

EXHIBIT 1b

RECOMMENDATIONS ADOPTED AT A MEETING OF AMERICAN COTTON PRODUCER ASSOCIATES AT MEMPHIS, TENN., JANUARY 8, 1963

RESOLUTIONS

In order to maintain cotton producers' income and make cotton competitive in price in domestic and foreign markets, the ACPA recommends the following:

1. To provide a one-price system through the trade incentive method, by giving the Secretary of Agriculture authority to issue PIK certificates to the last handler of cotton on domestic sales and exports such as he already has for exports.
2. The value of the PIK certificates would be such as to make cotton fully competitive in both domestic and foreign markets.
3. An acreage-price choice at option of individual producers, with national acreage allotment at not less than 17 million acres and an overplanting option of 20 percent for 1963 and recommend to the Secretary that cotton growers' income be maintained at not less than that for 1962 with cotton to go through normal channels of trade.¹
4. After the first year of operation the overplanting privilege shall not be put into effect unless the carryover is being adequately reduced each year toward a reasonable level.
5. Overplanted acreage shall not count toward farm acreage history.
6. Continue to establish the loan coincident with the level of price support prevailing to producers each year.
7. Maintain national marketing quotas and acreage allotment at the highest possible level in keeping with potential markets and reasonable carryover.
8. To provide savings to Government in succeeding years, initiate a steady for potential reduction of loan and subsidies geared to success of program as evidenced by increased consumption and expanded acreage.¹

¹ The corrections in Resolutions No. 3. and No. 8 indicate the language of these as adopted. Removal of the corrections will indicate the text of the resolutions as distributed after the meeting. Transpositions of "for 1963" represents a serious mistake in editing.

EXHIBIT 1c

SOUTHWEST FIVE-STATE COTTON GROWERS ASSOCIATION PROGRAM ADOPTED,
JANUARY 9, 1963, PHOENIX, ARIZ.

1. To provide a one-price system through the trade incentive method by directing the Secretary of Agriculture to issue payment-in-kind certificates to the last handler of cotton on domestic sales and exports such as he already does for exports.

2. The value of the payment-in-kind certificates would be such as to make cotton fully competitive in both domestic and foreign markets.

3. Starting in 1963, an acreage price choice at option of individual producers with national acreage allotment at not less than 17 million acres and an overplanting option up to 20 percent and recommendation to the Secretary that cottongrowers' income be maintained, with cotton to go through normal channels of trade.

4. After 3 years of operation, the overplanting privilege shall not be put into effect unless the carryover is being adequately reduced each year toward a reasonable level.

5. (a) A portion of the overplanted acreage shall count toward farm acreage history.

5. (b) No grower shall be eligible for release and reallocation acreage unless he chooses the maximum overplanting option.

6. Continue to establish the loan coincident with the level of price support prevailing to producers each year.

7. Maintain national marketing quotas, acreage allotments, and price supports in keeping with potential markets and reasonable carryover.

8. To provide savings to Government in succeeding years, initiate a study for the potential reduction of loans and subsidies as evidenced by increased consumption and expanded acreage and reduced costs as a result of the research and promotion program instituted by the cotton producers at no cost to the Federal Government through the voluntary producer contributions to the recently founded Cotton Producers' Institute.

EXHIBIT 1d

A BELTWISE ACCORD CONCERNING COTTON POLICY AND LEGISLATION GROWER
REPRESENTATIVES MEETING, MEMPHIS, TENN., JANUARY 12, 1963

1. To provide a one-price system through the trade incentive method, by directing the Secretary of Agriculture to accomplish this with PIK certificates or other methods to the last handler of cotton on domestic sales and exports such as he already has for exports.

2. The value of the PIK certificates or other methods would be such as to make cotton fully competitive in both domestic and foreign markets.

3. Starting in 1963 an acreage/price choice at option of individual producers with national acreage allotment at not less than 17 million acres and an overplanting option of not less than 20 percent and recommend to the Secretary that cottongrowers income be maintained in keeping with the acreage-price option and with cotton to go through normal channels of trade.

4. After 3 years of operation the overplanting privilege shall not be put into effect unless the carryover is being adequately reduced each year toward a reasonable level. As expansion in domestic consumption and/or exports justify increased acreage this acreage shall be equitably apportioned between national base allotment and the overplanting option.

5. Continue to establish the loan coincident with the level of price support prevailing to producers each year; i.e., price support minus PIK's rather than price support plus PIK's.

6. Maintain national marketing quotas and acreage allotment at the highest possible level in keeping with potential markets and reasonable carryover.

7. To provide savings to Government in succeeding years initiate a study for potential reduction of loans and subsidies geared to success of program as evidenced by increased consumption, expanded acreage, and reduced costs.

8. Continue export program operations under section 203 and Public Law 480 with annual export volumes not less than 6 million bales, increasing proportionately as world consumption increases.

EXHIBIT 1e

GENERAL PROVISIONS FOR COTTON LEGISLATION AGREED UPON AT WASHINGTON,
JANUARY 14, 1963, BY THE NATIONAL COTTON ADVISORY COMMITTEE

Approval of these broad outlines does not preclude disagreement with details drawn under such general provisions, or with the determination made by the Secretary under such provisions:

1. Authorize Secretary of Agriculture to make payments in kind from Government stocks of cotton (or in cash, if cotton is not available) to such persons, other than the producers of cotton, at such rate and subject to such terms and conditions as the Secretary determines will eliminate the inequities sustained by U.S. users of cotton by reason of the present two-price system.

2. Authorize the planting of cotton above the basic acreage allotment for the export market and at the world price. If the producer pays an export fee equal to the difference between the world price and the domestic support price. When this fee is paid, this "export" cotton can move under the regular price-support and marketing system.

3. The "export acreage" not to be in excess of 30 percent of the basic allotment, and for the 1963 crop to be 20 percent of the basic allotment. After 3 years of operation the overplanting privilege shall not be put into effect unless the carry-over is being adequately reduced each year toward a reasonable level. As expansion in domestic consumption and/or exports justify increased acreage this acreage shall be equitably apportioned between national base allotment and the overplanting option.

4. The support price for the 1963 crop to be approximately the 1962 level of 32.47 cents per pound, basis M-1, provided budgetary considerations do not preclude the making of a fully significant impact in both domestic and export markets.

The cotton producer representatives who labored long and traveled far to accomplish this accord as a result of these conferences believed at the time, and continue to believe, that it represents a reasonable compromise.

The trouble arose within the language of H.R. 2495 at the same point it no doubt will arise in the language of S. 608 wherein the Secretary is given latitude to eliminate inequities sustained by domestic users of cotton by taking into account differences in transportation costs and other relevant factors. This language in S. 608 is found beginning on page 1, line 6, through line 9 on page 2.

In respect to giving this latitude to the Secretary the president of the American Textile Manufacturers Institute, W. H. Ruffin, said on February 23:

The injustice is the 8½ cents a pound difference between what American mills and foreign mills pay for U.S. cotton. This injustice cannot be remedied by halfway measures. It will disappear only when the price differential is completely eliminated.

Prior to this rigid statement of policy by ATMI the National Cotton Council adopted a similar rigid position at its 1963 meeting that it would:

Support action to make U.S. cotton available to American mills at the same price as it is made available to foreign mills under present law.

Since this Council has no corresponding rigid position in respect to maintaining the support price to producers at its present level the cotton manufacturers have, and continue to have, strong support for their inflexible position.

The unfortunate fact, assuming that the Federal budget cannot stand more than a 4- to 6-cent domestic payment which has been affirmed over and over again by administration spokesmen, is that legislation which binds the Secretary to provide such a payment in the

full amount of the export subsidy without consideration of transportation costs would force him to make the adjustment between the budgetary limit and full payment at the expense of the cotton growers. This would necessitate a top support price of no more than 30 cents a pound, with immense pressure constantly exerted toward an ever-lower figure for cotton farm income.

The effect of such a drastic action would, in North Carolina, be simply disastrous. It would be the same in every cotton-producing State among producers with 30 or less acres of allotment, and all across the rain-grown upland belt outside the irrigated areas which enjoy right vivid subsidy of cotton production as a result of the Bureau of Reclamation program; and, the river delta areas which have, and do, enjoy sizable tax-supported assistance to eliminate the hazard of inundation of land planted to cotton by floodwaters. All of which spotlights the fact that there is enormous inequity in cotton production opportunities within the cotton belt.

It is necessary that I give documentary support to the above statements as to the drastic effect and inequity of a sudden reduction in support price to 30 cents or less.

First, concerning the producers with 30 acres or less allotment. This figure is used because at about this level of permissible planting the cost of production is influenced by size in respect to ability to fully mechanize the farming operation. Using the latest available table on beltwide allotment distribution the picture is presented to you herewith.

(Exhibit 2 is as follows:)

EXHIBIT 2

Upland cotton, 1961—Number of original allotment farms

State	Total	Size of original allotment (acres) ¹								
		0.1 to 4.9	5 to 10	10.1 to 14.9	15 to 29.9	30 to 49.9	50 to 99.9	100 to 199.9	200 to 499.9	500 and over
Alabama.....	118, 473	55, 613	37, 724	10, 765	9, 390	2, 690	1, 549	544	186	12
Arizona.....	4, 183	383	492	402	630	536	682	582	379	97
Arkansas.....	59, 186	17, 608	14, 013	7, 017	10, 610	4, 226	3, 019	1, 540	922	231
California.....	14, 943	2, 205	2, 193	1, 723	3, 869	1, 654	1, 625	971	497	206
Florida.....	8, 700	6, 152	1, 903	366	227	39	11	2		
Georgia.....	82, 583	33, 505	24, 929	7, 977	10, 254	3, 404	1, 848	547	107	12
Illinois.....	492	311	119	26	24	8	1	3		
Kansas.....	4	2	2							
Kentucky.....	1, 273	1, 024	119	21	53	28	19	8	1	
Louisiana.....	43, 148	17, 460	12, 573	4, 126	5, 043	1, 763	1, 286	566	285	46
Maryland.....	1			1						
Mississippi.....	107, 222	49, 326	29, 662	9, 631	9, 909	3, 392	2, 415	1, 478	1, 138	271
Missouri.....	15, 212	3, 389	2, 991	1, 612	3, 617	1, 732	1, 227	483	127	34
Nevada.....	24		1		3	4	1	12	2	1
New Mexico.....	5, 345	815	892	527	1, 185	789	765	266	91	15
North Carolina.....	83, 614	56, 156	17, 204	4, 639	3, 793	1, 140	512	141	25	5
Oklahoma.....	45, 220	10, 588	11, 306	5, 799	9, 088	4, 818	2, 884	644	85	8
South Carolina.....	76, 837	37, 389	19, 492	8, 377	7, 029	2, 514	1, 515	409	103	9
Tennessee.....	61, 227	29, 510	16, 013	6, 084	6, 234	1, 885	1, 093	311	91	6
Texas.....	196, 501	29, 804	33, 798	16, 529	43, 416	26, 779	28, 462	12, 979	4, 214	520
Virginia.....	6, 367	5, 555	620	115	58	13	6			
United States.....	930, 555	356, 795	226, 046	85, 737	124, 432	57, 414	48, 920	21, 486	8, 253	1, 472

¹ Original allotments refer to those established for all farms prior to the release and reapportionment program.

Prepared in: Cotton Division, ASCS, Nov. 30, 1963.

Reproduced by N.C. Cotton Promotion Association, Inc., Box 5425, Raleigh, N.C.

Of the 930,555 upland cotton allotments in 1961, 793,010 were 30 acres or less. This represents 85.2 percent of all U.S. cotton allotments. In Alabama 95.8 percent were in this category; in Florida, 99.4 percent; in Georgia, 92.8 percent; in Louisiana, 90.9 percent; in North Carolina, 97.8 percent; in Oklahoma, 79.6 percent; in South Carolina, 94.1 percent. Other States are in the same range.

What shall these people do to maintain a livelihood if forced out of cotton production? Automation in business and industry affords them no refuge. And how fair would it be to the vast majority of them in face of inequities which exist in respect to cotton production opportunities?

I have said already that there is a category of subsidized cotton producers in irrigated areas who have and do receive benefits from the Bureau of Reclamation program. The complicated vastness of this assistance is submerged all through the annual reports of the Commissioners of the Bureau of Reclamation of the Department of the Interior. I commend these for study to each member of this committee.

As quick support for my statement I invite your attention to a letter dated February 4, 1957, addressed to the then attorney general of California, the Honorable Edmund C. (Pat) Brown, and signed by six California Congressmen as of that date. The entire letter is a perfect jewel to the point.

(Exhibit 3 is as follows:)

EXHIBIT 3

COMMITTEE ON INTERIOR AND INSULAR AFFAIRS,
HOUSE OF REPRESENTATIVES,
OFFICE OF THE CHAIRMAN,
Washington, D.C., February 4, 1957.

HON. EDMUND C. (PAT) BROWN,
Attorney General, State of California,
San Francisco, Calif.

DEAR PAT: Enclosed is a copy of a letter the undersigned today sent to Mr. Fred A. Seaton, Secretary of the Interior, in regard to the recent decision of the California Supreme Court in the *Ivanhoe* case.

You will observe that this letter refers to our information that you intend to ask for a rehearing in the State supreme court, and if that is denied to appeal to the Supreme Court of the United States. We urge you to press for a rehearing and if denied to appeal to the Supreme Court of the United States with the utmost vigor at your command.

The calamitous effect of this decision on California water development, indeed the reclamation program for the whole West, is almost too serious to contemplate. We believe that it could shut down water deliveries under the Central Valley project for an indefinite period, and very probably end further Federal water development in California.

If this decision stands, all the present water contracts are illegal. They must be rewritten. But under what law? Since the 160-acre limitation and the 9(e) contracts are such an integral part of the reclamation law, Congress in such event will have to rewrite large sections of it. In the meantime, water deliveries could not be continued (since a repayment contract is specifically required) in the absence of permissive interim legislation—which itself takes time and is uncertain of passage.

More fundamentally, and jeopardizing further Federal reclamation projects in California and the entire West, this decision strikes at one of the basic tenets of reclamation law. The moral basis of the 160-acre limitation is to prevent unjust enrichment resulting from the subsidies to irrigation provided by interest-free Federal money and public power revenues. Congress, in our opinion, will not permit the unearned enrichment of large landowners at the expense of the Federal treasury which can occur without an acreage limitation.

The capital investment to put water on land under the Central Valley project averages \$350 per acre. If an irrigator owns 1,000 acres, the capital investment

to serve his land is approximately \$350,000. This money is interest-free and the interest cost to the Federal Government over the payout period roughly equals the capital investment. In other words, the interest on \$350,000 over a 50-year period is roughly \$350,000. This is a direct subsidy to the irrigator. Using the percentages on repayment referred to in Chief Justice Gibson's dissenting opinion, the irrigator will pay back approximately \$123,000. The balance of the capital investment will be paid by public power revenues. This amounts to \$227,000. Thus, the total subsidy to this 1,000-acre irrigator adds up to approximately \$577,000. That is why the supporters of reclamation in the West have insisted on an acreage limitation even though complaining about its inflexibility and the aggravation it has caused the farmer. The plain fact is that there has to be a limitation, and if under the law Congress cannot impose such a limitation the Federal reclamation program as we have known it will cease to exist for California or any other area.

The attached letter to Secretary Seaton seeks to keep water development in California going forward during such time as the Ivanhoe case may be on appeal to the Supreme Court of the United States, which we suppose may take as much as a year or two. We sincerely hope when the case gets to the U.S. Supreme Court you will be successful in reversing the decision of the California Supreme Court, if that does not occur on a rehearing.

Sincerely yours,

CLAIR ENGLE, *Chairman.*
 GEORGE P. MILLER, *Eighth District.*
 JOHN E. MOSS, *Third District.*
 HARLAN HAGEN, *Fourteenth District.*
 B. F. SISK, *Twelfth District.*
 J. J. McFALL, *Eleventh District.*

Mr. HEIDELBERG. Indulge me in hearing this paragraph from it:

The capital investment to put water on land under the Central Valley project averages \$350 per acre. If an irrigator owns 1,000 acres, the capital investment to serve his land is approximately \$350,000. This money is interest-free and the interest cost to the Federal Government over the payout period roughly equals the capital investment. In other words, the interest on \$350,000 over a 50-year period is roughly \$350,000. This is a direct subsidy to the irrigator. Using the percentages on repayment referred to in Chief Justice Gibson's dissenting opinion, the irrigator will pay back approximately \$123,000. The balance of the capital investment will be paid by public power revenues. This amounts to \$227,000. Thus, the total subsidy to this 1,000-acre irrigator adds up to approximately \$577,000.

It is of further interest that the burden of this letter signed by California Congressmen Engle, Miller, Moss, Hagen, Sisk, and McFall was in strong support of the 160-acre limitation of reclamation law. However, in the San Luis Act passed by the Senate in 1959 and the House in 1960 an attempt was made to set aside this limitation on the so-called State service area to be supplied reclamation water from this half-billion-dollar reservoir being largely financed by Federal funds. This attempt was thwarted on the floor of both the Senate and the House, but in 1961 by Executive order was set aside. A bitter struggle is going on now in California at State Supreme Court level between the small farm people of that State, and the big landowners who will reap tremendous benefits unless this basic limitation of Federal reclamation law as repeatedly spelled out by Congress is reinstated in the total San Luis reservoir service area.

May I speak off the record at this point.

The CHAIRMAN. Off the record.

(Discussion off the record.)

Mr. HEIDELBERG. On the record.

I am certain in my own mind, Mr. Chairman, that all of this is cogent to this hearing because it bears heavily upon the reason for the intense pressure to reduce the support price on cotton to a dis-

astrous level for hundreds of thousands of growers in the raingrown upland areas. By this means acreage will be shaken out for movement to land which enjoys such preferential opportunities for cotton production.

I have also mentioned an area of production which has received and continues to receive Federal assistance in protection from flooding.

Senator JOHNSTON. Let me ask a question right there.

Do you not think that this ought to be looked into and investigate this subsidy that they are already receiving, and if they are getting another one, that this be deducted from the first?

Mr. HEIDELBERG. Sir, I would not want to make a direct answer to that.

I am trying to be objective and factual here——

Senator JOHNSTON. In other words, it is not fair for them to receive two subsidies, is it, from the Government?

They are receiving the subsidy here in regard to water and making it so they can grow three bales to the acre.

Mr. HEIDELBERG. Well, that is the——

Senator JOHNSTON. From the Government and then come along and subsidize them again on the production if they will live within their production limits of whatever is put on them.

The CHAIRMAN. Well, this has a long history, I may say.

It has been the law for quite some time. And we in Louisiana and South Carolina get quite a bit of subsidy in having our lands protected from flood control. It is the same principle.

On one you keep the water off and on the other you put it on.

That is the argument on the people who are receiving these so-called subsidies. For instance, to take care of the Mississippi River Valley I think the entire cost to the Federal Government was \$1,300,000,000.

Now, all of that work was done by the engineers in order to save a lot of lands on each side of the river and its tributaries from being overflowed by water.

And the farmers don't pay for that. The Government pays for it.

And when it comes to irrigation, I am familiar with that, too. We bring water to that land, and they feel that it is a kind of compensation, when as taxpayers, they pay to keep water off the land and we return it by paying to keep water on that land.

So one is supposed to offset the other. Now, that is the argument that is advanced.

I just thought I would tell you that.

Senator JOHNSTON. In order to produce, there is a difference there——

The CHAIRMAN. Well, on the other hand, these lands lying idle as they do, they produce quite a few crops and the Federal Government benefits through this investment by having these people pay income tax on what they produce.

If the water weren't brought to these lands, why, the chances are that the Government would not receive the same income tax revenues as they are now receiving.

I have been in battles on this thing. I had the same thoughts that you had.

Mr. HEIDELBERG. Well, I represent those who get neither water kept off or water kept on.

The CHAIRMAN. You are the one who uses the cotton?

Mr. HEIDELBERG. May I go ahead, Mr. Chairman?

The CHAIRMAN. Surely.

Mr. HEIDELBERG. I have also mentioned an area of production which has received and continues to receive Federal assistance in protection from flooding. In seeking to ascertain the extent to which this has been, and is, the case I have obtained from the House Committee on Public Works a general breakdown of expenditures by the Corps of Engineers in civil works activities within the Mississippi River watershed from the beginning through June 30, 1962, for flood control, navigation, and related projects. It totals \$6,985,965,000. The full tabulation by States is part of this testimony (see exhibit 4).

(Exhibit 4 is as follows:)

EXHIBIT 4

Corps of Engineers, civil works activities—Expenditures by States through June 30, 1962, for construction, maintenance, etc.

[Expenditures shown are for entire State]

Basin and State:

Upper Mississippi River Basin:

	<i>Amount</i>
Minnesota.....	\$90, 643, 000
Wisconsin.....	142, 168, 000
Iowa.....	241, 373, 000
Illinois.....	534, 005, 000
Missouri.....	644, 119, 000
Total.....	<u>1, 652, 308, 000</u>

Ohio River Basin:

Indiana.....	151, 421, 000
Illinois.....	534, 005, 000
Kentucky.....	502, 567, 000
Tennessee.....	351, 611, 000
Pennsylvania.....	504, 307, 000
West Virginia.....	306, 530, 000
Ohio.....	428, 930, 000
Total.....	<u>2, 779, 371, 000</u>

Missouri River Basin:

Missouri.....	644, 119, 000
Iowa.....	241, 373, 000
Kansas.....	283, 270, 000
Nebraska.....	177, 900, 000
South Dakota.....	417, 613, 000
North Dakota.....	457, 558, 000
Colorado.....	40, 406, 000
Wyoming.....	6, 282, 000
Montana.....	174, 581, 000
Total.....	<u>2, 443, 102, 000</u>

Mississippi River and tributaries project..... 1, 530, 681, 000

NOTE.—A tabulation of total expenditures for flood control, navigation, and related projects under the jurisdiction of the Corps of Engineers of the United States in the Mississippi River watershed.

Information obtained from the House Committee on Public Works, May 3, 1963.

Let me now add most sincerely that I would not be party to withdrawing these benefits which my friends in the Far West or the Mississippi and tributary valleys enjoy. I like to see my friends prosper, and I mean that. However, in representing people who have shared in the tax burden to make these blessings available to them I cannot submit to, nor be a party to, a program for cotton

which would be inequitable and disastrous to these cotton producers who are exposed to the rigors of the market and production without any such unique preferential assistance.

Nor, do I believe, this distinguished committee will do so.

Senator JORDAN. That is the reason you are for helping those small farms of 15 bales or——

Mr. HEIDELBERG. I would say all farmers in the rain land upland belts, not just the 15- or 30-bale man, because they all have a high production cost.

If the production cost were leveled across the board on an equitable basis, I think our area, or the area I represent, would have a lot of help here today in maintaining a livable support price.

That is the whole point I want to make, Senator.

All of this stems from the fact that S. 608 does not provide for total removal of the injustice which the cotton manufacturers firmly insist must be done. If it be modified to do this the result will be injustice to hundreds of thousands of cottongrowers, who do not deserve, nor can live, with a drastic reduction in their income from cotton. This is simply the impasse which this excellent proposal faces. Let me repeat that it is vigorously endorsed as written by producers.

In respect to S. 1458, I have noted Mr. Chairman that it was introduced "by request." This gives me some needed courage to say that it would submit the biggest majority, if not all, of the farmers on 39,202 cotton allotments of 30 acres or less in Louisiana to the injustice already spelled out in my comments related to S. 608. This is 90.8 percent of the 43,148 allotments recorded in that State in 1961. This would be true for North Carolina, and the vast majority of cottongrowers in every other Cotton Belt State.

It would reduce the cost of the cotton program within the Department of Agriculture budget, but at what cost to the Department of Health, Education, and Welfare? And, at what danger to America in terms of displaced persons, and embittered children who could easily become ready candidates for ideologies alien to our American heritage as a result?

It does not touch the problem of diminishing consumption of raw cotton due to competition from synthetic fibers, and from imports of foreign textiles. Spokesmen for the cotton manufacturing industry have repeatedly, and emphatically, said during the past year that a simple reduction in the price of raw cotton to 29 or 30 cents a pound will be ineffectual in halting the decline of domestic consumption of raw cotton.

Therefore, the only conclusion I am able to draw in respect to S. 1458 is that it would be seriously damaging to the vast majority of producers in the 30-acre-or-less category, and all producers in the exposed upland rain-grown belt. It would not alleviate the basic problem of diminishing cotton usage in the domestic scene. Nor would it lessen governmental expenditures in the overall picture.

This brings me to consideration of the last of the three bills before you, namely S. 1190 introduced on March 28 of this year by Senators Talmadge and Humphrey.

As of this date I am not in a position to speak to it as a representative spokesman for the association which I serve as executive officer.

This is because our organized attention has been focused up to now on cotton legislation pending in the House.

I feel certain that there will be positive feelings concerning its principles and provisions, both for and against, within my State. Therefore I speak to it only as an objective analyst who has closely followed recent developments in cotton legislation within the industry as a whole, and within this Congress.

On the positive side, S. 1190 has significant merit in ways it would deal successfully with current problems and conflicts cotton faces. For instance:

1. It would make raw cotton available to domestic mills at the same price as foreign processors without the cumbersome administrative intricacies of the so-called trade incentive payment plan embodied in S. 608.

2. It would resolve the turmoil within the cotton shipper and exporter ranks generated by the argument whether the trade incentive payment will be made to the first or the last handler of cotton.

3. It would be most beneficial to the cotton exchanges in the United States.

4. It would eliminate the need for governmental administration of a cotton export subsidy program.

5. It would eliminate the need for the Federal cotton products payments currently in effect.

6. It would sharply reduce the role of the Government in the domestic cotton marketing program, and allow in great measure the return of raw cotton in the United States to a free market operation.

7. It would provide for levels of income from production of cotton equitable to the basic categories of exposed, protected, and subsidized growers. The 30-bale-or-less growers across the Cotton Belt would be able to stay in business as well as all growers in the areas outside the irrigated and river delta areas which are able to produce cotton at less price than in exposed areas under present cost conditions.

8. It would not set aside the release and reapportionment program for cotton which has been, and is, of absolute importance in the vast majority of Cotton Belt States.

9. It would allow growers who want to expand production at reduced levels of income to do so.

10. It would be less costly than the trade incentive approach to solution of the current cotton problem and especially with excess income protection provided to the first 15 bales of production above the base support price.

On the negative side S. 1190 has defects and invites opposition as follows:

1. It changes the entire philosophy and procedure of acreage allotments and price supports in effect nearly a generation. Change of such drastic nature will be viewed with considerable alarm in many quarters.

2. There is widespread and powerful opposition to any direct payment to producers of agricultural commodities which is predicated upon both principle and fear.

3. By basing allotments on bales rather than acres S. 1190 invites serious criticism on the premise that baleage allotments would reduce the incentive to work toward efficiency in production of cotton.

4. It does not clearly provide for protection to larger growers from limitation of payments, nor all growers from the danger that appropriations would not be made by a future Congress to implement its provisions.

S. 1190 is interpreted to contain these protections in its language in lines 14 through 21 on page 8 of the printed bill. However, it would be a significant improvement of it if this was spelled out in clear language to this effect: that, in the event any future Congress places limitation of payments upon cotton producers in excess of those embodied in this proposal, or fails to appropriate the full amount of money to implement its provisions the cotton program will immediately revert back to the program in effect upon date of its enactment.

I believe, Mr. Chairman, that in respect to alleviating the fear of limitation of payments, and the danger of no money to provide payments, such a clearly spelled out provision would be immensely helpful to this proposal in many quarters.

5. It does not contain provision for a \$10 million annual appropriation from CCC funds for intensified research on cotton. In fact, neither S. 608 nor S. 1458 contain this provision which is unanimously endorsed by producers, and all segments of the industry.

Now, at this point my prepared statement I conclude, I wrote this before I knew you had introduced another bill, S. 1511. Allow me to speak to it herewith.

It has some merit as a last resort. It has two very great defects that I would like to mention, and have included in the record.

While it protects the first 15 bales of a man's allotment it does not provide the needed protection and the deserved protection insofar as income is concerned from cotton for many of the principal growers in this total area outside the river delta and irrigated subsidized area. This is simply because the production costs in this area as a whole are generally greater than they are in the river delta and irrigated areas and I would like to make that point.

The CHAIRMAN. But the price support though would remain at what it is now?

Mr. HEIDELBERG. No, sir; the price support would remain only at what it is now on this first 15 bales and it would protect that far. But, if a man is growing 30 to 40 or 60 bales then above that 15-bale level he would have to be growing it at 30 cents a pound.

The CHAIRMAN. I fear that you may have misinterpreted the bill.

Mr. HEIDELBERG. I thought it was the same as the Cooley bill.

The CHAIRMAN. It is identical, and I did it by request.

But the Cooley bill or the bill I introduced by request does provide for the same method of fixing support prices and is from 65 to 90 percent.

The only difference is that on those who produce 15 bales or less, they receive a preferential—

Mr. HEIDELBERG. Yes, sir, I understand that.

The CHAIRMAN (continuing). Which would probably range between 2 to 3 cents, because the idea is to fix the price support for the other growers at, say, 29 to 30 cents.

Mr. HEIDELBERG. Well, I am looking at it from this angle. I am looking at it from the present support price level.

In that respect it would necessitate, after August 1, 1964, as I interpreted it, a reduction of the basic support price.

The CHAIRMAN. Yes, that is right.

Mr. HEIDELBERG. This is the point then.

The CHAIRMAN. You see, under the law, as it now stands, they first had it at 65 percent——

Mr. HEIDELBERG. I understand, but the Secretary didn't set it there, thank goodness.

The CHAIRMAN. He didn't. And his idea was to protect the small growers, in a measure.

So that the amount was fixed at 32 plus, and what the bill that we are discussing now would do is it would pay the small farmers, who produce 15 bales or less in two ways, one a direct payment and the other the regular support price that would fix it from 65 to 90 percent.

Mr. HEIDELBERG. Well, sir, that brings me to the second piece of criticism.

You said a direct payment. Now, I am not aware that it provides a direct payment to the first 15 bales. It is sort of a simultaneous transaction, and I fear greatly that it is going to make a mess out of the marketing system in the States where we have at present a dominant number of these 15-bale growers.

I think it would have been a better bill if it had been a direct payment on these bales for the marketing——

The CHAIRMAN. Yes, well, in that respect the bill doesn't differ much from the Talmadge bill. You say it is paid direct.

The only difference is that the Talmadge bill pays a little more.

But the payment is made direct, and the usual range of support prices for the range of the cotton remains as it is.

Mr. HEIDELBERG. Well, I wanted to make those two points.

The CHAIRMAN. Yes. All right.

Mr. HEIDELBERG. In closing, let me respectfully request of this committee that whatever decision is made by it in respect to cotton legislation that it will contain:

(1) Equitable treatment, and opportunity for profitable cotton production, for all categories of producers in every community, county, State, and area of the Cotton Belt, and

(2) Provision for an expanding domestic consumption of raw cotton.

Thank you, Mr. Chairman, for this opportunity to speak to your committee. I have aimed to be factual, objective, and sincerely helpful. I hope I have succeeded in doing so.

The CHAIRMAN. That you have been, Mr. Heidelberg.

I listened very intently to your statement, and I wish to say that you covered the ground very well.

I have no questions.

Senator JORDAN. Mr. Chairman?

The CHAIRMAN. Senator Jordan.

Senator JORDAN. I would like to say that I was sorry that I was called to the phone at the time Mr. Heidelberg came on, but he is a very fine citizen of our State and has done a fine job of promoting cotton down there.

I will read his full text. I heard most of it, and it is a very fine statement.

And we are very glad to have you with us.

Senator TALMADGE. Mr. Chairman, I would also like to compliment Mr. Heidelberg on his very fine statement. His knowledge of cotton, you can tell by reading and listening to his statement is very thorough.

I think he analyzed the bills in some detail.

I think he pointed out the advantages and also the fears of the compensatory payment plan. And I compliment you, sir, on your testimony.

Mr. HEIDELBERG. Thank you, Senator.

The CHAIRMAN. And he certainly put the problem in very succinct language.

Senator TALMADGE. He did indeed.

The CHAIRMAN. And very fine language.

Mr. HEIDELBERG. Thank you very much, Mr. Chairman.

The CHAIRMAN. Any further questions?

If not, that concludes the hearings for this morning, and the committee will stand in recess until 10 a.m. tomorrow.

(Whereupon, at 12:17 p.m., the committee recessed to reconvene at 10 a.m., Wednesday, May 22, 1963.)

COTTON PROGRAMS

WEDNESDAY, MAY 22, 1963

U. S. SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D.C.

The committee met, pursuant to recess, at 10 a.m., in room 324, Old Senate Office Building, Senator Allen J. Ellender (chairman) presiding.

Present: Senators Ellender (chairman), Eastland, Talmadge, Jordan of North Carolina, Edmondson, Aiken, Young of North Dakota, Hickenlooper, Cooper, Boggs, and Mechem.

Also present: Senators John G. Towers, of Texas, and John C. Stennis, of Mississippi.

The CHAIRMAN. The committee will come to order.

We have Senator Stuart Symington here who desires to make a short statement.

You may proceed, Senator.

STATEMENT OF HON. STUART SYMINGTON, A U.S. SENATOR FROM THE STATE OF MISSOURI

Senator SYMINGTON. Thank you.

Mr. Chairman, I appreciate this opportunity to appear before you and your committee this morning and present, on behalf of my colleague, Senator Long, and myself, this short statement with respect to the problems faced by Missouri cotton producers; and also our thoughts for legislation to alleviate some of these problems.

We are one of six States that plant 98 percent or more of our allotted cotton acreage.

In other words, Mr. Chairman, contrary to the situation in some States, which have many thousands of acres of cotton acreage allocation available but unused each year, individual Missouri producers are forced to stay within their basic farm allotment.

At the present time Missouri producers can only plant about half as many acres as they planted before allotments were put into effect.

Additional legislative authority is necessary as we see it to (1) help remedy serious inequities that have developed in the distribution of cotton acreage allotments between individual farms, (2) eliminate the present price differential between domestic and foreign prices, (3) ease the need for special restrictions against the importation of cotton textile products, and (4) help to make cotton competitive with man-made fibers in the domestic market.

We believe these changes should be accomplished without further reducing the already seriously low income of cotton producers.

The inequities in the distribution of individual cotton allotments as we see it again could be corrected in one of several ways. We suggest three possibilities:

1. Repeal the release and reapportionment provision under which producers in certain areas of the Cotton Belt now get allotments in excess of their proportionate share of the national acreage allotment. This action would put all producers on the same basis, and end preferential treatment for some.

2. Authorize Government payment program to retire unwanted allotments. Under the present system the producer who actually owns the released allotment gets nothing for it. He merely signs a release and his unwanted allotment is reapportioned as "bonus" acreage to other producers who planted it above their proportionate share of the national acreage allotment.

If this possibility is followed, it is suggested that the Secretary of Agriculture is authorized to make payments to producers for permanent retirement of their unwanted allotments. In this way the producer who owns the allotment would be compensated, and such acreage would be retired from production.

3. Consideration for the establishment of an individual producer acreage-price option whereby a producer would be permitted to participate in acreage control and price support programs according to his individual needs and conditions.

We believe this third approach to be the most practical for eliminating inequities between producers. It would allow those producers who are able, because of better land, larger operations, the application of technology and the availability of capital, to raise and sell cotton at a competitive world price without disrupting and displacing others who are limited in some or all of these areas.

To reconcile the difference between domestic and foreign prices, provide protection against cotton textile imports, and make cotton competitive in the domestic market without impairing cotton farm income, we would suggest that the Secretary of Agriculture be authorized to make a domestic equalization payment to the U.S. cotton trade.

This equalization payment would amount to an extension of the present export subsidy for the benefit of the domestic cotton trade. We further suggest that the Secretary set both the rate and the method for his payment.

We believe that the two legislative changes which we are recommending—(1) an acreage-price option (individual producer choice plan) and (2) a domestic equalization payment—would breathe new life into the entire cotton industry, an industry that is basic to the economic well-being and security of our Nation.

Mr. Chairman, thank you again for the consideration this committee is giving these problems which are of such concern to us in Missouri.

I understand my distinguished colleague, the junior Senator from Alabama, has a bill on that and that these thoughts are expressed better in his bill than I have expressed them.

The CHAIRMAN. That is what I was going to suggest. Senator Sparkman is going to appear here this morning.

Senator SYMINGTON. Yes. Thank you for your consideration.

The CHAIRMAN. Are there any questions? I want the record to show that Senator John Tower from Texas is present and we are glad to have you.

Senator TOWER. Representing the largest cotton-producing State.

The CHAIRMAN. Yes, I can see your interest in this legislation.

Are there any questions—if not I want to thank you and you can go back to your work now.

All right, Mr. Robert R. Coker, Mr. Blake, and Dr. Horne. I presume all of you want to sit together here and Mr. George Buck. Is Mr. Buck present? Oh, yes.

Mr. Coker, will you identify yourself for the record?

STATEMENT OF ROBERT R. COKER, PRESIDENT, NATIONAL COTTON COUNCIL, HARTSVILLE, S.C.

Mr. COKER. My name is Robert R. Coker. I am a cotton producer from Hartsville, S.C. I am appearing here today as president of the National Cotton Council.

The council is the overall organization of the raw cotton industry with headquarters in Memphis, Tenn. It is made up of and represents all six branches of the industry which produce, handle, and process raw cotton and cottonseed. These branches are cotton producers, cotton ginner, cotton warehousemen, cotton merchants, cotton spinners, and cottonseed crushers in each of the 19 cotton-producing States, extending from the Carolinas to California.

I have here with me today the chairman of our board of directors, Mr. Burris C. Jackson, a cotton merchant of Hillsboro, Tex.; Mr. William Rhea Blake, the council's executive vice president; Dr. M. K. Horne, our chief economist; and Mr. George S. Buck, who heads the council's scientific research operations.

Mr. Chairman, the National Cotton Council celebrated at El Paso, Tex., last January its 25th—its silver—anniversary. The council was organized to look after cotton's markets—to increase the consumption of U.S. cotton, cottonseed, and the products thereof, both in this country and abroad.

I have had the pleasure and the privilege of playing an active part in this organization since its very beginning. I am very proud of the record which it has made over these past 25 years in defending and building cotton's markets against many old and able competitors, and a whole host of new ones that have come into being in more recent years in the form of synthetic fibers and other materials.

Frankly I think that all of us in the cotton industry today shudder to think of what would have happened if we hadn't had the council over the last quarter century. We have not been able to add spectacularly to our markets although they are several million bales larger than they were 25 years ago, but a modest gain in cotton consumption is a small part of the story.

Think of the enormous market losses that have been prevented. With the competition we have faced survival, itself, has been a tremendous accomplishment. But, Mr. Chairman, we have come here today because U.S. cotton's markets are in serious trouble—the most serious trouble we have ever faced in the long history of this industry.

The cotton council has a very strict requirement governing the adoption of any policy or position. Each such policy or position must receive the affirmative vote of at least two-thirds of our voting delegates representing each of the six branches of the industry—each branch voting separately. This means that a fraction more than one-third of the delegates representing any one of the six branches of the industry has the veto power to prevent the council from acting.

It also means that, when the council does act, it is speaking with virtually the unanimous voice of the entire raw cotton industry.

At our El Paso meeting, the attention of the whole industry was, of course, centered on this, the most serious of all of the crises which have ever confronted us, and with the steps which might be taken to meet this crisis.

I am happy to report to you, sir, that the council did adopt a positive program. I believe that if it is properly and promptly implemented by the Government and the industry, working together, it will not only resolve this present crisis, but also will move us forward into an era in which U.S. cotton will be able to make ever-increasing contributions to the welfare of our industry and to the Nation as a whole.

Now to place this whole matter before you, including our recommendations, I will call on Mr. Blake—Rhea Blake—our executive vice president.

The CHAIRMAN. All right, Mr. Blake.

**STATEMENT OF WM. RHEA BLAKE, EXECUTIVE VICE PRESIDENT,
NATIONAL COTTON COUNCIL, MEMPHIS, TENN.**

Mr. BLAKE. My name is Wm. Rhea Blake. I am executive vice president of the National Cotton Council with headquarters at Memphis, Tenn.

Mr. Chairman and members of the committee, as our president has told you, the council's job is to look after the markets for American cotton, and we are here today because American cotton is in the deepest trouble in its markets that it has ever been in.

The main reason for this difficulty is that the price of cotton is not competitive. Dr. Horne has prepared an analysis of this whole situation and I am going to ask him to present it to you at this time.

**STATEMENT OF DR. M. K. HORNE, JR., CHIEF ECONOMIST, NATIONAL
COTTON COUNCIL, MEMPHIS, TENN.**

Dr. HORNE. Mr. Chairman and members of the committee, my name is M. K. Horne, Jr., I am chief economist of the National Cotton Council of America. I live in Memphis, Tenn.

As Mr. Blake has indicated, my testimony will deal with the market side of the cotton problem. I fully realize that this is not the only side of the problem by any means, but if I can be helpful to you it will be in laying out a clear analysis of what is happening to the markets for American cotton.

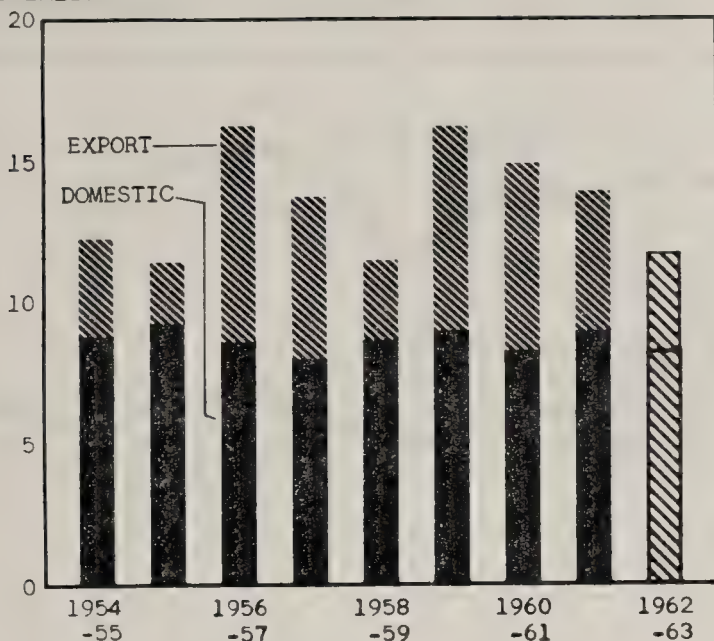
Dr. HORNE. Let us begin with a glance at the overall market picture, which is summarized in chart 1.

(The chart is as follows.)

CHART 1

U. S. COTTON OFF-TAKE

MILLIONS
OF BALES



Source: U. S. Department of Commerce (For 1962-63, see text)

Dr. HORNE. The lower portion of each bar represents our domestic market, the consumption of cotton by the spinning mills of this country. For the crop year of 1962-63 the chart gives the Department of Agriculture's estimate of 8.3 million bales for domestic consumption. This still looks like a pretty good estimate.

The upper part of each bar in chart 1 represents the exports of raw cotton. I believe it is now generally agreed that this season's exports seem likely to wind up at $3\frac{1}{4}$ million bales or no more than $3\frac{1}{2}$ million. We have plotted $3\frac{1}{2}$ million bales in the chart.

The carryover stock of cotton in this country on August 1, 1956, was up at a very high level, $14\frac{1}{2}$ million bales. Over the next 5 years, to August 1, 1961, that carryover was brought down to 7.2 million bales. That was a tremendous achievement. But then over the next 2 crop years, ending this coming August 1, the carryover will have gone back up to about 11 million.

The most striking feature of chart 1 is seen in the exports, which held up to a good average level back in the period 1956-60—averaged 6 million bales a year—but which in more recent years have been in a serious decline. I want to save a good part of my time for an analysis of this export situation, but first let us look into the domestic part of our market, in which we also have some very serious trouble.

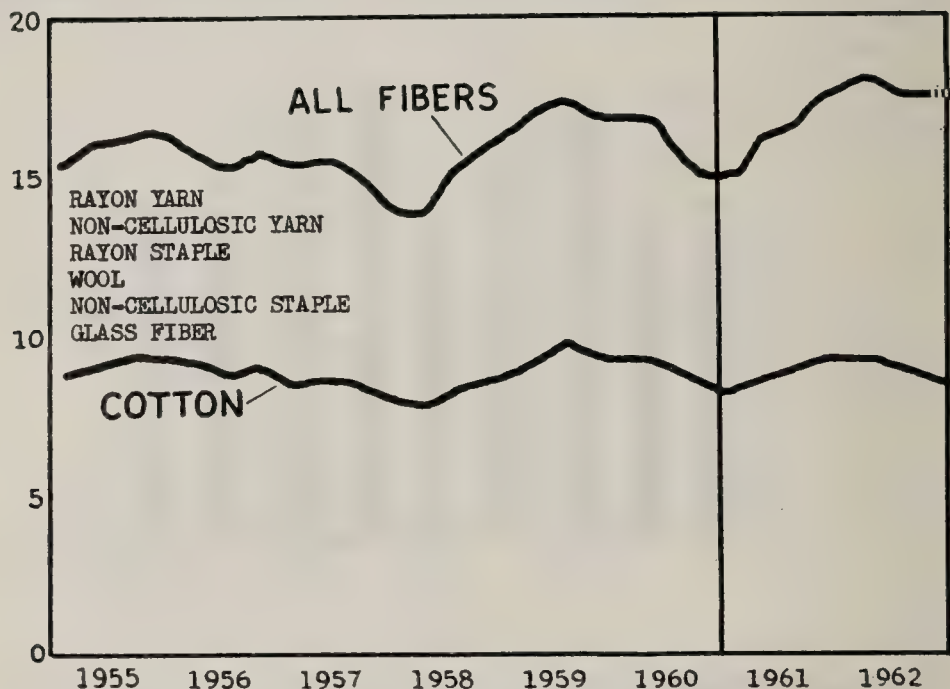
In chart 2 the upper curve reflects the total amount of fiber consumed by the whole textile industry of this country.

(The chart is as follows:)

CHART 2

FIBER CONSUMPTION BY U.S. TEXTILE INDUSTRY

MILLIONS
OF BALES



Dr. HORNE. This includes cotton and all the other leading classes of textile fibers. These are listed in the chart. We have converted all the other fibers into equivalent bales of cotton, so that we can think of them from the cotton standpoint.

The figures are all seasonally adjusted and are plotted for each calendar quarter, beginning at the first of 1955 and extending through the first quarter of 1963, which appears outside this chart frame on the right.

Please notice how the textile operations of this country go up and down in cycles. The textile cycle is a very real thing, and it can make the cotton situation quite confusing indeed unless we recognize its meaning. The textile cycle has some tendency to go up and down in harmony with the general business cycle of this country, and it reflects big shifts in inventories of textile products held beyond the spinning level—all the way from the mills right down to the retail counter. The big thing to notice particularly at this time is that since the first of 1961 the main direction of the textile cycle, like general business, has been upward—a big net rise in the level of operations.

But our concern is with asking what part of this textile market was held by cotton, and this is apparent if we examine the lower curve in chart 2.

This chart has a vertical line marking off the periods before and after January 1, 1961. Down through the year 1960, cotton's share of this whole market was holding up very well. It was actually higher in 1960 than in 1959. We were doing pretty well in our competitive struggle against all the other textile fibers combined.

But then we do have to face what has happened since the first of 1961. The rising cycle has carried the whole thing up very strongly, you see; but our share has dropped so badly that cotton has had no net increase at all across this recent period. Cotton's share has dropped from 55 percent in the last quarter of 1960 to 46½ percent in the first quarter of 1963.

Since the end of 1960, the other fibers have had an increase in consumption equal to 2,652,000 bales of cotton in annual rate, while cotton has actually had a relatively small decline, 52,000 bales. If cotton had had no competitive loss—if we had held the same share of the market throughout this recent period—cotton would have received more than half of this increase—55 percent of it.

Cotton consumption in the first quarter of 1963, instead of being down from the last quarter of 1960, would have been about 1½ million bales higher, and the consumption of the other fibers the same 1½ million lower. In other words, we have had a straight competitive loss of 1½ million bales in a little over 2 years. That is a staggering fact, I submit, gentlemen. There is no precedent in history for any such terrific competitive loss in the field of fibers over such a period of time.

The pain of it has been eased temporarily, and the picture confused, by the sharp rise in the cycle—that is why consumption this season may still hold up to about 8.3 million bales. But these cycles have to go down as well as up. At this rate of competitive loss our market is being rapidly destroyed, and the whole basis of our cotton economy undermined.

What is the cause? The big change since the first of 1961 has been in the relative prices of cotton and other fibers. We just have to face that. Let me illustrate by taking the fiber with which we have the closest price competition—rayon staple. Chart 3 presents an analysis of our competition with the rayon staple which is cut up into lengths like cotton and spun into yarn right on our own cotton system.

Dr. HORNE. The bars at the bottom of the chart show the percentage of the fiber consumed on the cotton system which is rayon. This is given by calendar quarters, again for the period beginning with 1955 and extending through the first quarter of this year, 1963.

Again there is a vertical line marking off the first of 1961. Down to that time, rayon's percentage of this market was not increasing but was showing some decline. But from that time forward, rayon has just swept into our markets. From the end of 1960 to the first of 1963 this one fiber has had a direct competitive gain of almost half a million bales from us in annual rate of consumption on our own spinning system.

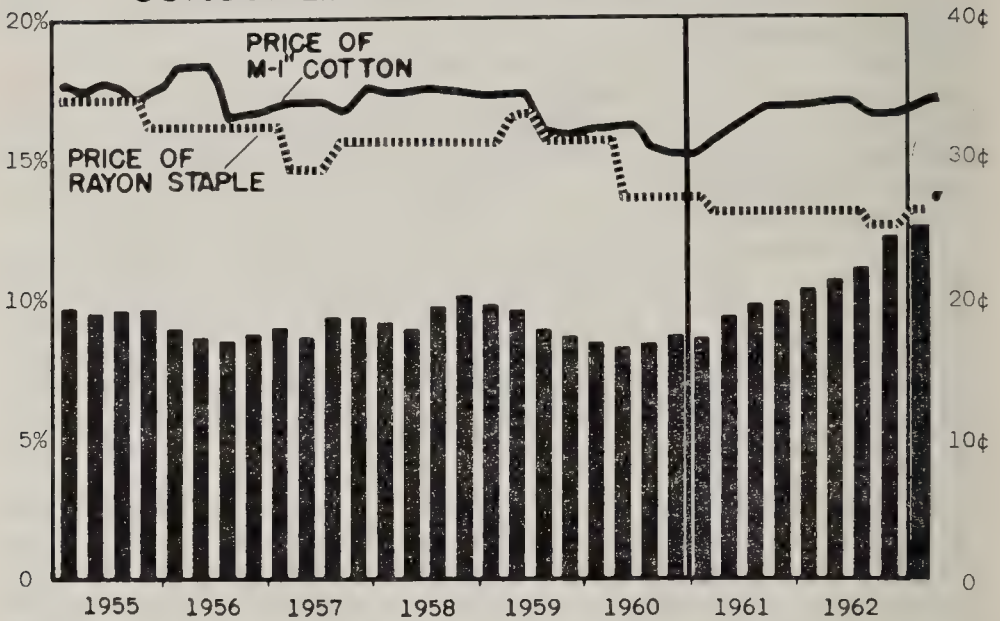
And just look at the record of these prices across the same period. The two curves in chart 3 give the prices as they are commonly quoted for Middling Inch cotton and for standard rayon staple.

In the spring of 1960 the rayon people lowered their price 4 cents a pound. But in the face of this, early in 1961, the cotton support price on cotton was set at a level which caused the market price to rise sharply, so that the spread between the two prices has been wider, very much wider you see, during the past 2 years than ever before. This is clearly what has caused the sharp competitive gains for rayon.

(The chart is as follows:)

CHART 3

RAYON'S PERCENTAGE OF FIBER CONSUMED ON COTTON SYSTEM



Sources: Consumption -- computed from monthly data of U. S. Department of Commerce. Man-made fibers converted to cotton equivalent with U. S. Department of Agriculture factors. All data seasonally adjusted. Prices -- for cotton (average on designated spot markets), U. S. Department of Agriculture. For rayon staple, Textile Economics Bureau through July, 1959; industry sources thereafter.

Now the rayon producers, enjoying this very strong market, have naturally raised their prices a bit, but not enough to make much dent in the big price advantage which they hold. Two of the three main domestic suppliers have raised their price to 27 cents

The prices shown in chart 3 are given as they are commonly quoted, but they do not fully reflect the difference in actual cost to the spinning mill. There is a much higher waste factor in manufacturing cotton textiles than rayon. The price shown for rayon includes transportation to the consuming plant, while the cotton price is the average at the 15 official spot markets across the Cotton Belt. There are important differences in the prices charged for the various qualities of cotton.

We have to take all of these things into account in figuring the actual cost of one fiber or another to the spinning mills that must make a decision whether to spin one or the other. This is a complicated problem to work out in detail for all the fabrics involved, but we made all these calculations back in September 1959 and found that rayon's average advantage in net cost to the mill was 6.3 cents per pound in 1959 of cloth manufactured. We could live with that because cotton had the quality to overcome that much difference.

But we made these computations again last July and found that the average advantage of rayon had risen to 14.9 cents a pound. And we cannot live with that. Every textile man faced the fact that he could save 14.9 cents in making the average piece of cloth by switching

from cotton to rayon, and you seen in chart 3 how fast they have been leaving cotton for this fiber.

The Agricultural Act of 1958 was passed in August of that year. The first announcement of a lower support price for cotton under that act was made in January 1959. And from that time till the middle of 1960 (note chart 3) cotton made the biggest gain it has ever made against rayon.

The big cut in the price of rayon caused that fiber's losses to be checked after mid-1960, but rayon made little or no comeback against us, because the price of cotton was still coming down, and moreover there was a widespread confidence in the textile industry at that time that the cotton farmer and the Government meant to be realistic about what price it took to hold markets.

Then in early 1961 the new support price for cotton was announced. Chart 3 shows what then happened to cotton's market price and to its competitive position against rayon. I do not know, Mr. Chairman, how cause and effect can be made plainer than that. The cause of the trouble was partly that the price was raised so many cents a pound; but more important, it was that the whole atmosphere of confidence about cotton's serious chances to be competitive was undermined. This confidence has to be restored if cotton is to survive.

The present situation is damaging to cotton in all our markets—literally all of them. Cotton has about 400 important end use markets, and our market research staff makes a diligent effort to keep up with what helps or hurts cotton in every one of them. I want to show you the share or percentage of some end use markets that were held by cotton in 1955, 1960, and last year, 1962.

Chart 4 shows the net change between 1955 and 1956 for five large uses in which we were losing markets even in that earlier period. Well, then, if we were losing markets like this, why didn't total mill consumption decline in that period?

Dr. HORNE. The reason is that there were other big uses in which we were gaining from our competitors, and in chart 5 I illustrate with five of those. The gains offset the losses, you see.

And in addition there were some other big markets—our "backbone markets" we call them—that were just dominated by cotton—almost 100 percent. Some leaders of this group are shown in chart 6.

In chart 7 we put all 15 of these big end use markets together. Down to 1960 cotton's share was rising in some and falling in others, with gains offsetting losses and keeping cotton's overall percentage of the textile market up to a fairly constant level.

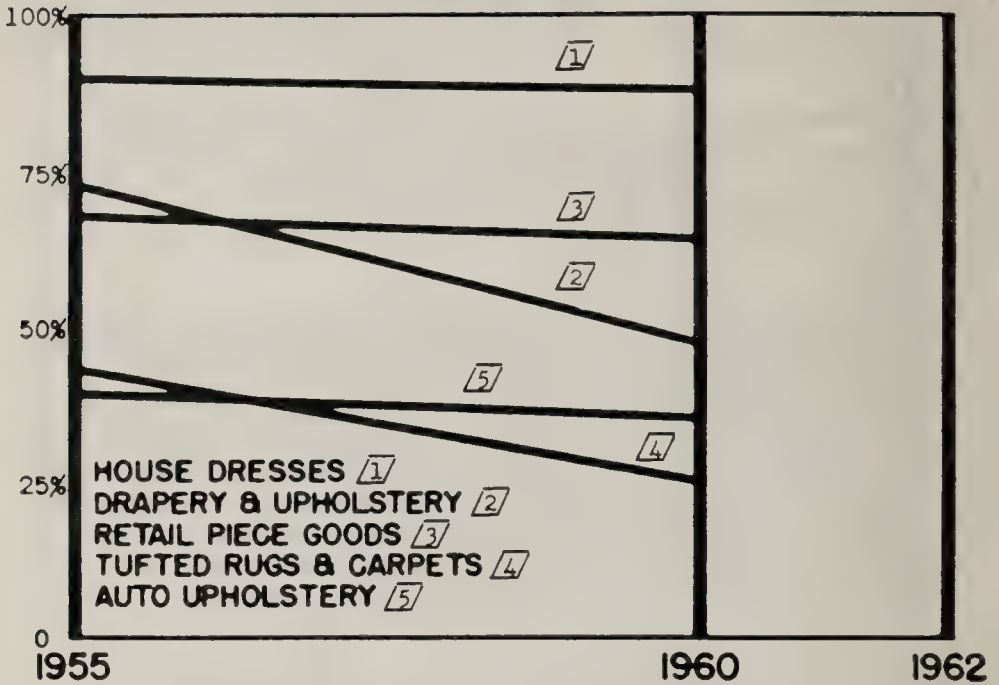
But from 1960 to 1962, when the one big, important change was in the price situation, we get a very different picture. We see no criss-crossing of lines here. They all go in the same direction—all downward. Cotton lost everywhere. Our market research staff did not find 1 significant gain for cotton in 1962 among the 409 end uses that they surveyed. The domestic market for cotton is being undermined, destroyed by the present price situation.

I certainly hate to give that kind of report, but I have the duty to give you the facts.

(The charts referred to above are as follows:)

CHART 4

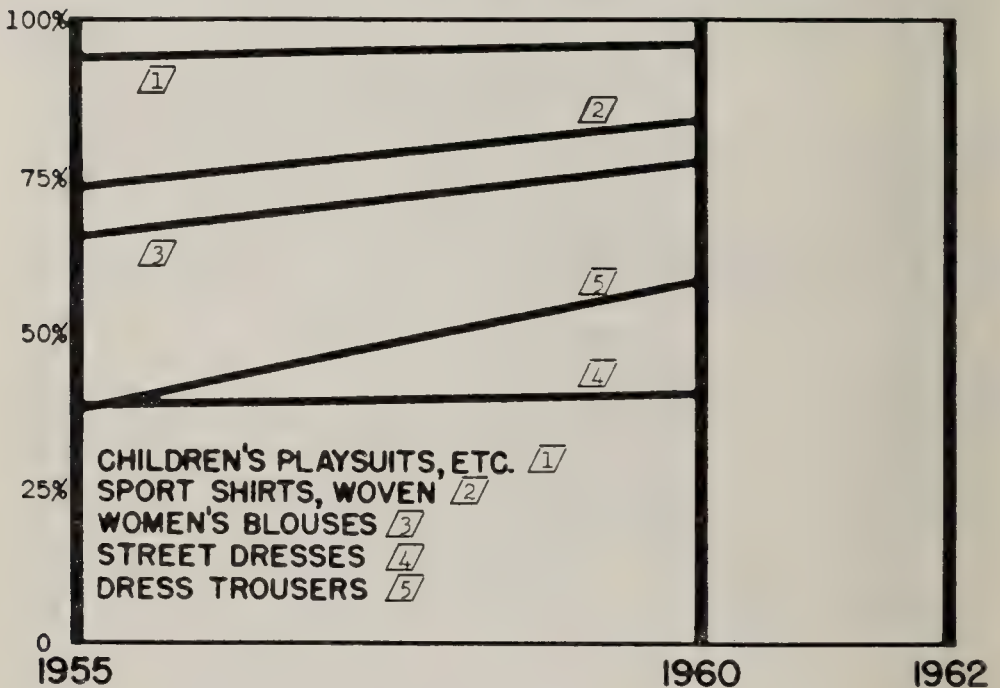
COTTON'S SHARE OF END USES



Source: National Cotton Council

CHART 5

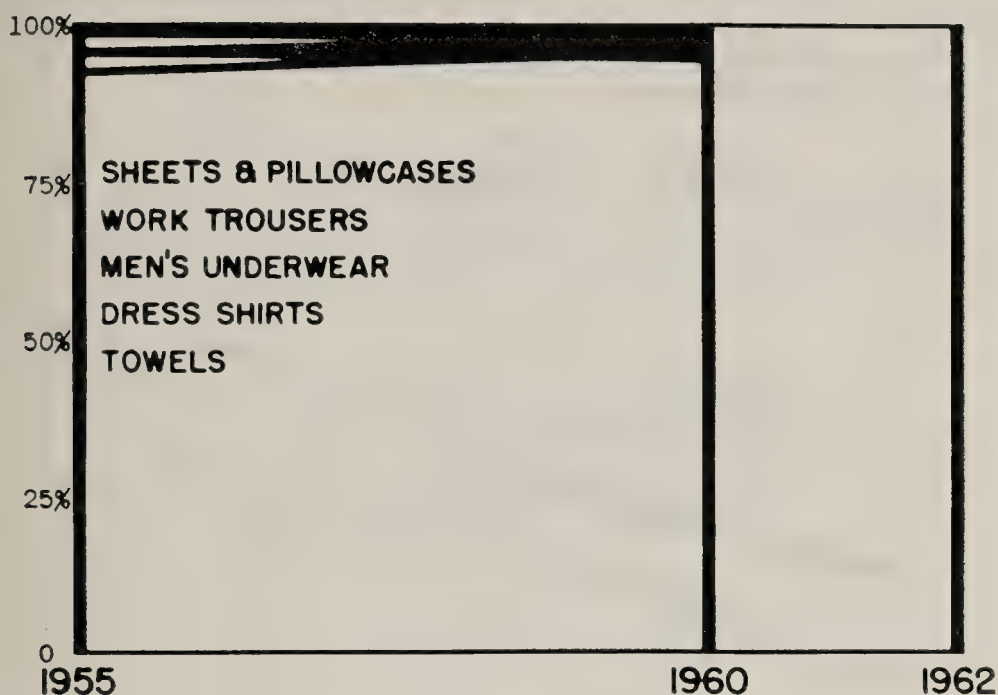
COTTON'S SHARE OF END USES



Source: National Cotton Council

CHART 6

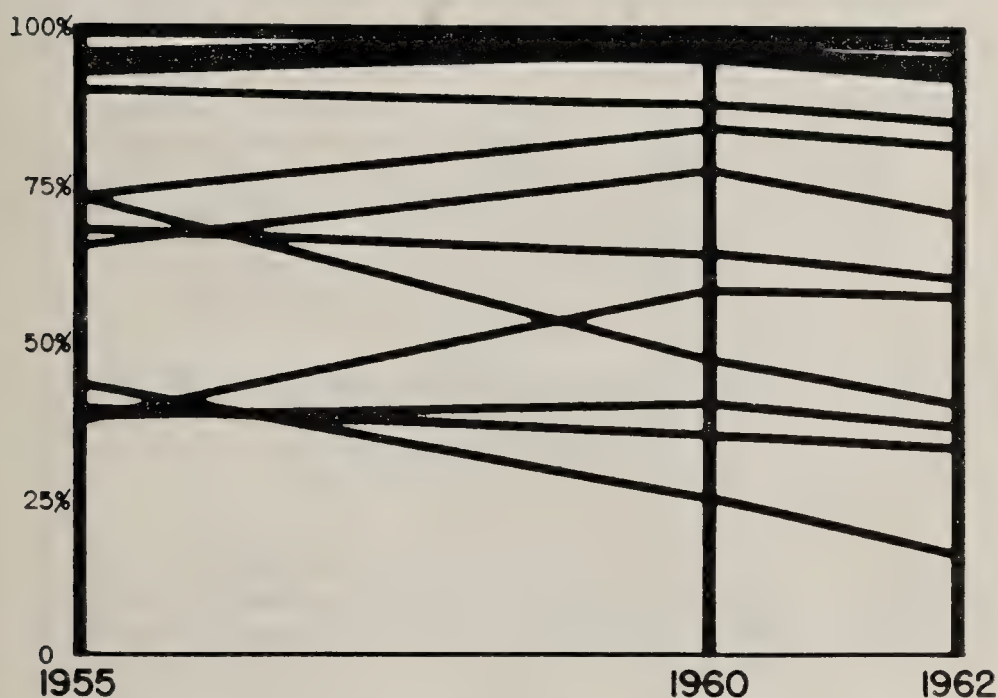
COTTON'S SHARE OF END USES



Source: National Cotton Council

CHART 7

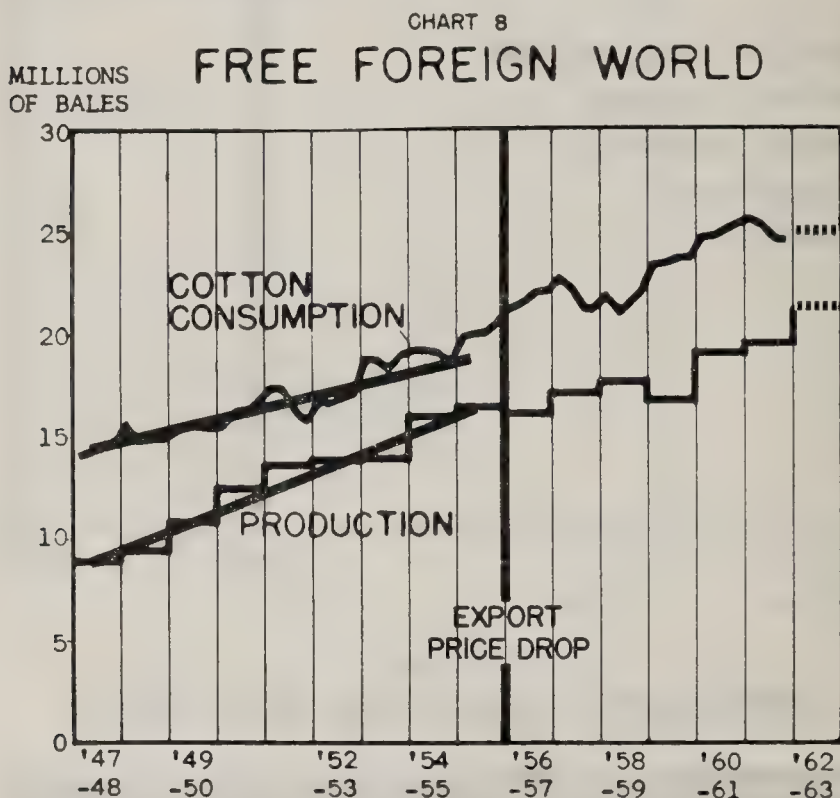
COTTON'S SHARE OF END USES



Source: National Cotton Council

Dr. HORNE. I turn now to the export side of our market, and to go straight to the fundamentals of that, I show you in chart 8 the record of cotton consumption in the entire free foreign world. This is the upper curve in that chart. In addition to consumption in the free foreign world, we have added a relatively small amount for the net exports of cotton from the free world to the Communist world.

(The chart is as follows:)



Sources: Consumption -- computed from data of International Cotton Advisory Committee, as follows: For countries reported monthly (approximately 80 per cent of total) monthly totals were compiled and seasonally adjusted. For remaining countries, annual consumption figures were divided into equal monthly amounts and added. For net exports to communist countries, annual figures were similarly treated. Grand totals by months were consolidated into quarters and plotted. Production -- International Cotton Advisory Committee. Both estimates for 1962-63 -- U. S. Department of Agriculture.

Dr. HORNE. Look at that strong upward trend in cotton consumption through the years. We are competing here for a growth market.

But our No. 1 trouble is apparent when we look at the record of cotton production in this same free foreign world. This is in the lower curve in chart 8.

Our exports of cotton in any given season have to equal the amount of the spread as shown here between foreign consumption and production, plus or minus any change in the net amount of raw cotton stocks held in foreign countries. These stock changes balance one another out in time, so that over a period of years our export trend is

governed by the two curves in this chart, and our basic concern must be with helping consumption to rise and with keeping this production in these foreign countries from rising too fast, so that the spread between will trend upward, not downward.

There are some short-term factors that complicate this picture. On the consumption side we have the textile cycle in foreign countries also, and sometimes it causes temporary dips in the overall volume of foreign consumption.

We see several of these dips in the cycle on chart 8, and, in fact, we are in one of them at the present time.

And the volume of production is quite erratic in many countries because of the weather. In the present season the estimated sharp rise in foreign production seems to be caused mainly by good growing weather in many countries, but acreage is up also. I will come back to that.

I do believe it is significant to notice that the squeeze that is occurring this particular year between estimated consumption and production is caused to a considerable extent by these temporary factors—a textile recession in some foreign consuming countries and particularly good weather in many producing countries.

That is part of the explanation of our current low exports this year. I certainly do not mean at all to say that is the whole explanation.

The point I want to make is that we cannot tell too much about the underlying health of our export market by looking at a single season, but it is vitally significant to look at the trends in chart 8 through several years and see which is increasing faster—foreign consumption or production.

We have superimposed some trend lines for the earlier part of the period covered by this chart. It seems very clear that production in foreign countries was increasing decidedly faster than consumption, so that this country was definitely being squeezed out of the export market. Our actual exports were down around 3 million bales and declining. If this had continued, our export market, and in fact our whole cotton economy, would have been destroyed.

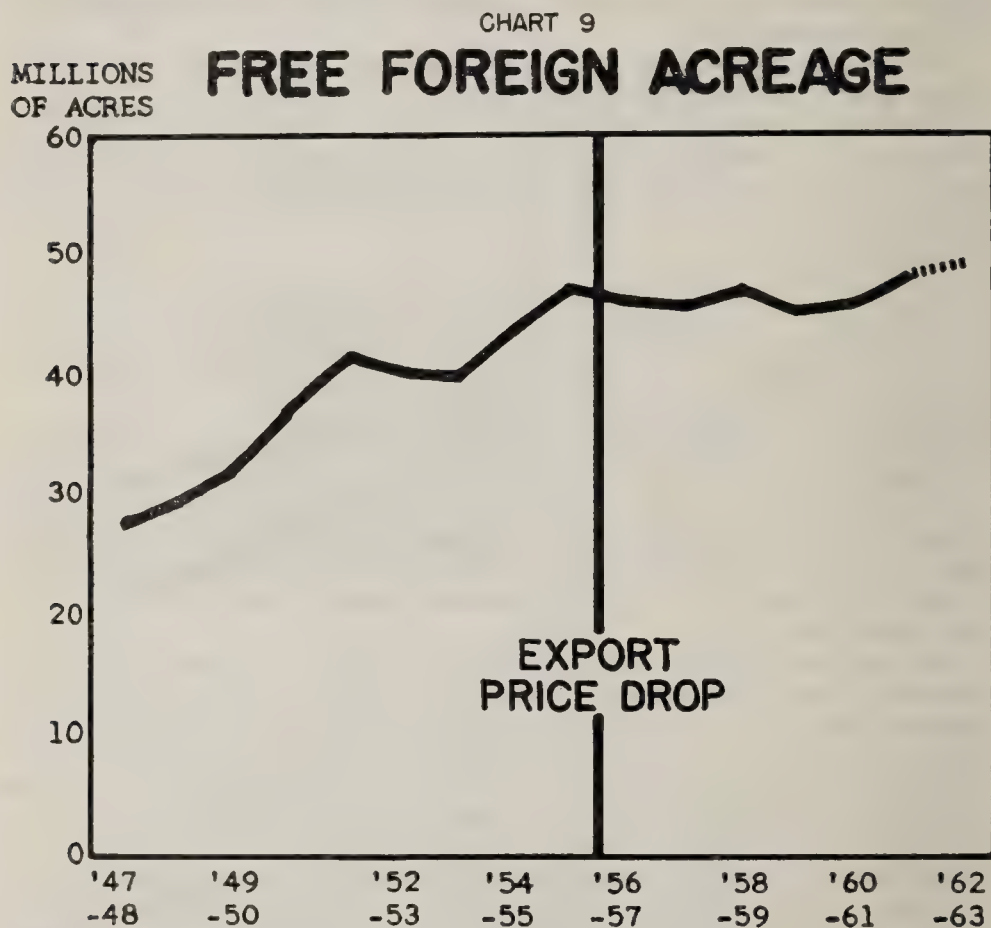
The export program, which brought decidedly lower prices for U.S. cotton moving into foreign markets, took effect for most qualities as of the date shown by the vertical line in chart 8—August 1, 1956. And you see what happened. The spread widened very decidedly and our export market was saved. The results in any single season are not so significant as the clear fact that the whole trend of things was improved for U.S. cotton exports. In the next 5 years, we exported about 30 million bales of cotton. Consumption abroad was trending upward faster than production, and we began to see the promise of continued expansion in our exports, averaging perhaps half a million bales a year in net increase. That would have made over the whole outlook for American cotton.

Cotton was definitely helped in its competition with rayon in the foreign world by this lower price of our export cotton, and this bolstered the consumption trend of cotton in the foreign world. Foreign production definitely was slowed in its rate of expansion by this new price situation.

We see what happened in production more clearly if we just consider the number of cotton acres harvested in the free foreign world.

This is shown in chart 9. Look how fast foreign acreage was rising down until the export program went into effect, and how dramatically it leveled off afterward. Production continued some upward trend because of rising yields, but this complete halt to the increase in acres slowed down that trend enough to save our export market.

(The chart is as follows:)

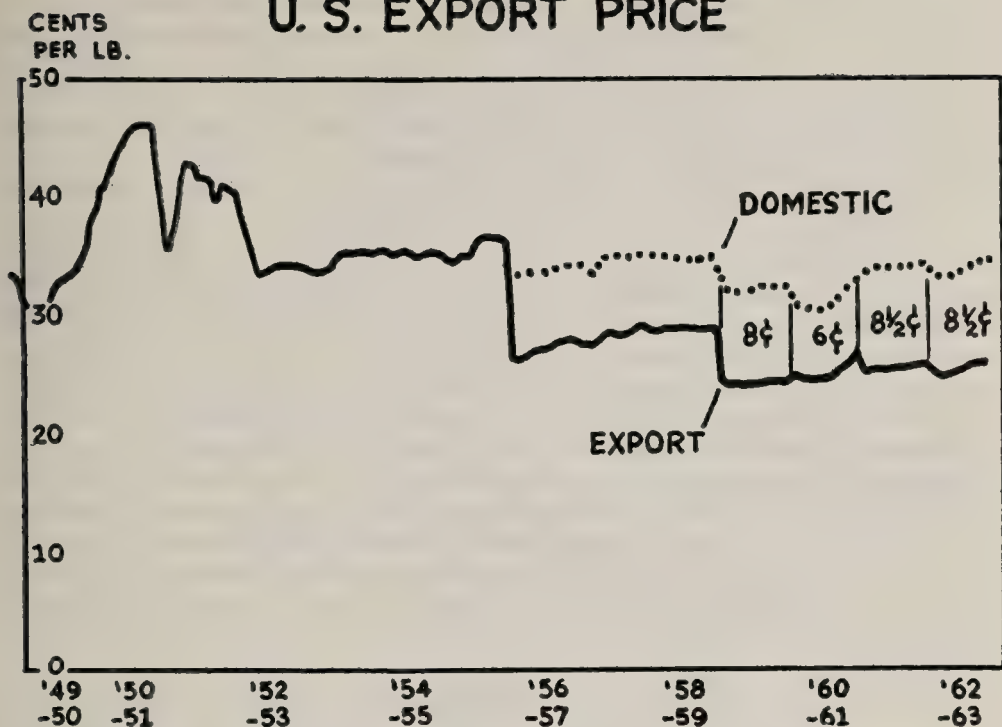


Dr. HORNE. Now we have to notice that for the three most recent seasons we have been witnessing some increase in foreign acreage again. This is enough to cause some worry; it certainly has contributed to the dropoff in our exports in these years.

Chart 10 will give us an impression of what our export price has been. The solid curve represents Middling Inch cotton, and down to August 1, 1956, when the export program took effect, our cotton had the same price on the domestic market that was made on the export market. Thereafter, of course, the export price has been lower by the amount of the subsidy. I have put in, for the last three seasons and the present one, the actual amount of the export subsidy.

(The chart is as follows:)

CHART 10
U. S. EXPORT PRICE



Dr. HORNE. Back in 1959 and 1960 the domestic market price was being lowered. This made it possible to lower the subsidy by 2 cents in the beginning of the 1960-61 season without causing any increase in the export price. But then the increased domestic price in 1961 made it necessary to raise the subsidy again. It was raised by 2½ cents, and even that wasn't enough to offset fully the rise in the domestic price, so the export price rose.

This chart does not show the increase in the export price very well because this is based on Middling Inch cotton, which is the base quality that we commonly used. As a matter of fact, this particular cotton, which is always used in the base quality today, rose as little between late 1960 and late 1961 or 1962 as almost any other leading quality you could name.

A great many of the most important qualities of cotton, according to the Government figures, rose in price by a net of 4 to 4½ cents, and sometimes 5 cents, between the fall of 1960 and the fall of 1962, and with the export subsidy up only 2½ cents, that meant an increase of 1½ to 2 cents or more in the export price. And this rise in the export price had more meaning than the figures themselves might imply, because it took place in a world where the prices of many other agricultural commodities, such as coffee, have been dropping.

The big point I wish to make is that the lower export price, made possible by the Government's export program, has clearly saved our export market, and that if we mean to keep our export market alive in the years just ahead, we are most certainly in no position to let this export price rise. I haven't planned to go into the complex question of whether the present level is too high or how much too high, but certainly we cannot afford to think of letting it go any higher.

But there is another side to this matter which is every bit as important. This spread, shown in chart 10, between our domestic and export prices means that our own textile manufacturers are paying this much more for cotton than the price at which we will sell it to their competitors in foreign countries. The foreign manufacturers can buy our cotton at the export price shown here, or they can buy foreign-grown cotton that is actually underbidding this price.

And as a direct result, we are facing the upward explosion of imported cotton in manufactured form, which appears in chart 11. This came to 645,000 bales of cotton brought onto our domestic market in yarn, cloth, and end products last year. It is still rising. In February, the latest month on which I have the full figures, it was at an annual rate of 822,000 bales. And while the rules of the game remain as they are now, there is simply no end in sight.

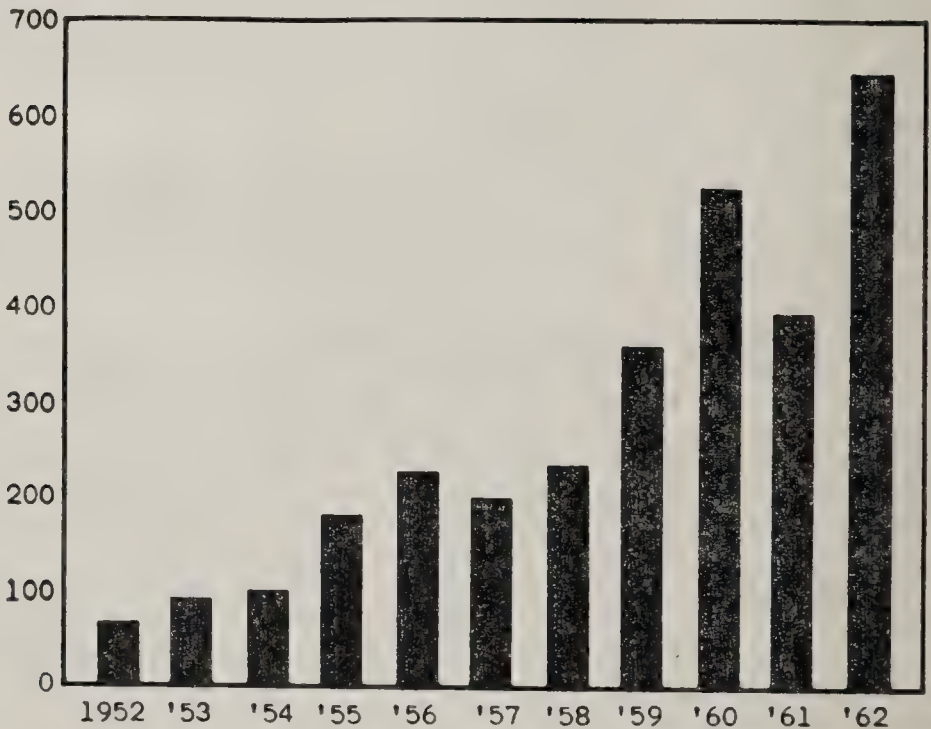
The foreign manufacturers have a number of advantages in sending their textile products to this country, of which the main ones are in wages and in cotton cost. Back in the earlier years, shown on chart 11, the main net increase was in clothing and other end products, in which wages are the main cost item involved. But in more recent years, with the two-price system in effect, the appalling upsurge has taken the form mainly of yarn and cloth, in which the raw cotton is clearly the main cost item.

(The chart is as follows:)

CHART 11

COTTON IN MANUFACTURED IMPORTS

THOUSANDS
OF BALES



Source: U. S. Department of Agriculture

Dr. HOME. This endless tide of imports is damaging the American cotton farmer in three ways. First, he is losing his domestic market to foreign manufacturers who are using foreign-grown cotton more and more. Second, the domestic mills, which face no such disadvantage as this in making rayon and synthetic products, are being driven from cotton to our competitors on the home market. And third, our own best customers, the domestic mills, are receiving a type of treatment here which makes it impossible for them to compete and which nobody could call fair or right.

We have all done our utmost, you know, to get this inequity corrected through proper interpretation of section 22 of the act of 1933 and other measures; and these efforts have all been frustrated. But we cannot afford to keep the present two-price system, and we cannot afford to let the export price rise. There appears to be no recourse left except to bring the domestic price down.

Mr. Chairman and members of the committee, I realize what a terribly complex problem you face in reconciling all that is involved in a sound cotton program. So far as the market side of this picture is concerned, I will summarize it in these words:

For many years cotton, and indeed American cotton, was in something of a monopoly position. Today the last vestiges of any monopoly are gone. We have to face the realities of competition on every side, or see our cotton economy vanish almost completely within a remarkably short period of time. We cannot afford to set the price of cotton in disregard of what it takes to be competitive. There is simply no future for American cotton unless our domestic market price is moved down to a competitive level on some basis which gives our textile industry and the whole world real confidence that it will stay competitive in the years ahead.

Thank you.

The CHAIRMAN. Won't you come over and be seated here? Doctor, we had the same situation a few years ago that gave birth to the 1958 act. You are familiar with that.

Dr. HORNE. Yes, sir.

The CHAIRMAN. And I think the record will show that we were told that if the proposed law were enacted, that it would go far toward assisting cotton. Now, can you tell us, "in a nutshell," what is the difference in the situation now to what it was that gave birth to the 1958 act?

Dr. HORNE. Well, speaking as an economist, I can report very definitely that there were some competitive losses going on for cotton prior to the enactment of the act of 1958. Following the enactment of that act and the institution of the lower market prices that it made possible for a couple of years, there was definitely a checking of our competitive losses, and I can report that following the subsequent raising of domestic prices under the authority given by that act, we have over the last period of a little more than 2 years had by far the steepest competitive losses we ever had. Obviously, the act itself delegates a great deal of administrative authority as to the level of the price, and this authority has been used to raise the price.

The CHAIRMAN. Well, an effort was made by the Department to assist in increasing the subsidy, as you pointed out, so as to sell more cotton abroad.

In 1959, our exports, according to figures furnished to me, were 7.2 million bales in 1960; 6.6 in 1961; 4.9 in 1962, and now 3.5 million bales. We have a subsidy in order to take care of this differential, and why have exports gone down?

Dr. HORNE. Well, I believe there is a combination of reasons—I don't think the answer is altogether simple, but if I may, I will try to give you my impression of the main factors at work: The offsetting increase in the export subsidy was not as great as the increase in the domestic price, so there was some increase in the export price. This has been made a great deal more significant by related situations. One of those situations is that the prices of many other agricultural products that other countries grow, countries that can also grow cotton, have been declining in recent years.

So, the growing of cotton has been made relatively more attractive by the fact that these foreign countries, faced with declining prices of coffee and other things, saw that the price of cotton was not only firm but was trending up somewhat.

Then, I think there has been a tendency in the last couple of years to give foreigners the impression that we might approach our agricultural problems more with the idea of restricting production and less with the idea of competing hard for markets.

The CHAIRMAN. But our production has been more or less constant, hasn't it, per year?

Dr. HORNE. Of course, we are putting in some acreage restrictions and there has been——

The CHAIRMAN. What would you suggest?

Dr. HORNE. I haven't given you the full answer. May I continue on the point?

The CHAIRMAN. Oh, yes, surely.

Dr. HORNE. I have mentioned the more fundamental, underlying forces. I think that we should also carry in mind that there are temporary forces that are certainly responsible for a large part of the dropoff in exports in this particular year. I refer to the temporary decline in textile business abroad and evidently some temporary upsurge in foreign production caused by good weather. These temporary things have had a part in squeezing the differential between foreign consumption and production in this particular year to something like 3.8 million bales, according to current estimates.

Excuse me. Did you have another question?

The CHAIRMAN. I lost sight of it now.

Senator TALMADGE. You asked him for the remedy, Mr. Chairman.

The CHAIRMAN. Oh, yes, I wanted the remedy for it. As I remember, my good friend back here when he was before the committee, was instrumental in presenting charts, and we went along, as I recall, pretty closely, to what was advocated, and that was to let producers have two plans to select from, plan A and plan B. You are familiar with all of that? And I thought that would work. Now, today, according to your statement, we are worse off than we have ever been.

Dr. HORNE. Yes, sir.

The CHAIRMAN. And I would just like to know what the remedy is, whether you can cure it all in this committee.

You spoke of the huge imports of cotton goods. It would seem to me that the way to stop that would certainly not be within the

province of this committee, but it might be in the Finance Committee, preventing imports of this——

Dr. HORNE. As Mr. Coker and Mr. Blake explained, our testimony is in several parts, and I just gave the economic background. I believe it would be much more appropriate for them to explain to you.

The CHAIRMAN. It is nice to come in and give the problem, but what we want is your suggestion on how to solve it.

Mr. BLAKE. That's next on the program, Mr. Chairman.

Mr. COKER. Another thing I want to make plain to this committee, as in the past——

The CHAIRMAN. I think we did our best to try and reduce the cost of the various programs. We are now in the process of trying to reduce the cost of the dairy program. Whether we will succeed or not remains to be seen. We tackled the wheat program for 6 years. We tried to delete from the law the 55-million-acre minimum that gave the Secretary a lot of trouble. We finally removed that, and yesterday the farmers made their choice in a democratic way.

I question whether or not this committee would be willing to take the position of reducing the costs of existing programs and in the next breath take a position to raise the cost of another program, which would be cotton. That's what confronts me and confronts this committee, and confronts the Congress.

In one corner we stand and say, "All these programs cost too much. We are doing all we can to lower the cost of them." And then we go in the other corner and say, "Cotton is in a bad shape now and it is necessary that we change the program now. What would be the cost of it?"

Yesterday, and in fact for the last 3 or 4 days we have had evidence produced to us which indicates this, that for current legislation, taking everything at an even keel, that is starting with the same supposition, the cost would be \$606 to \$607 million which would be \$200 million more than the present cost; and then we have the bill before the House now being considered and which this committee is considering which would cost \$720.9 million, and then the House bills 6196 and 1511, which is the companion bill that we are now considering, the cost there would be \$720.9 million and the Sparkman bill, S. 608, the cost would be increased to \$661.9 million; and then by request, I introduced one bill for Mr. Lovell from my State, which I understand is backed by the Farm Bureau, and that bill, if enacted, would cost \$443.7 million. It is the only bill before us in which the cost would be less than the current legislation.

I am merely citing these, Doctor, to indicate to you the difficulties that this committee would have in posing to the Congress any proposals that would increase the cost of the program, and with that in mind, I wish you would proceed now and show us what you would do to remedy the situation of which you complain without increasing the cost of the program.

Mr. COKER. Mr. Chairman, Mr. Blake will pick up this point.

Mr. BLAKE. Mr. Chairman, back in 1958, the Cotton Council stated its objectives for a sound, long-range price and production program for U.S. cotton which would——

provide reasonable farm income and move as rapidly as possible toward——

(a) Expanded production and consumption of U.S. cotton;

- (b) Competitive prices for U.S. cotton at home and abroad; and
- (c) A one-price system for U.S. cotton that maximizes the use of normal trade channels and minimizes the role of Government in cotton marketing.

Now this resolution has been subsequently reaffirmed and was embodied again this past January in the resolutions adopted at the last annual convention of the council in El Paso. In view of the developments which Dr. Horne has laid before you, however, it was evident that a gradual return to a competitive one-price system for U.S. cotton as had been originally anticipated, was not being achieved under the program which was being followed, and that if the U.S. cotton industry was to survive emergency action had to be taken to achieve this objective immediately; namely, of getting competitive in these markets.

The council therefore recommended that action be taken at once—to make U.S. cotton available to American mills at the same price as it is made available to foreign mills under the present law.

The CHAIRMAN. That would envision a subsidy to domestic producers almost equal to what you are giving to foreign producers?

Mr. BLAKE. Yes, sir.

The CHAIRMAN. And the cost of that would be what?

Mr. BLAKE. May I come to it?

The CHAIRMAN. All right, if you have it.

Mr. BLAKE. Such action would eliminate the inequity to the American mills in having to pay more for their cotton than their foreign competitors, and would simultaneously provide the improvement in cotton's competitive position which is so urgently needed in our domestic market.

In making this recommendation we are well aware of the fact that it will mean a substantial increase in the cost of the cotton program to the Government. We also understand that we should not and cannot expect the Government to spend such large amounts on the cotton program indefinitely. We feel very strongly that the course we are urging can be justified only on the basis of an interim program to save the cotton industry from utter destruction, and provide a reasonable period of time in which to work out a sound and lasting solution to the whole cotton problem.

On this basis we do believe that such an expenditure by the Government is not only justified, but is the very best investment that the Government could make, both in the interest of the people engaged in the cotton industry and in the interest of our total national economy.

Senator EASTLAND. But your proposal is temporary?

Mr. BLAKE. That's right.

Senator EASTLAND. A temporary measure.

The CHAIRMAN. How temporary would it be?

Mr. BLAKE. Mr. Chairman, we would like to present to you at this time what we believe to be the one and only lasting solution to the cotton problem of the United States.

The solution is to reduce the cost of producing cotton.

The question is, Can we do it? If we cannot do it, then, as Government subsidies fail, as some day they must, we face the dismal prospect of dwindling markets, shrinking production, and increasing unit costs to the point that cotton will cease to exist as a major agricultural industry in the United States.

But we are most thankful that this is not our prospect for the future. We can look to the future with confidence because we can reduce our costs substantially, and we can do so in a reasonable period of time, and with a modest expenditure of funds.

And as these costs are reduced Government expenditures on the cotton program to keep us competitive in both the export and domestic markets can be reduced accordingly, without reducing the farmer's income, until we reach the day when U.S. cotton can stand on its own two feet and meet its competitors at home and abroad without the benefit of Government subsidy.

And now I want to ask Mr. George Buck, who heads our scientific operations in the Cotton Council staff, to present to you a study which the council has made, in cooperation with a number of other research agencies, of the potential for reducing cotton production costs by research.

**STATEMENT OF GEORGE S. BUCK, JR., EXECUTIVE VICE PRESIDENT
FOR RESEARCH, NATIONAL COTTON COUNCIL, MEMPHIS, TENN.**

Mr. BUCK. Mr. Chairman and members of the committee, the research staff of the council, in consultation with many scientists from the U.S. Department of Agriculture and State experiment stations, has exhaustively studied the potential of cutting cotton production and processing costs. As a result it is our firm conviction that an adequate and determined program of research can reduce the costs of producing cotton in this country by an average of at least 11 cents per pound. This would enable cotton to compete freely and effectively with synthetic fibers and foreign-grown cottons. We therefore urge that this committee provide for the necessary additional Federal assistance to the cotton research effort which the State experiment stations, cotton producers, and the cotton industry are already making in this direction.

No industry or segment of agriculture, we believe, ever had a more solid, realistic potential for cost reduction than has cotton. From the many places where efficiency could be improved, costs cut, and inputs reduced, our studies show that just six big problem areas alone would, by conservative estimates, yield an average cost saving of 11 cents per pound. They are:

(1) In insect control, where annual losses average \$378 million annually and control costs amount to \$150 million, or a total equivalent to 7 cents per pound of cotton lint, the realistic potential saving is at least 2 cents per pound.

(2) In cotton diseases, which collectively add \$30 to the cost of producing the average bale, or 6 cents per pound, determined research could save another 2 cents per pound.

(3) Weed control costs, where the general practice is still to use hoe labor, amount to \$20 per acre, on the average—this 4 cents per pound cost could be halved by the development of improved chemical methods, saving 2 cents per pound.

(4) Mechanization costs—a heavy charge in many cotton operations—can be trimmed by improvements in machine efficiency and design, saving at least 1 cent per pound.

(5) Fruiting and yield, through biochemical and genetic research, can be substantially improved. When each additional 100 pounds per acre means \$11.30 per bale saving, Mr. Chairman, the prospects are solid for saving at least 2 cents per pound. And I might point out that retaining 1 more boll on the average plant in an acre of cotton would give you that 100 pounds per acre.

(6) In ginning-marketing-mill processing several obsolete practices offer excellent opportunities, by the application of new systems and techniques, for cutting costs by another 2 cents per pound.

That makes a total of 11 cents per pound.

In an expanded, vigorous, and determined program of cotton research directed and pinpointed toward these six great potentials of saving, we estimate that this entire cost reduction can be achieved in a period from 5 to 10 years.

The council study to which I have referred has been summarized in a document entitled "A Research Program To Reduce the Costs of Producing and Processing Cotton," and it is here before you marked document A, Mr. Chairman. The council has outlined in some detail therein the kind of research program that would get this job done. We suggest a special program, over and above the present Federal, State, and industry cotton research effort, to be administered by the U.S. Department of Agriculture.

We further recommend that this program be carried out partly through the establishment of new interdisciplinary cotton research centers, comparable to the boll weevil laboratory at Mississippi State University, and that the remainder be carried out on a grant and contract basis in the colleges, State experiment stations, and appropriate private and institutional research organizations.

In this document, exhibit A, we have also outlined by descriptive title many of the specific lines of research which would be required to resolve the problems in each area. We have information listing various institutions which are especially well qualified to carry out each of these specific research studies, and which are presently able to do this research.

We estimate that the Federal Government's share of this program would need to be approximately \$9.5 million per year. That would just a little more than double the present USDA expenditures for cotton research, but it would be only about 1 percent of the potential annual savings. The expenditure would be less than one-half of 1 percent of the annual value of the crop, and less than 2 percent of the cost of present programs.

Mr. Chairman, in regard to the cost of this research program we must remember that the objective is to enable farmers to produce cotton profitably and sell it at competitive prices. Nothing will do more to reduce the need for Federal assistance in cotton programs. So each dollar spent in research can save many, many dollars in other Federal cotton programs.

(Exhibit A, referred to above, is on file with the committee.)

Mr. BUCK. I have referred to the per-pound cost and loss equivalents of such factors as insects, weeds, and diseases, and to potential savings in other areas. I will not take the committee's time to explain the basis of these estimates, but I offer several documents substantiating the figures used.

(Exhibits B, C, D, and E referred to above, are as follows:)

EXHIBIT B

Losses and production costs attributable to insects and related arthropods attacking cotton in Texas, Oklahoma, Arkansas, Alabama, and Arizona in 1961

State and geographical unit (A)	From crop reporting service			Thousand acres needing control practice (F)	Thousand acres sand treated (G)	Yield in pounds lint per acre		Reduction in yield per acre from potential (J)	Cost of control practice			Total cost all acres treated (N)	Estimated gain from treatment (O)	Yield loss plus control cost (P)
	Thousand acres planted (B)	Thousand acres harvested (C)	Average yield (pounds lint per acre) (D)			Treated (H)	Untreated (I)		Pesticide (K)	Application (L)	Total (M)			
				Pest or pest, complex (see legend p. 1209) (E)				Percent (J)	Dollars per acre (K)	Dollars per acre (L)	Dollars per acre (M)	Thousands of dollars (N)	Dollars per acre (O)	Thousands of dollars (P)
TEXAS														
Districts:														
1-N-----	503	482	506	B, Cfh, T-----	217	115	498	4.2	2.50	2.00	4.50	517.5	1.88	739.3
1-S-----	1,905	1,714	422	B, Cfh, T-----	560	448	398	8.5	6.00	4.00	10.00	4,480.0	.73	5,681.8
2-N-----	565	544	316	B, Cfh, Bw, T, Cl-----	354	290	350	14.3	7.50	6.00	13.50	3,915.0	1.00	4,843.0
2-S-----	706	660	290	B, Cfh, Bw, T, Cl-----	501	135	245	26.9	5.60	5.90	11.50	1,522.5	14.90	11,105.1
3-----	75	74	191	B, Cfh, Bw, T, Cl-----	64	39	284	47.2	6.00	3.00	9.00	351.0	29.86	1,332.5
4-----	1,300	1,214	185	B, Cfh, Bw, T, Cl-----	1,153	646	132	41.6	6.15	7.00	13.15	8,494.9	14.11	22,315.7
5-N-----	135	134	190	B, Cfh, Bw, T, Cl-----	133	110	275	54.6	9.00	8.00	17.00	1,870.0	26.50	2,827.0
5-S-----	109	107	373	B, Cfh, Bw, T, Cl, M, Lb-----	107	85	500	75.0	13.00	10.00	23.00	1,955.0	85.75	4,347.5
6-----	188	183	737	B, Cfh, Bw, T, Cl, M, Lb-----	91	68	850	29.4	5.50	6.00	11.50	782.0	81.00	2,449.5
7-----	130	128	277	Cl, M, Lb-----	115	73	317	29.0	7.50	5.00	12.50	912.5	14.18	2,033.1
8-N-----	290	284	200	B, Bw, Cl, T-----	278	211	298	56.5	9.00	7.00	16.00	3,376.0	30.98	1,297.46
8-S-----	236	235	344	B, Bw, Cl, T, Pbw-----	235	221	476	64.3	13.00	5.00	18.00	3,978.0	73.35	4,627.6
9-----	273	270	266	B, Bw, Cfh, M-----	270	216	165	21.3	12.00	6.00	18.00	3,888.0	3.75	4,820.9
10-N-----	111	109	253	B, Bw, Cfh, M, Pbw-----	109	71	310	59.7	14.00	9.00	23.00	1,635.0	30.65	3,671.7
10-S-----	465	455	376	B, Bw, Cfh, M, Pbw-----	455	413	170	61.6	16.00	9.00	25.00	10,325.0	51.27	13,650.1
State total--	7,100	6,603	333	-----	4,641	3,141	236	39.5	8.85	6.20	15.05	47,272.1	29.32	113,827.1

EXHIBIT C

Production Requirements and Estimated Returns From Selected Crop and Livestock Enterprises. Mimeograph report AE 202, South Carolina Agricultural Experiment Station, Clemson, October 1960 (S-42).

Can Your Cotton Make You More Profit? A mimeograph sheet by D. L. Branyon and S. J. Brannen, respectively, Extension Agronomist and Extension Economist, released by the Agricultural Extension Service of the University of Georgia, Athens, 1960.

Cotton Production at the Southeast Georgia Branch Experiment Station. Circular N.S. 22, Georgia Agricultural Experiment Station, Athens, March 1961. Costs and Returns From Crop Production in the Limestone Valley Areas of Alabama. Unnumbered mimeograph, Agricultural Experiment Station publication of Auburn University, Auburn, February 1960 (S-42).

Budgets for Major Farm Enterprises in the Mississippi River Delta. Mimeograph report No. AEc. M.R. 30, Mississippi Agricultural Experiment Station, State College, June 1961. (A cooperative publication with the Agricultural Experiment Stations of Arkansas and Louisiana.) (S-42.)

Cotton Production Costs and Returns. Bulletin No. 758, University of Missouri Agricultural Experiment Station, Columbia, November 1960.

Cotton Production on the Blackland Prairies of Texas. B 984, Texas Agricultural Extension Service and Texas Agricultural Experiment Station, 1962.

Resource Requirements, Costs, and Expected Returns: Alternative Crop and Livestock Enterprises; Rolling Plains of southwestern Oklahoma. (Three publications: P-357, P-368, P-369) published by the Oklahoma Agricultural Experiment Station, Stillwater, September 1960 and February 1961. (S-42.)

Arizona Agriculture, 1961. Bulletin No. A-10 published by the University of Arizona Agricultural Experiment Station, Tucson.

Costs to Produce Cotton in Kern County. A mimeograph guide to production costs prepared by George V. Ferry, Kern County Farm Adviser, University of California Agricultural Extension Service, 1960.

EXHIBIT D
Summary of reduction in yield caused by the major cotton diseases in the United States from 1957 to 1961

Diseases	1957		1958		1959		1960		1961		Total loss		Average loss	
	Bales	Per-cent	Bales	Per-cent	Bales	Per-cent	Bales	Per-cent	Bales	Per-cent	Bales	Per-cent	Bales	Per-cent
1. Fusarium wilt (<i>Fusarium vasinfectum</i>).....	148,711	1.11	101,821	0.74	158,583	0.93	211,384	1.24	161,907	0.94	782,406		156,481	0.99
2. Verticillium wilt (<i>Verticillium albo-atrum</i>).....	239,742	1.78	331,384	2.42	287,536	1.69	288,986	1.69	584,129	3.40	1,731,777		346,355	2.19
3. Bacterial blight (<i>Xanthomonas malvacearum</i>).....	233,067	1.74	468,026	3.42	419,119	2.48	387,705	2.27	329,831	1.92	1,837,848		367,563	2.36
4. Root rot (<i>Phytophthora minimorum</i>).....	140,845	1.05	198,718	1.45	272,681	1.61	312,703	1.83	364,617	2.12	1,289,564		257,912	1.61
5. Anthracnose boll rot (<i>Glomerella gossypii</i>).....	74,461	.55	24,502	.18	79,962	.47	73,345	.43	44,821	.26	297,091		59,418	.37
6. Seedling diseases (<i>Rhizoctonia</i> , etc.).....	322,738	2.41	343,859	2.58	343,809	2.09	555,798	3.26	551,404	3.20	2,117,608		423,521	2.70
7. Ascochyta blight (<i>Ascochyta gossypii</i>).....	12,382	.09	10,281	.07	27,483	.16	20,784	.12	88,095	.51	159,025		31,805	.19
8. Boll rots (<i>Rhizopus</i> , etc.).....	275,961	2.06	322,240	2.45	380,109	2.24	372,906	2.19	295,311	1.71	1,646,527		329,305	2.11
9. Root knot (<i>Meriondogyne</i> species).....	146,674	1.09	136,346	.91	193,050	1.13	308,979	1.81	288,374	1.67	1,073,423		214,684	1.32
10. Others.....	16,432	.12	20,601	.15	107,773	.63	204,042	1.19	206,909	1.20	555,762		111,152	.65
Total.....	1,611,013	12.00	1,957,778	14.27	2,270,110	13.43	2,736,632	16.03	2,915,498	16.93	11,491,031		2,298,202	14.49

Source: Compiled by the Cotton Disease Council, Committee on Disease Losses: Harlan E. Smith, chairman; A. L. Smith, W. E. Cooper.

EXHIBIT E

Estimated losses, caused by weeds in agronomic crops—Averages, 1951 through 1960

Crop	Losses to production ¹				Losses due to costs of weed control ²		Total losses		Losses and costs per acre								
	Percent of crop value		Monetary loss per crop		Per- cent of crop value	Mone- tary cost per crop	Per- cent of crop value	Mone- tary value	Production losses		Costs of weed and control	Total losses and costs					
	Yield	Qual- ity	Total	Yield					Qual- ity	Other			Total	Quan- tity	Unit	Value	
Cotton-----	6.0	2.0	0	8.0	Thou- sands \$178,798	Thou- sands \$76,628	0	Thou- sands \$255,426	19.3	Thou- sands \$442,533	29.3	\$697,959	41.4	Pound	\$13.65	\$21.90	\$35.55
Corn-----	10.0	0	0	10.0	499,725	0	0	499,725	11.9	533,902	21.9	1,033,627	4.8	Bushe-	6.34	6.65	12.99
Sorghum, grain-----	13.0	2.0	0	15.0	55,337	8,513	0	63,850	16.5	59,843	29.5	123,693	4.6	do	5.31	5.09	10.43
Rice-----	13.5	6.0	3.0	22.5	43,794	19,464	\$9,732	72,990	9.4	23,738	31.9	96,728	8.3	Bags ⁹	54.08	13.00	67.08
Wheat-----	10.8	2.2	0	13.0	269,852	54,970	0	324,822	14.9	323,170	27.9	647,992	3.0	Bushe-	3.91	5.00	10.91
Oats-----	14.0	3.0	0	17.0	148,256	31,769	0	180,025	15.2	133,085	32.2	314,010	7.5	do	5.15	3.15	8.30
Barley-----	12.0	0	0	12.0	51,259	0	0	51,259	21.3	80,980	33.3	131,339	3.9	do	4.10	5.75	9.85
Soybeans-----	17.0	7.2	0	24.2	210,921	89,331	0	300,252	10.8	101,651	35.0	401,903	6.9	do	16.15	5.50	21.65
Beans, dry edible-----	19.0	5.0	0	24.0	31,514	8,293	0	39,807	26.4	33,330	30.7	66,616	3.7	Bags ⁹	27.79	22.00	49.79
Flax-----	9.0	3.0	0	12.0	11,578	3,857	0	15,430	18.7	21,186	30.7	36,616	1.1	Bushe-	3.50	4.50	8.00
Peanuts-----	12.5	7.5	0	20.0	25,757	13,472	0	41,229	12.1	19,994	32.1	61,253	24.7	Pound	26.92	13.00	38.92
Sugarbeets-----	7.0	3.0	0	10.0	11,109	4,761	0	15,870	18.3	28,116	28.3	43,986	1.8	Tons	20.68	33.00	53.68
Sugarcane ⁴ -----	15.0	0.4	0	15.4	36,261	967	0	37,228	8.2	16,805	23.6	54,033	6.2	Tons	48.05	21.74	69.79
Alfalfa, grown for seed-----	12.7	5.7	5.6	24.0	7,723	3,466	5,230	16,419	39.3	17,442	66.3	33,861	.58	Bags ⁹	17.07	18.00	35.07
25 other seed crops (forage and lawn ⁵)-----	12.0	3.0	7.3	18.0	16,437	4,109	4,109	24,695	36.6	41,162	54.6	65,817	.4	do	6.00	11.00	17.00
Totals and weighted averages ³ 39 crops, United States.	10.9	2.2	.1	13.2	1,598,346	321,600	19,071	1,939,017	14.9	1,876,937	28.1	3,815,954	-----	-----	7.82	7.01	14.63

¹ Estimates of losses of total U.S. production, weighted for production by geographic areas; average percentage losses for the 10-year period 1951-60; monetary losses calculated from average weed-free crop values for the 9-year period 1951-59 as derived from data in Agricultural Statistics—1960; average weed-free crop value=average farm value÷loss.

² The costs of weed control for each crop, expressed as a percentage of the average farm value of the crop 1951-59 and as a monetary value, include approximately 1/2 the cost of seed-bed preparation, 1/2 to all cost of other customary tillage operations, and are weighted for acreages treated and untreated with herbicides as additional costs for weed control. Allowances have been made for reduction in tillage operations through use of chemical weed control measures for weed control.

³ Includes extra land preparation, water, and fertilizer due to weeds.

⁴ Includes production by continental States and Hawaii and offshore territorial production by Puerto Rico and Virgin Islands.

⁵ 100-pound bags.

⁶ Includes principally seed cleaning losses (8.5 percent) and mortality losses from parasitism by dodder (0.1 percent).

⁷ Red clover, Alsike clover, sweetclover, white clover, Ladino clover, Lespedeza, timothy, redtop, orchardgrass, Kentucky bluegrass, Chewings fescue, red fescue, tall fescue, bentgrass, smooth bromegrass, crested wheatgrass, Sudangrass, Austrian winter peas, crimson clover, lupine, hairy vetch, common vetch, purple vetch, ryegrass, mustard.

⁸ Seed cleaning losses.

⁹ Weighted averages based on crop acreages. Estimates for grain sorghum, soybeans, peanuts, sugarcane, alfalfa, and 25 other seed crops are based on harvested acres; all others on planted acres.

Mr. BUCK. However, I should like to make two observations about these cost reduction estimates.

First, about half of the potential cost reduction of 11 cents can be made simply by reducing production inputs. In other words, straight savings in the machinery, materials, and labor needed to produce and process a pound of cotton. The other half, of course, would come about by reducing some of the production losses which farmers now experience.

Second, the potential saving we have estimated in each of the areas is conservative. The program is eminently feasible. We are highly gratified that this conclusion is shared and is supported by the leading agricultural and cotton research authorities in the Department of Agriculture, in the State experiment stations, and, of course, in the industry itself.

We have letters from a number of these men, copies of which we are attaching to our testimony, confirming our opinion. These include Dr. Byron T. Shaw, ARS Administrator, U.S. Department of Agriculture; Dr. William L. Giles, vice president for agriculture and forestry, Mississippi State University; Dr. Louis Hawkins, director, Oklahoma State Experiment Station; Dr. Roy Lovvorn, director of research, School of Agriculture, North Carolina State College; and Dr. R. E. Patterson, dean of agriculture of Texas A. & M. College. I have marked these exhibits F, G, H, J, and K.

(The exhibits are as follows:)

EXHIBIT F

U.S. DEPARTMENT OF AGRICULTURE,
AGRICULTURAL RESEARCH SERVICE,
Washington, D.C., January 24, 1963.

Mr. GEORGE BUCK,
National Cotton Council of America,
Memphis, Tenn.

DEAR MR. BUCK: We have reviewed with considerable interest the National Cotton Council's proposal to expand research on cotton as outlined in the brochure "A Research Program To Reduce the Costs of Producing and Processing Cotton." In this review we have limited ourselves to the research aspects of the program without reference to budgetary considerations, cotton supplies, or cotton prices.

There is general agreement among our cotton specialists that if the proposed program is implemented the cost reduction objectives can be attained. In fact, it is entirely possible that control of insects, diseases, and weeds would effect even somewhat greater savings in production costs than is indicated.

There are a few suggestions we would like to submit for your consideration.

In part II—The Program Summary, pages 4, 5, and 6 refer to centralized facilities for six laboratories, one of which would have three branches. No facilities are indicated for basic genetics, breeding methodology, and quality evaluations for the breeders. Fruiting/Nutrition Laboratory is indicated to receive only half the amount indicated for the Disease or the Insect Laboratory and but one-third the amount for the Weed Laboratory. The relative importance of the proposed Laboratories seems questionable to us. We are inclined to the view that the proposed construction funds would be used more effectively where good cooperative research is located in at least three regionalized laboratories, utilizing a multidisciplinary or team approach, rather than one centralized location for each research discipline. With reference to the cotton phytotron, there is considerable question as to the desirability of developing this facility. Costs of construction, operation, and maintenance are very high and it is entirely possible that growth rooms with the environmental controls that are now available might serve the purpose.

In Part III—Program Specifics, the typical research studies which are listed bring out in detail the many research categories in which progress is being

made and where opportunities exist for strengthening research for lowering production costs. To those who are unfamiliar with the existing Federal-State cotton cooperative research programs, the detailed discussions may be quite misleading in giving the impression that there is little USDA research as compared with State experiment station conducted research.

In Part IV—Financing, it is our opinion that a research program of this importance should have the benefits derived from the security of continued support which can be assured only by a direct appropriation to the Department.

In Part V—Administration, we are in full accord with the establishment of an advisory board, the members of which would review and advise on specific areas of research. We recommend, however, that the membership of the board be limited to Federal, State, and industry personnel who, in fact, have a background of knowledge and experience on problems related to cotton.

We appreciate the opportunity to review the brochure and hope that our suggestions may be helpful in the development of the program.

Sincerely yours,

B. T. SHAW, *Administrator.*

EXHIBIT G

MISSISSIPPI STATE UNIVERSITY,
AGRICULTURE AND FORESTRY,
State College, Miss., January 31, 1963.

Mr. GEORGE S. BUCK, Jr.,
*National Cotton Council of America,
Memphis, Tenn.*

DEAR Mr. BUCK: I would like to take this opportunity to express appreciation to you, to Mr. Claude Welch, and others on the staff in the National Cotton Council for the opportunity you have given me to review the proposed research program to reduce the costs of producing and processing cotton.

I have discussed this proposal with Experiment Station Director Leveck and others on our staff. We are in complete agreement that the proposed research can indeed accomplish cost reductions in cotton production. You are aware that I was for a number of years Superintendent of the Delta Branch Experiment Station at Stoneville. In that capacity I had a splendid opportunity to study at close range the problems in cotton production which require the largest expenditures on the part of the producer. I also had the opportunity to see the application of research findings which affected substantial cost reductions. In my opinion, the estimate you have made on savings in insect control, cotton diseases, weed control, mechanization, yield increases and processing are entirely realistic. In fact, the only argument I have with your figures is that the estimate of savings you have set for these—insect control, weed control, and yield—are too low.

I am confident that the proposed research program can reduce the costs of producing cotton. Since first reading this proposal, I have had an opportunity to discuss with a number of agriculturalists throughout the Cotton Belt this matter. I find general agreement that production costs must be reduced and further that an accelerated research program for cotton is the only certain way of approaching this problem.

Thank you again for the fine work in which the National Cotton Council did in this regard.

Sincerely yours,

WILLIAM L. GILES, *Vice President.*

EXHIBIT H

OKLAHOMA STATE UNIVERSITY,
DIVISION OF AGRICULTURE,
Stillwater, January 31, 1963.

Mr. GEORGE S. BUCK, Jr.,
National Cotton Council,
Memphis, Tenn.

DEAR GEORGE: The National Cotton Council brochure entitled "A Research Program To Reduce the Costs of Producing and Processing Cotton" contains stimulating ideas and constitutes a most desirable approach to putting American-grown cotton back into the market, it seems to me.

Opportunities for reduction in cost of production through research and application of research findings as listed on page 1 of this brochure seem entirely feasible. I believe the six areas of cost as enumerated there can be successfully handled through research and practice to the reduction in cost by 11 cents or more per pound of lint cotton.

As director of one State agricultural experiment station which is deeply concerned about the competitive position of American-grown cotton in both home and foreign markets, I believe you and your associates are due the sincere thanks of public agencies and representatives of the trade for the clear and effective manner in which the above-mentioned brochure is presented.

I join with you in the hope that attention and concern of those who have to do with the future of cotton will be stimulated to exert one massive effort to do this constructive job, and speedily.

Sincerely,

LOUIS E. HAWKINS, *Director.*

EXHIBIT J

AGRICULTURAL AND MECHANICAL COLLEGE OF TEXAS,
OFFICE OF DEAN OF AGRICULTURE,
College Station, Tex., February 1, 1963.

Mr. GEORGE S. BUCK, Jr.,
National Cotton Council of America,
Washington, D.C.

DEAR MR. BUCK: We have reviewed with great interest the proposed "Research Program To Reduce the Costs of Producing and Processing Cotton." It is an imaginative proposal, worthy of further consideration.

It is our consensus that intensive and diligent research along the lines and at the level outlined in the proposal and extensive promulgation of the findings of such research will do much to reduce the costs of cotton production and processing. It is not in the least unreasonable to expect that these costs may indeed be reduced by the amount of 10 cents per pound or even more.

We urge that you seek early implementation of the proposed research program. You have our support in this effort.

Sincerely yours,

R. E. PATTERSON, *Dean and Director.*

EXHIBIT K

NORTH CAROLINA STATE COLLEGE,
SCHOOL OF AGRICULTURE,
Raleigh, N.C., February 1, 1963.

Mr. GEORGE S. BUCK, Jr.,
National Cotton Council of America,
Memphis, Tenn.

DEAR MR. BUCK: Research, whether financed with public or private funds, has been instrumental in giving the American consumer better food, clothing, and shelter at a cheaper price. There are many, many outstanding examples to substantiate this statement.

If cotton is to remain competitive its producers must learn to do it more efficiently. Present losses from diseases, insects and lack of satisfactory weed control practices could be greatly reduced through an adequate ressearch pro-

gram. Greater mechanization from planting to harvesting, plus breeding for higher yields of a better quality are also avenues in which research should result in a better commodity for the consumer and an expanded market for the producers and processors.

It is my considered judgment that an adequate research program could lower the cost of production at least 10 cents per pound.

Very sincerely yours,

R. L. LOVVORN, *Director of Research.*

Mr. BUCK. Mr. Chairman and members of the committee, it seems clear that this proposal to reduce the cost of producing cotton by at least 11 cents per pound is entirely feasible. It can be done. The cost would be only a fraction of what has been spent on cotton programs because of cotton's inability to compete pricewise and what may yet have to be spent for the same reason. We feel strongly that this is the way to bring about a sound and lasting cotton industry in the United States. We urge your support of the necessary research program.

Thank you, Mr. Chairman.

The CHAIRMAN. Well, the same evidence was presented before the Senate Subcommittee on Appropriations to provide——

Mr. COKER. That's correct, sir.

The CHAIRMAN. I was listening to it, but this program, as you say, will take from 5 to 10 years; and if successful, will cause this 11-cent decrease to take place. But in the meantime, it will be necessary to continue this subsidization of local mills until research can accomplish the job, am I right in that?

Mr. BUCK. Mr. Chairman, there is one point: We don't have to wait until 5 or 10 years before making some of this saving. This will come about steadily. As a matter of fact, this week representatives of the State experiment stations and the State extension leaders from the Cotton Belt are meeting in Memphis to start a program of implementing our technology now, so we would expect to make steady savings over this period.

Senator TALMADGE. May I ask a question? If everything you stated is true, would not that same information be available to our foreign competitors and also enable them to reduce their costs at the

Mr. BUCK. Senator, I think eventually this information would be same time we are reducing ours?

available to foreigners. This question was addressed to Dr. Horne in the House and if I might quote his answer it is something like this: We would have several advantages. First, we would have leadtime in applying this technology. Second, the advantage of most foreign producers is in their cheap labor. They do not have the highly industrialized economy that provides them with some of the means and mechanical machinery to take advantage of the reductions the way we can. When they do go to that kind of technology they will have to use higher priced labor to operate it and apply it. So while we cannot say that some of this wouldn't be applied abroad, we do think we can maintain a lead and take bigger advantage of it than the foreigners.

Senator TALMADGE. I am assuming if we couldn't keep our hydrogen bomb secret we won't be able to keep this information secret. They will also utilize what we have developed by our scientific studies and experimentation and still have a lower cost advantage than we will.

The CHAIRMAN. Then aside from that point, of course, there are the synthetics which over the years grow cheaper and cheaper. Wouldn't it be fair to say that the prices of these would also decrease. In other words, you would be faced with practically the same situation. It strikes me that the foreign competition is one, and then you have the synthetics.

How many witnesses do you have here? I wish you would have given them to the committee here. We have summoned a lot of witnesses from all over the country. The committee desires to listen, but you should have listed them with the committee.

Mr. BLAKE. Dr. Horne is here. You just heard him a few minutes ago. He could answer the question that you asked.

The CHAIRMAN. He did that a while ago, I presume.

Dr. HORNE. The cost of producing synthetic fiber.

The CHAIRMAN. Do you wish to emphasize—

Dr. HORNE. May I make a comment on that?

The CHAIRMAN. Surely.

Dr. HORNE. We, of course, are very impressed with the way the rayon industry through the years has lowered its cost of production. The rayon industry is now getting to be an old industry, however, and the evidence gets increasingly impressive that it has worked over its main potential for lowering its costs. The elements that still remain in its cost structure are pretty well known to us, and they are rather firm and solid cost items. It is pretty hard to figure out how they could get any of those costs down a great deal more through research or anything else in the near future. And their costs are pretty high today in relation to their selling prices.

Now in the case of the newer synthetics such as the polyesters, I won't say they can't get their costs down, or that they are not going to reduce their prices in the years to come, regardless of what is done about the price of cotton.

The CHAIRMAN. Isn't it possible that they may change the rayon to some other synthetic that might be more cheaply produced?

Dr. HORNE. There is no other synthetic anywhere the same price level as rayon today and none likely to come on the market in the foreseeable future at this price level, which has the quality to compete for the same markets.

The CHAIRMAN. Now we have before us four bills under consideration. As I stated at the opening of the hearings, if any other bill could be suggested or any other plans not included in these bills we would be glad to hear about them.

Mr. Blake.

Mr. BLAKE. Mr. Chairman, I come to this point in this testimony now. The evidence that Mr. Buck has just presented in support of the fact that research can actually do this job is so overwhelming that it needs no further elaboration. Mr. Chairman, there is one additional point I would like to make.

A few months ago I heard a statement, which I have since had verified, that of all of the scientists who have lived on this earth since the beginning of the recorded history of man, 99 percent of them are alive today. Now that gives us some idea of the perfectly enormous numbers of scientifically trained personnel that we can list today among our research resources. Then when we add to that all of the new

research tools and techniques, and all the new findings of fundamental research, we begin to understand why it is not only possible—but indeed, practical—to achieve our objective.

The research capability of an American that has just put a man in orbit around the earth 22 times, and then brought him down in the middle of the Pacific Ocean within a stone's throw of the ship they wanted to put him on, can surely achieve the relatively modest research goals Mr. Buck has put before us. But, Mr. Chairman, to do so we are going to have to actually apply our vast research resources to our cotton problems with the same sort of imagination, determination, and intensity that research is being applied so successfully in the fields of health, atomic energy, space exploration, and many others.

Now, Mr. Chairman, we have laid before you the situation confronting cotton and the Council's recommendations for getting cotton out of its troubles and putting it on the road to a sound, expanding, and prosperous future.

We believe that S. 1511, which Chairman Ellender and Senator Jordan have introduced, provides the best method of attaining our objectives. This, of course, is identical to the bill which Congressman Cooley introduced in the House about 10 days or 2 weeks ago.

The CHAIRMAN. And that is one that will cost the greatest.

Mr. BLAKE. According to this table, sir, but I think we need to discuss these cost figures in just a little bit.

I also want to add that yesterday morning the House Committee voted to include in this bill one additional provision with respect to the export acreage feature which Mr. Murphy referred to in his testimony here on Monday. That additional feature has now been incorporated in the House bill, and it is with the incorporation of that additional feature that I refer to our support of this bill. We would hope that a comparable measure would be included in S. 1511.

Now, the first section of S. 1511 provides that beginning with the date of enactment until July 31, 1967, the Secretary of Agriculture would be directed to make payments-in-kind to persons other than producers to eliminate the inequity of the cotton cost differential between domestic and foreign mills. Until August 1, 1964, payments would be at a level determined by the Secretary. From August 1, 1964, to July 31, 1967, the rate would be the amount necessary to make cotton available to domestic mills at a price not in excess of that for which it is made available for export. Thus, for this period, the differential in cotton cost to the American mills, which imposes upon them such a severe and unfair competitive handicap, would be eliminated.

The huge windfall profits resulting from the cotton cost differential, which are made on foreign textiles shipped into this country, would be eliminated. The International Cotton Textile Agreement to prevent excessive imports, which has been worked out here in the last year or so, then would be given a chance to work satisfactorily.

The deep cuts into the consumption of U.S.-grown cotton in our domestic market, which result when imported textiles made of foreign cotton replace American-made textiles made of American cotton, would be greatly reduced.

The incentive for American mills to fight foreign competition by switching from cotton to synthetic fibers, which our mills can buy as cheaply as the foreigner can, would be eliminated.

The competitive position of cotton with other fibers and materials in the domestic market would be very greatly improved, and this is very urgently needed.

Now, the principal disadvantage of this program to eliminate the differential in cotton cost in the domestic and foreign markets is its additional cost to the Government. However, S. 1511 also carries two other provisions that would reduce this cost very materially from the outset, and provide ultimately for the orderly liquidation of not only the proposed domestic cotton program but the cotton export program as well.

In the first instance, the bill would utilize the stocks of cotton which the Government will own at the beginning of the next crop year (August 1, 1963) to finance a great part of the program without further recourse to the Federal Treasury.

The CHAIRMAN. Well, we have to make that up, though, later. It is money spent all right. We have to take that over. We have loans and each year Congress must replenish the moneys of the Commodity Credit.

Mr. BLAKE. That is certainly true, Senator. The point I am making here is that the Government will have—and we regret very much this is the situation, but nevertheless it is a fact—they will have in the neighborhood of 9 million bales of cotton on hand next August 1.

The CHAIRMAN. We heard it would be 11 million.

Mr. BLAKE. The reference to 11 million was the total carryover figure and not just what the Government would have on hand, but the estimate is somewhere between 8 and 9 million bales, probably closer to 9, that the Government will have on hand next August 1. The Government has sizable losses in that cotton. There is no way they can get rid of it at any price more than the export price. So that cotton, Senator, can be used to make these payments in kind that we refer to in S. 1511. When these Government stocks are used to make cotton available to the American mills at the export price, we are probably making the very best use than can be made of the cotton the Government will have on hand.

But then in the second provision with regard to this savings thing is in this section 3 of the bill, which directs the immediate implementation of the massive research attack to reduce cotton production costs, which Mr. Buck described to you. This section also directs the Secretary, beginning in 1965, to “make such reductions in the price-support level as will reflect reductions in the costs of producing cotton.”

The additional cost of \$10 million for this increased research is small when measured by any standard. Actually it is an investment—it is a sound investment in the future of the cotton industry. It will pay dividends many times over. For each 1 cent per pound by which we are able to lower production costs, we would cut Government program costs by something like \$75 million until they are eliminated. Thus, by investing a relatively few additional millions in research, we would eliminate the need for a Government program that is costing around a half billion dollars a year. The cost-benefit ratio would be terrific.

Is there any doubt in anyone's mind what private industry would do in a situation like this? Any private corporation which had such an opportunity would certainly spend relatively the modest amount on research necessary to capitalize on this potential.

In this instance, the corporation which has such an opportunity is the Commodity Credit Corporation, because it is through it that the Government would realize its savings in costs resulting from research expenditures. As you know, CCC has very broad authorities in its charter and may already have authority for the expenditure we are urging for cotton production research. However, there are several instances of record where CCC has financed research.

However, we feel that it is very necessary, Mr. Chairman, that the same bill which contains the program expenditures also contain the research funds needed for the reduction and ultimate elimination of the program funds. In this way the bill would contain the entire new program rather than just a part. This certainly should make it more acceptable in the eyes of everyone.

The CHAIRMAN. We couldn't do that under the rules. It has to go before Appropriations. All you can do here is authorize it.

Mr. BLAKE. Well, Mr. Chairman, what this bill would do, S. 1511, would be to direct the Secretary to use up—

The CHAIRMAN. CCC funds for research.

Mr. BLAKE. That is right, for this special program.

The CHAIRMAN. I understand.

Mr. BLAKE. Now S. 1511 contains several other important provisions that we have not commented upon in this testimony because they were not included in the Council's resolutions. However, they are not in conflict with our policies and do not interfere with our full support of the bill.

Thus far we have been talking about what needs to be done to enable cotton to survive as a major agricultural industry in America. Its survival is probably most important to the 11 million people who live on income from producing cotton and taking it to market. But they are certainly not the only ones involved.

The rest of American agriculture, including all of the agri-business groups and other sectors of the general economy who depend upon agriculture, also have a big stake in cotton's survival. The 18 million acres that were in last year's cotton allotment are among the most highly productive in this country. If those acres are forced out of cotton, they will inevitably go into the production of other crops, most of which are already in serious surplus difficulties. I am sure I need not elaborate to the members of this committee on the consequences of any such development.

But that is not all. All the rest of this Nation is also deeply involved in cotton's survival. Over and above the part of the domestic economy it actually occupies—and that is quite sizable—cotton's exports amount to nearly a billion dollars a year, and are a very important item in our balance-of-payments position, as the President and many in our Government have repeatedly emphasized.

There is more at stake than cotton's survival, however, in the adoption and successful implementation of the program we are recommending. Cotton is actually in a position to make far greater contributions to its own people, to the rest of American agriculture, and to the Nation as a whole, than it is now making, if it is given the chance to do so.

Populations and living standards are increasing here, and all over the world. This means that the markets for textile fibers are growing

by leaps and bounds. Despite all the new (I can show this clearly on the chart) synthetics that have come into the picture, cotton is by far the leading textile fiber everywhere. If we just do the right thing, there is no question but what U.S. cotton cannot only hold its present share of the rapidly growing fiber market throughout the world, but also increase it substantially. This will mean a steady growth from our present level of about 14 million bales annually, to 16, 18, and 20 million bales in the not too distant future.

Mr. Chairman, the opportunity is before us as it has never been in all history, if we just do the right thing. If we do not, we shall probably never have another such chance.

The CHAIRMAN. Any questions?

Senator TALMADGE. I have just one question, Mr. Chairman. Mr. Blake, I want to compliment you and your associates for a very able presentation on the ills and the problems of the cotton industry from the producer through the spinner. As I understand this bill that you advocate, it would provide a subsidy for the farmer, and another subsidy for the exporter, and finally a subsidy for the textile mill. Why don't we just have one subsidy to the farmer and get rid of it then and there?

Mr. BLAKE. Well, Senator, there are a lot of farmers that don't want it that way.

Senator TALMADGE. A lot of people don't want any subsidies, but they don't want lower prices either. It appears to me that the cheapest way of getting the job accomplished would be to have one subsidy instead of three, and let cotton go into the free channels of trade and take the Government out of the business of buying, shipping, storing, warehousing, and giving away cotton.

Mr. BLAKE. Senator, there is certainly a great deal of merit in what you are saying and there is certainly a great deal of merit in the provisions of your bill that would accomplish a return to a competitive one-price system at the world market level that would greatly minimize the activity of the Government in this area and would greatly improve and increase the functioning of private industry. However, there are—let me say first of all, the Council did not have your bill before it at the time the consideration was given to this matter.

Senator TALMADGE. I am talking about principle now; not the specific bill.

Mr. BLAKE. I understand. Now the reason that we are for the S. 1511 is that it does the two essential things that we think need to be done to get this cotton problem straightened out and on the right track. Also, I mentioned, it does not contain anything that our organization is opposing. And third, it is based upon the method and approach that has been under consideration since early last fall when the President made his statement that such a program would be undertaken. This proposal has been through dozens and dozens of meetings from one end of the Cotton Belt to the other. It has been discussed over a period the past 9 months. It has been compromised here and there and yonder. It has finally gotten to the point it is almost out of the House committee, although not quite. We are hoping that it will come out very shortly. It has been approved by the administration. It has the approval of a great majority of the cotton industry across this belt. Now, frankly, we feel that it is

the only proposal, sir, that we have a real chance to get through at this session of Congress. We are well aware of the difficulties even then. But to start new with any proposal that does not have this understanding and has not been explored and examined as this has been—

Senator TALMADGE. Well, of course, no committee has reported as yet any legislation. What I am trying to get at is what is the advantage of three different subsidies instead of one to accomplish the same purpose?

Mr. BLAKE. Well, Senator, let me see if I can state it simply. There are 35 cotton producer organizations that participate in the election of the cotton producer delegates to the National Cotton Council. They represent cottongrowers in all 19 of the cotton-producing States. The aggregate membership of these organizations will run around a million paying members and about a third of them—at least a third of them are actually engaged in cotton production. But there is not a one of these 35 organizations that I know anything about that would be willing to support a bill that would reduce the loan on cotton to the world price level of approximately 24 cents.

Senator TALMADGE. What you are saying in reality, then, as I understand it, you support the recommendation your group suggested you support without reference to the simplest way of accomplishing the job; is that it?

Mr. BLAKE. Well, sir, we are supporting what I have tried to express. A number of these producers groups are going to be before the committee, I notice from the schedule, and will be testifying directly as to how they feel about it. I just happen to know—it is our business to know something about what they are thinking, and I do know that if there is any one of them that favors reducing the loan to 24 cents, the world price level, I haven't yet found out which one it is. They are mortally afraid of it. And, I don't have any notion that they could be convinced that they were wrong about it between now and the time available to get something done about this bill.

Senator TALMADGE. The question I asked you related to the subsidy feature and not loan feature. I appreciate you responding to the loan feature. There may be some merit in that. I cannot understand why three subsidies would be more beneficial to the industry, the spinners, the mills, and the taxpayer than one subsidy.

Mr. COKER. Mr. Chairman, may I comment on one point you made?

Senator TALMADGE. Yes, sir.

Mr. COKER. That is relating to the potential of our foreign customers to reduce their cost along with ours.

Senator TALMADGE. Yes, sir.

Mr. COKER. It so happens that the American cotton industry, as you know, bears a unique burden in the form of the boll weevil. As you probably know, the boll weevil is not a factor in cotton production except in a couple of Northern and South American countries, Central America, Mexico, and the United States. So if we solve the boll weevil problem we would have a cleancut advantage of maybe 5 cents a pound or more, which a very large majority of our foreign competitors would not have because they do not have a problem.

Senator TALMADGE. My only response to that, it is a very dangerous philosophy to assume you are more intelligent in handling your

business than the competitor. I found most people who think that is true wound up broke.

Mr. COKER. I think that is a good point.

The CHAIRMAN. Any further questions? If not, we thank you, gentlemen.

Next is Paul Ransom, chairman, Cotton Advisory Committee, Louisiana Farm Bureau Federation, Inc.

All right, Mr. Ransom, will you identify yourself for the record.

STATEMENT OF PAUL RANSOM, CHAIRMAN, COTTON ADVISORY COMMITTEE, LOUISIANA FARM BUREAU FEDERATION, MONROE, LA.

Mr. RANSOM. I am Paul Ransom, Monroe, La.

The CHAIRMAN. All right, Mr. Ransom, you may proceed.

Mr. RANSOM. Chairman Ellender and members of the committee, I am Paul Ransom, a cotton farmer from near Monroe, La., in the Parish of Ouachita. My testimony today is on behalf of the approximately 10,000 members of the Louisiana Farm Bureau Federation whose livelihood is directly dependent upon the growth and economic well-being of the cotton industry. I sincerely appreciate this opportunity to present the views of our members, who have worked long and hard to arrive at a program which they believe will go a long way toward solving the difficulties of our industry. I'm sure I speak for the overwhelming majority of our Louisiana producers when I congratulate Senator Ellender and this committee for your interest and efforts to find an equitable solution for our problems.

I believe all of us with an interest in cotton agree that any solution to the problems which beset us should conform to some basic criteria. As we see them in Louisiana, the criteria for a satisfactory program should include:

1. Protect farm income.
2. Permit the maximum freedom of operation on the part of the individual farmer.
3. Promote and encourage efficiency.
4. Implemented at the least possible cost to the taxpayer.
5. It should be designed to encourage expanded sales at home and abroad, recognizing that our basic problem is lack of sales, not over-production.

Before offering the views of the Louisiana cotton industry on the proposals under consideration before the committee, I want it clearly understood that as a farmer who makes his living raising cotton, nothing would make me happier than to be able to sell all the cotton I can raise at 40 cents a pound. But the farmers I represent are realistic, and want to sell cotton, and for this privilege, the cotton industry in Louisiana is willing to accept a program which would offer reasonable profits combined with the opportunity to produce. We believe that the legislation introduced by Senator Ellender, S. 1458, provides an entirely satisfactory method of achieving the goal.

Since it is germane to the legislation now under consideration by this committee, I would like to call to your attention an address made in New Orleans earlier this month by the Honorable Charles S. Murphy, Under Secretary of Agriculture, before the American Cotton

Shippers Association. It is attached to this statement as appendix "A" for your detailed consideration if you so desire, but with your permission, I wish to quote excerpts from it as a part of my testimony. I believe the address is illustrative of the attitude of the Department of Agriculture in regard to cotton.

One statement by Secretary Murphy which attracted my particular attention was the comment made in defense of the Department's pricing policy. The statement, which is found in the fourth paragraph on page 3 in the attached appendix, is as follows:

"I will say this. We feel a special obligation to the small farmer, one whose voice is heard least in the corridors of Washington, but one whose need is greatest. We are willing to accept his proxy in this matter, and we don't propose to vote it in favor of a price support cut for the little man as a part of a legislative package."

I'm confident that Secretary Murphy's use of the terms "proxy" and "vote" are merely for illustrative purposes, but even if they were not, I can assure you the Department has neither the proxy nor the support of the small farmer in Louisiana when these pricing policies result in such a drastic reduction in allotted acres.

The Department's action in reducing allotted acreage reveals a basic lack of knowledge of the relationship of volume to production cost and fixed costs, especially for small farmers. To illustrate this point, let me cite the example of a Louisiana producer who had a 40-acre allotment in 1961. Our average of the crop is Strick Low Middling, inch and a thirty-second, and our average production is nearly a bale per acre. At the current support price, therefore, the average farmer can expect a gross of about \$162 per acre. When Agriculture Secretary Freeman raised the support price in 1961, a 40-acre farmer in Louisiana received approximately \$7.50 more a bale, or about \$300 more than he had received the previous year, for a gross income in the neighborhood of \$6,500. But the 12-percent reduction in allotments ordered by the Secretary in 1963 slashed more than 5 acres off this 40-acre allotment, and reduced gross income from cotton by nearly \$800 per year.

I know that you gentlemen are familiar with farm problems by virtue of your service on this committee, but I feel that I should delve into this fixed-cost subject. I have noted with interest that many economists always seem to ignore this subject when computing related data. By "fixed cost" I refer to costs that go on each day and each month, over which the farmer has little or no control. I refer to costs such as food, clothing, insurance, and so forth. Living costs that must come from the dirt that the farmer farms. The fewer acres the farmer works, the higher per acre cost of his fixed cost. When Secretary Freeman slashed the average cotton allotment 12 percent, the immediate effect was to increase the fixed cost of each farmer affected, for I doubt very seriously if any cotton farmers approached his wife and children and demanded that they reduce immediately their living expenses by 12 percent. Too many so-called economists overlook the fact that the cost of living for a farm family has to come out of the soil—and this can be achieved only when all the acres can be put to use. As far as the cotton industry in Louisiana is concerned, I am firmly convinced that the greatest service this committee and the Congress can provide is to grant smaller farmers the opportunity to get larger.

In this respect, I most vigorously urge the committee to reject any proposal which seeks to establish quotas on a bale basis. It is inconceivable that anyone who represents producers in the nonirrigated areas of the Cotton Belt could seriously propose this type of production control unless they are totally unfamiliar with the tremendous variance in individual production on a year-to-year basis. I know of no farmer in the Rain Belt who could confidently predict within half a bale per acre what his yield will be this or any other year. I might also add that I am convinced that the traditional production areas of the Rain Belt can—and will—reestablish themselves as the rightful residence for king cotton, if the incentive for more efficient production is not destroyed through quantity control. No farmer who intends to remain in cotton production in the traditional area can accept bale quotas. Such action would bring a halt to the marvelous advances we are making throughout the Rain Belt in technology and research, and destroy incentive for more efficient production. I for one am confident that we will be able to produce cotton at a profit at considerably less than the present price in the not-too-distant future if we continue the progress we are making.

With the foregoing statements as background, I urge the committee to give their most serious consideration to the measure introduced by Senator Ellender, S. 1458. Our senior Senator most accurately reflects in this legislation the viewpoint of the Louisiana cotton industry. S. 1458 goes to the heart of the problem—declining sales for cotton—and presents a solution based on experience and realities.

This committee initiated the basic language and philosophy of the Agricultural Act of 1958 under the leadership of its present chairmen, and guided it to final enactment. The facts reveal that within 2 years after its enactment, most observers agreed that we were almost out of trouble in the cotton industry by virtue of vastly increased sales, both at home and abroad. S. 1458 seeks to re-create the situation which existed during this period. We in Louisiana think this legislation can and will move cotton into the same favorable situation of 1959 and 1960.

Let's examine the situation which existed, and the results which were achieved, during the 2-year period beginning August 1, 1959, and ending July 31, 1961. For your reference, I have attached as appendix B to this testimony a series of tables which support our contention that S. 1458 can solve our problem.

During the first full marketing year following enactment of the Agricultural Act of 1958, the U.S. cotton industry disposed of 16,200,000 bales of cotton (see exhibit 1). The following year, total offtake was in excess of 14,900,000 bales—or a 2-year record of more than 31 million bales of U.S. cotton. I call your particular attention to the average price of cotton during these 2 marketing years, as shown in exhibit 1. The two tables contained in exhibit 2 illustrate graphically the relationship between actual export price and the volume of exports.

It is our firm conviction in Louisiana that if more than 31 million bales of cotton could be sold at a price which averaged about 31 cents, basis Middling inch, we should at the very least be able to expect comparable sales with the 30-cent support called for in S. 1458.

I noted with some interest that Secretary Murphy gave some limited support to this contention in the address contained in appendix A. On

page 3, he states, "Our economists estimate that for each 1-cent reduction in price, mill consumption could increase by as much as 200,000 bales. So a 2½-cent cut would mean 500,000 bales more cotton." I would term his economists' estimates somewhat conservative in view of the indisputable fact that domestic mill consumption has dropped about 600,000 bales as a result of a 1½-cent increase in the effective price of cotton. But even if we are to accept the more conservative estimate of 500,000 bales, this would restore most of our domestic market loss, and reestablish mill consumption in the neighborhood of 8,900,000 bales annually.

In passing, I also would point out that Secretary Murphy's contention that such a price-support reduction would cost the American cotton farmer 27 percent of his net income ignores another integral part of S. 1458—the fact that the national minimum will be increased by 1.5 million acres from the current minimum of 16 million acres. I cannot believe that the small farmers the Secretary makes reference to will refuse to increase their production if more acres are made available.

Let me add here that on the basis of even the highest average-yield figures, total production on these 1.5 million acres will not exceed 1.1 million bales. This will result in total production for 1964 and 1965 of an estimated 14.6 to 15 million bales annually—well below the average offtake during the marketing years of 1959–61. I call your attention to the average harvested acres shown in exhibit 3 as an indication of what could be expected in this respect.

One major point needs to be emphasized in regard to the domestic market. Each of you have heard many remarks about how cotton is suffering in competition to rayon. Rayon is the only synthetic fiber whose price range is even remotely comparable to the cost of cotton—all the others are much higher. One of the three major suppliers of rayon, American Viscose, raised the price of standard rayon staple to 27 cents a pound in early April, and it is my understanding that the other domestic producers either have followed suit, or will do so in the very near future. I call to the committee's attention the fact that rayon was at the 27-cent level when we made our sales breakthrough after enactment of the 1958 act.

It is our belief that there has been too little emphasis on what has been the major cause of the current cotton problem—lack of exports. The facts of the matter are that we haven't been competitive, despite the increase of the export subsidy to 8.5 cents a pound. Exhibit 2 of appendix B shows that the actual cost of U.S. cotton to the oversea buyer actually was increased when the Secretary raised the domestic support level in 1961. From 7.1 million bales in the 1959–60 marketing year, we dropped to 4.5 million bales in the current year—a 37-percent market loss in less than 3 years.

S. 1458 again goes to the heart of this problem by providing an effective decrease in the price of cotton to our oversea customers, while at the same time providing much more price protection to our domestic mills than has been offered during the past 2 marketing years. Let me hasten to add that we consider the domestic mills our most consistent, and consequently, our most valuable customers—but we also recognize that without adequate exports, the cotton producer in these United States has a poor chance of survival.

We are thoroughly in agreement that the present price differential is unfair, and action should be taken to narrow this differential at once. S.1458 will move in this direction through the quite simple procedure of reducing the cost of raw cotton to our domestic customers by \$12.50 a bale, and reducing the export subsidy by \$10 a bale. Let me emphasize that this is a real relief—and not an artificial one dependent upon annual appropriation from an already overburdened budget.

I call your attention to exhibit 4 of appendix B, which shows comparable freight costs to the Carolina mills and to European ports. You will note that it costs about \$10.50 per bale for a one-way trip to Europe, exclusive of dock-to-mill handling once the cotton arrives. If we can assume it would cost at least that much to ship the equivalent weight of cotton textiles back to this country, it would appear that total costs of raw material should be very nearly competitive. An additional indication that this is the case can be drawn from the fact that there was an encouraging increase in domestic consumption during the 2 marketing years which immediately followed enactment of the 1958 act.

I also want to emphasize that the reduction in the export subsidy will substantially reduce the per-bale expenditure of tax dollars. About \$190 million will be required to finance the export of 4.5 million bales during this marketing year. With a reduction of \$10 a bale in the export subsidy, nearly 1.4 million more bales could have been exported at the same cost. I believe Senator Ellender is in agreement that a minimum export of 6 million bales is anticipated under the provisions of S.1458—a one-third increase in total exports for about a 3 percent increase in the export program's cost.

In summary, S.1458 represents an honest effort on the part of Louisiana cotton farmers, under the guidance of Senator Ellender, to solve the problems of our industry. We believe that the reduction of the selling price to 30 cents a pound, basis middling inch, is the price we can—and must—afford to pay in return for acreage opportunity. A price higher than this level restricts our markets—a lower price, we believe, will unnecessarily force out of business many farmers who don't have to go.

The provisions of S. 1458 are based on facts, experience, and the realities of farm production—they do not represent the crystal ball gazing and assumption of virtually unlimited access to tax dollars which have characterized most of the other cotton proposals advanced this year. We believe Secretary Freeman's intentions were good when he raised our support price in 1961—but the results have been bad. We can no longer afford good intentions—and it is apparent to us in Louisiana that the increased supports have not served to encourage farmers to remain in cotton production. I believe each of you will find, as we have, that the number of farmers actually producing cotton in each State has continued to decline despite the increased support price. We predict this decline will be aggravated this year as a result of the slash in allotted acres, because it's the fixed costs that make or break farmers. In Louisiana this year, 11,137 farmers—about 43 percent of the cotton farmers in the State, requested 145,449 more acres than they were allotted—and even our most vigorously pursued release and reapportionment program could not achieve half of the necessary acres.

In conclusion, I again would refer you to Under Secretary Murphy's address, when he stated on page 5 that:

"I want the record to go perfectly clear from this point on that the Department of Agriculture is not responsible for the ills that beset the cotton industry."

I submit that the record is inescapably clear that most of our ills are the responsibility of the Department—that had Secretary Freeman and his advisers not chosen to ignore the intent of the 1958 act, which you initiated, and the subsequent advice of the chairman of the Committee on Agriculture and Forestry—we would not now be in trouble.

We believe that now is the time for an intelligent decision by the Congress—based on the principles of sound economics and representative government—to correct the administrative mistakes of the past 2 years, and to launch cotton once again on a program of progress and growth.

Thank you for your attention and courtesy, and I respectfully request favorable consideration of S.1458.

(The attachments to Mr. Ransom's statement are as follows:)

APPENDIX A

ADDRESS BY UNDER SECRETARY OF AGRICULTURE CHARLES S. MURPHY BEFORE THE AMERICAN COTTON SHIPPERS ASSOCIATION, ROOSEVELT HOTEL, NEW ORLEANS, LA., MAY 10, 1963

I have spent a lot of time during the past 2 years working on proposed cotton legislation. This has been a most interesting experience. However, at this time it appears that the degree of success which is likely to be achieved is a matter of conjecture.

I said last December that I thought the prospects for new cotton legislation were excellent because there were so many people who needed cotton legislation so badly they would simply have to get together—submerge their differences—and work to get a bill passed. It now seems that I may well have been wrong in my estimate of the situation. Differences have not been submerged.

I spoke again on this subject in January. At that time, I said: "The hope for enactment of new cotton legislation remains alive. Whether this hope is in fact realized will depend to a great extent on whether the different groups in the cotton industry can and will submerge their respective viewpoints sufficiently to provide the essential degree of accommodation to the viewpoints of others. No one is going to be able to have his first choice as to what the new legislation will contain. It is possible, however, to have new legislation under which everyone would be better off than with no new legislation at all. That is the real choice.

"Even if the cotton industry is united in its efforts to obtain prompt passage of a new bill, there are many pitfalls along the way and many difficulties ahead in obtaining the necessary concurrence and support from noncotton groups. Substantial opposition or dissension within the cotton industry itself can and almost certainly will prevent passage in time for the planting of the 1963 crop.

"I believe the recommendations of the Secretary's Cotton Advisory Committee of January 14, 1963, offer the best, and perhaps the only basis on which there is a reasonable hope of agreement. These recommendations were arrived at by the Advisory Committee after deliberations extending over many months and after thorough discussion of many alternative proposals. They represent a degree of agreement which was reached only after much give and take. Anyone who might wish to upset them now should recognize (1) the difficulty of finding any other basis of agreement and (2) the necessity for agreement if legislation is to be passed.

"No one is entirely satisfied or happy with proposals recommended by the Advisory Committee. I expect I have heard more objections to them than anyone else. Nevertheless, they still seem to me to be the only basis on which there is a reasonable hope of achieving an early agreement."

There were evidently a lot of people who didn't believe what I said in January, because they went off in a good many other directions. This, of course, they

had a perfect right to do. But I might point out that we have no cotton legislation and the prospects do not look as good now as they did in January.

Instead of differences being submerged, they have been emphasized more and more.

There is general agreement on one phase of the matter; namely, that a problem does exist and cotton is in trouble. Even here, there are differences of opinion as to how serious the trouble is. It sometimes seems to me that various spokesmen are competing with each other to see who can make the most extreme statement about the seriousness of the situation. I would not for one moment wish to minimize the gravity of this problem, but I don't believe I can add much to what has already been said on the subject.

The problem in the cotton industry has existed for a number of years. As we worked with our Cotton Advisory Committee in the fall of 1961 and the spring of 1962 on proposed legislation, we saw only limited opportunities for improvement. We were searching for a formula which would maintain or increase the income of cotton farmers, which would make cotton more competitive, and would at the same time reduce Government costs for the cotton program. This was a formula which made the task extremely difficult.

A major new element was introduced into the picture last fall when President Kennedy indicated that additional Government funds might be used to help solve the problems of the cotton industry and to eliminate the inequity of the two-price cotton system. It was his judgment that the general welfare might be best served by the expenditure of these additional funds. It seemed to me that this decision of the President's was the key to the solution of our problem—the magic ingredient that would solve the dilemma of cotton with which we had been wrestling so earnestly. However, this has not been the case—at least not yet. Too many people—too many interests—are still insisting upon maintaining conflicting positions.

I think it should be understood that the administration, in its desire to help find a solution of the problems of the cotton industry, has agreed to a plan which would add many millions of dollars to the estimated cost of the cotton program. Let me hasten to add that we believe this expenditure would be fully justified in the resulting benefits to the entire Nation. Consumer savings alone would largely justify the expenditures—since prices to consumers would, it is estimated, be reduced the equivalent of twice as much as the increased Government costs. In addition, the stimulating effects on the entire economy through greater prosperity and activity in the very important cotton industry would be most beneficial to everyone.

However, the added Government costs present a very practical problem of great magnitude in budgetary terms. Government expenditures have to be paid with tax money that is actually collected by the Government. I want the record to be perfectly clear that the President has gone very far indeed, and has more than made good on his commitment to recommend legislation which would eliminate the inequity of the two-price system for cotton.

Indeed, I think the President has gone as far as he should be expected to go. His responsibility to manage the Federal budget is a very heavy one, and no one can rightly contend that the share he is willing to allocate to cotton is less than its fair share.

The administration has not taken, and is not taking, a dogmatic attitude about this matter. It recognizes the problem. It has suggested solutions, it has accepted modifications and counterproposals, it has been and is willing to agree to almost any reasonable solution that other people will agree to.

Nevertheless, there are limits beyond which we cannot go.

I believe the solution to the problem, if it is to be found at all, must be found within the limit of Federal expenditures which the President has already indicated he is willing to accept. There is no assurance that the Congress will agree even to expenditures of this magnitude—there is very little chance the Congress would agree to more.

Where then is the solution to be found? Should we raise the export price of American cotton so as to reduce the cost of the export program? Few knowledgeable people with whom I have discussed the subject would advocate this course. If American cotton is to be exported at all, it can only be exported at world prices. Otherwise, no one will buy it. The exports must be maintained. They are too important—not only to the cotton industry—but to our balance of payments—to the entire national economy—to even think of letting them stop.

Is the answer to reduce the support price for cotton? Many people are saying "yes." They say they know American farmers cannot produce cotton at the world price of around 24 cents a pound, but that 30 cents a pound would be about right. That would be a reduction of $2\frac{1}{2}$ cents a pound. Before you settle on this as a painless and easy answer, do a little bit of simple arithmetic with me. See what would happen to cotton farmers' income. Suppose the cotton farmers' total costs of production is only 24 cents a pound—and surely that is not a high estimate. His present support price is $32\frac{1}{2}$ cents—leaving a margin of profit of $8\frac{1}{2}$ cents. If we simply reduce his price $2\frac{1}{2}$ cents, he loses more than one-fourth of his profit—his net income. But you say, his volume will be increased—and in due time it may. Our economists estimate that for each 1 cent reduction in price, mill consumption could increase by as much as 200,000 bales. So a $2\frac{1}{2}$ cent cut would mean 500,000 bales more cotton. This would mean that the American cotton farmer instead of losing 29 percent of his net income loses only 27 percent—instead of losing \$175 million, he loses only \$160 million.

This is not a consequence to be accepted lightly. In the Department of Agriculture, we have found it a very painful prospect. We are committed to helping maintain farm income—not reducing it. Nevertheless, there have been many spokesmen for cotton producers who have advocated or acquiesced in a reduction of the support price to 30 cents. If this is really what producers want, what are we to say?

I will say this. We feel a special obligation to the small farmer—one whose voice is heard least in the corridors of Washington—but one whose need is greatest. We are willing to accept his proxy in this matter, and we don't propose to vote it in favor of a price support cut for the little man as a part of a legislative package.

Is it necessary to a solution that a payment be made on cotton consumed domestically which is equal to the entire difference between the export price and the domestic price of cotton? If so, the squeeze is going to be awfully tight somewhere else.

I have identified some of the questions about the cotton problem. Finding answers is more difficult. We have conducted a diligent search for answers. From time to time, we have thought we were finding some.

I referred earlier to the program recommended by our advisory committee last January 14. We thought that was a satisfactory answer and still think so. But somewhere along the line, it failed to provide what some people thought they had to have—so it was derailed. Various modifications were proposed. We have considered them one after another and agreed to them whenever we could. Most of the administration's difficulties in considering these proposals have revolved around budgetary considerations. In that area we feel that we have gone about as far as we can go.

As you all know, we recently sent to Congressman Cooley, chairman of the House Committee on Agriculture, our views on a draft bill he had sent to us for comment. We agreed to the main points in the draft he sent to us, subject to the minimum changes necessary to bring it within our budgetary limits and provide a measure of protection for small producers.

This draft bill would provide for payments with respect to cotton consumed in the United States to eliminate the inequity of the two-price system. These payments would be in an amount determined by the Secretary of Agriculture, subject to the proviso that on and after August 1, 1964, the payments would have to be sufficient to make cotton available for domestic consumption at the same price it is available for export. These payments would be made to "someone other than the producer," but there is not one word about whether they should be made to the "first buyer" or "last handler."

The draft bill also provides for the planting of cotton on "export acres" outside the national allotment and at the world price. It also would authorize a lower price level for that part of the production from each farm which exceeded 30 bales. Finally, it would authorize a stepped-up program of research aimed at reducing the cost of producing cotton, and would provide for a reduction in support price commensurate with such reductions in costs of production as might be achieved.

A number of person interested in cotton promptly said they would oppose this proposal. They probably will be able to defeat it if they persist in this attitude. I understand that various producer groups are still considering this proposal and more may be heard from them later.

Hearings on cotton legislation are scheduled to begin before the Senate Committee on Agriculture and Forestry on May 20. The bills before that committee will include one introduced by Senator Sparkman of Alabama which embodies the recommendations of our advisory committee to which I referred earlier. The Department of Agriculture will, or course, indicate to the Senate committee that it believes this proposal to be a suitable way of dealing with the problem.

The Senate committee will also have before it another bill proposed by Senator Talmadge of Georgia. This bill has some very constructive possibilities. Briefly, it would provide for each grower a domestic allotment—his fair share of the domestic market—expressed in bales. Each grower could produce and market as much cotton as he pleased at world prices. Then, in addition to what he received in the marketplace, the Government would make payments to him on his domestic allotment to achieve specified levels of total returns per pound for this share of his production.

The proposal would permit cotton to move freely through private trade channels at price levels approximating world prices. It would be possible under this proposal to increase the net income of cotton farmers and, at the same time, lower Government costs in comparison with other programs. It would be the lowest cost way of achieving a "one-price system" for cotton. It would be simpler to administer than the present program. We believe that this bill deserves the most careful and objective consideration.

There is, in some quarters, strong opposition to one of the features of the Talmadge bill; namely, the direct payments to cotton producers. One of the reasons for this opposition is the fear that limitations might be put upon the size of payments so as to ruin large producers. However, the bill has a safeguard against this. It requires that price support be provided in one form or another no matter how large the producer. Thus, if funds were not made available for paying part of the support price in the form of direct payments, the Secretary would be required by the law to provide the total support price by loans or purchases just as he does now. This has been referred to as the "snap back" provision. We regard it as very wise. We regard it as essential that large producers as well as small shall receive a fair return for their cotton.

There is one curious phenomenon related to the Talmadge bill and similar proposals involving direct payments to cotton producers. Many, many people—many of them in high places—say "We know this kind of proposal makes sense—it would be best for everybody—and I'm for it," they say, "but the trouble is we can't get it passed—the Farm Bureau leadership is against it."

This leads me to a question which I wish to pose to your group here today. I think I know how you feel about the Talmadge bill and other like proposals. But my question to you is: What are you going to do about it? How long are you going to continue to listen to people who say they agree with you that this is the best kind of proposal but it can't be passed?

I want the record to be perfectly clear from this point on that the Department of Agriculture is not responsible for the ills which beset the cotton industry. You ought to know who your friends are; and, if you are going to aim your fire anywhere, you ought to aim it at the right places.

We, in the Department, are going to keep right on doing the best we can to get cotton legislation passed. But the fate of this matter does not rest in our hands. It rests in yours, and in the hands of cotton producers, and textile mills—and all the groups interested in the welfare of people in the cotton industry. We will do our part. But we cannot do your part. The outcome rests in your hands just as much as it does in ours.

It will take the best efforts of all of us to get the job done.

APPENDIX B

EXHIBIT 1

Year	1959-60	1960-61
Carryover.....bales.....	8,885,000	7,559,000
Production.....do.....	14,365,000	14,125,000
Disappearance.....do.....	16,199,000	14,911,000
Disappearance as a percent of production.....	112.7	105.5
Average market price (14 spot markets).....cents.....	31.93	30.96

EXHIBIT 2

Middling inch

[Cents]

Year	Spot market average	Export subsidy	Actual export price
1958-59.....	34.47	6.5	27.97
1959-60.....	31.93	8	23.93
1960-61.....	30.96	6	24.96
1961-62.....	33.67	8.5	25.17
1962-63 (7 months).....	33.15	8.5	24.65

All Middling grades

[Bales]

Marketing year and total exports:	Millions
1959-60.....	4.1
1960-61.....	4.1
1961-62.....	2.9

EXHIBIT 3

Acres planted and harvested for cotton

	1959	1960	1961	1962
Acreage for—				
Planted.....	15,816,000	16,306,000	16,588,000	16,427,000
Harvested.....	14,991,000	15,531,000	15,634,000	15,718,000

EXHIBIT 4

Comparison of freight to U.S. mills and freight on export shipments

[Per 100 pounds]

Domestic mill: Railroad freight, Memphis to group B Carolina mill points..	\$0.77
Export freight:	
Freight average interior point to port such as N.O. Houston-Galveston.....	.50
Ocean freight: N.O., Houston-Galveston to European ports ¹	1.65
Total freight: Export shipment.....	2.15

¹ Minor additional charges for high-density compression, extra bands, patching, etc., on export shipments.

The CHAIRMAN. Any questions?

Senator TALMADGE. No questions.

Senator COOPER. No.

The CHAIRMAN. Thank you very much.

All right, may I have your attention, please? Off the record.

(Discussion was had outside the record.)

The CHAIRMAN. Let's proceed. Mr. Weil, will you identify yourself for the record and those who are with you, unless each of you have a separate—

Mr. WEIL. Yes, they have a short statement.

The CHAIRMAN. All right, Mr. Weil, proceed.

STATEMENT OF ROBERT S. WEIL, PRESIDENT, AMERICAN COTTON SHIPPERS ASSOCIATION, MONTGOMERY, ALA.

Mr. WEIL. My name is Robert S. Weil of Montgomery, Ala., president of the American Cotton Shippers Association which represents the cotton merchandising industry of the United States. We have six affiliated regional associations each of which are represented here with me today by witnesses who are appearing after me. They are Tracy D. Jones, president, Arkansas-Missouri Cotton Trade Association, Little Rock, Ark.; James E. Kilgore, president, Oklahoma State Cotton Exchange, Muskogee, Okla.; Robert D. McCallum, Southern Cotton Association, Memphis, Tenn.; R. W. Williamson, vice president, Texas Cotton Association, Dallas, Tex.; T. M. Perkins, Western Cotton Shippers Association, Fresno, Calif.; and J. M. Gloer, executive vice president and secretary, Atlantic Cotton Association, Atlanta, Ga.

Mr. Chairman, we appreciate the opportunity to appear before you to discuss cotton legislation. We have come before you today because we are vitally concerned with the desperate plight of American cotton. We have come before you because immediate legislation is required to meet a rapidly deteriorating situation. While we strive to be analytical, we come not as critics.

You, as well as we, are aware that the welfare of cotton is identified with the welfare of our Nation. We recognize first and foremost then that the farmer's income must be protected.

You are well aware of the importance of cotton to our farm economy, as well as its contribution to the gross national product in terms of allied industries, such as seed, fertilizer, machinery, railroad, trucks, gins, banking, insurance, warehousing, and so forth, all of which feed on the volume of cotton produced; and also in terms of its contribution to our balance of payments in international trade. The expansion of cotton production, of cotton markets, and of cotton consumption is in the national interest.

The question whether cotton is gaining its share is answered when we compare our relative performance with that of the 5 years just prior to World War II. Had cotton maintained its same share of our markets of those years, we would today have an annual offtake of 20 million bales (based on an equivalent share of the domestic market of 12 million bales and an equivalent share of the export market of 8 million bales). In terms of recent yields, we would have almost 22 million acres in useful production. It is obvious to see the beneficial effects such normal growth would have meant to farm income, farm employment, gross national products and balance of payments.

Conditions have changed. Steadily production of synthetics and foreign grown cotton have found inroads into our markets. As a consequence, today under most stringent acreage controls, we are producing in excess of 14 million bales per annum and at the current offtake of 12 million bales, we are adding to our surplus at the rate of 2 million bales per annum. Government stocks (including cotton in the current loan) have risen to a level of almost 10 million bales. Here, in the month of May, there are more than 5 million bales in the current loan—almost twice as much as we have exported during the crop year thus far.

Thus, cotton has found its way increasingly into Government stock instead of the mill opening room; the Government, increasingly in the cotton business instead of the trade; and the taxpayer, increasingly the owner of a commodity it can neither spin nor consume.

The loan, while serving as an effective price-support mechanism, has taken on other functions not originally intended and inadvertently has contributed to the breakdown of the effective marketing of the crop. First, the market level tends to seek the loan level because the minimum price to the farmer also becomes a maximum target for the mill buyer. The result is that we have a rigid inflexible pegged price, which of itself, discourages demand, and in the end even serves as an umbrella for foreign growths, causing the United States to be a residual supplier instead of the leader in world cotton trade, which is its heritage. Much worse, the loan becomes a market itself and the producers soon become responsive, not to the needs of the mills, but to the values set by the loan. Because of the economic waste attached to routing cotton into the loan, there is a tendency to accumulate surpluses in Government stocks. All agree that these results are to be avoided and it is of utmost importance that any legislation to relieve the cotton situation should be shaped to make cotton seek the consuming outlets instead of Government stocks.

A new development has brought us precipitously to a new crossroads and now these problems are brought sharply into focus. Our best customers, the domestic mills, have encountered the competition of imported textiles manufactured out of cheaper foreign cotton (which they cannot buy) or even subsidized U.S. cotton (which they may buy only at the higher support price). Being thus squeezed, our mills will continue to convert to synthetics at an accelerated pace until domestic cotton consumption recedes to the irreducible minimum—perhaps 4,500,000 to 5 million bales. The cotton industry and the Nation cannot afford to let this happen.

To meet this rapidly changing situation, we must rather take a new sight and legislation must be passed which will recreate a competitive one-price system by which U.S. cotton will flow freely through private trade channels into mill consumption here and abroad unimpeded by Government interference.

By a competitive price, we mean a price which will fluctuate with the forces of supply and demand, along with prices of competitive cottons and substitutes—as opposed to a pegged price.

By a one-price system, we mean that cotton will be available in the marketplace to any buyer or consumer at its real commercial value.

It is self-evident that an equalization payment at the source must be employed to bridge the gap between the world market price and that level which would preserve farm income. Spokesmen for some producer groups, however, have indicated some objections among their members to receiving direct payments from the Government. As an accommodation to those objectives, our association has indicated a willingness of its members to assume the burden and to receive the so-called payment-in-kind certificate at the source—that is—as cotton enters the channels of trade, in the belief that the same result can be achieved, that is, a single competitive world price.

Just here, let us observe that there have been some who have contorted the use of the payment-in-kind certificate plan by suggesting

that the merchant trade may receive the payment-in-kind certificates only when delivery of cotton is made to the mills. We wish to state here that to apply the pay-in-kind at any point beyond that when cotton enters the channels of trade would defeat the entire purpose of the program. Cotton would continue to accumulate in the loan as at present, with all the attendant disadvantages we have discussed herein. Besides the impracticability of it, such a mechanism would tend to destroy the highly developed merchandising industry, which has given U.S. cotton its preeminence, and to destroy the future's exchanges. For these reasons, the merchandising trade will be no more anxious than the producer or even the mill trade will be no more anxious than the producer or even the mills to accept a payment-in-kind certificate under these circumstances. We emphasize then, if we are to return to a competitive one-price system, that it is indispensable that the equalization payment be applied at the source or as cotton enters the channels of trade.

We heartily endorse those measures which would provide aids and incentives to the producer to lower the cost of production and increase efficiencies. Toward this end, we urge that legislation allow producers to use their available land and resources with greater freedom. We also commend heartily the expanded cost research program such as that urged by the National Cotton Council. Herein we believe lies the long-term solution to the cotton farmer's dilemma.

The above explains the general position adopted by the American Cotton Shippers Association on future cotton programs. We need legislation which would:

- (1) Remove the Government from the cotton business (which must be a major goal in any legislation).

- (2) Remove the yoke of Government stocks from the taxpayer.

- (3) Immediately remove the inequity of the two-price system to domestic mills.

- (4) Re-create a market climate which would inspire buyer confidence here and abroad to purchase their cotton requirements far ahead.

- (5) Encourage the operation of futures markets and thereby bring to bear the full demand during the movement of the crop.

- (6) Encourage merchants to carry stocks, from which to sell and promote U.S. cotton.

- (7) Cause producers to be responsive to the spinning preferences of the mills here and abroad.

- (8) Cause cotton to move from the farm to the mill in the most economic way with a minimum of waste; that is, through private trade channels.

- (9) Spare the Government staggering costs and responsibility in administering the marketing functions of the trade.

- (10) Extend the benefits of the competitive one-price system into the markets of the world, and thereby eliminate the criticism of foreign countries toward our artificial price policies, dumping, et cetera.

- (11) Eliminate the psychological encouragement to foreign cotton producers to increase production, caused by the high price at which cotton trades in our domestic market.

- (12) Broaden the outlets and increase the consumption of U.S. cotton which would benefit the U.S. producer.

Finally, let me say to you that our association comprises the sectional points of view reflected in our six affiliates across the Nation. We have found, in the past year that we could submerge and accommodate our sectional differences, all in the welfare of cotton. We come before you today united in our purpose and objective of a one-price competitive system for U.S. cotton.

Mr. Chairman, thank you very much.

The CHAIRMAN. Have you a bill prepared to submit to this committee to carry out your recommendation?

Mr. WEIL. No, sir, but we wish——

The CHAIRMAN. Or do we have any bill before us that would partially or nearly carry all of your recommendations?

Mr. WEIL. Mr. Chairman, our association has not specifically endorsed any bill but would support any bill which would carry out these principles.

The CHAIRMAN. I understand that, but I want to find out if you know of any bill that comes near carrying out your suggestions. Are you familiar with the bills before us?

Mr. WEIL. We are somewhat familiar with the bills.

The CHAIRMAN. Well, do you favor any of them?

Mr. WEIL. We are in accord with the principles, we think, of your bill, sir, and Senator Sparkman and Senator Hill's bill, and very expressly Senator Talmadge's bill.

The CHAIRMAN. You are for all three, then?

Mr. WEIL. Well, we would be for all three if they accomplished the same thing that we want to accomplish here, sir. We believe that all of these bills provide an equalization payment. Any bill which provides an equalization payment to create a one-price system in the market, whether the equalization is paid to the producer or as the cotton enters the channels of trade, we think that bill would achieve the purpose that we describe.

The CHAIRMAN. The bill I introduced by request seeks to fix the price of cotton at a certain figure, 30 cents. It increases the acreage to be planted from this year's minimum, and it would provide for payments to—for export, and would not take care of domestic consumers. So that bill wouldn't be in accord with all you have stated there. I don't know of any bill here that would be.

Mr. WEIL. Yes, sir; I think there is legislation, sir, that would be in accord with what we would like to do.

The CHAIRMAN. You mean a combination of them; no particular bill? You would have to combine or fuse the ideas in all those bills before us to accomplish what you seek.

Mr. WEIL. I think we would have to say, sir, first of all, as far as price and acreage is concerned, we do not stand for any particular price level to the farmer except that we think the farmer income should be preserved.

The CHAIRMAN. The only way we can preserve that is give them a fair price.

Mr. WEIL. That is right, sir. For that reason we think an equalization payment should be given. Just what that equalization payment should be, sir, we think is up to the Congress to decide. Regarding acreage, of course, we have said here that we are for greater freedom in acreage, sir. As far as——

The CHAIRMAN. You mean plant all you want or limit it?

Mr. WEIL. Well, no, sir; we think that the farmer should be given more latitude in determining for himself what he wants to plant. You may not want to give payments on all of his production, or you may want to vary the payments. That would be up to you, sir, but we would like to see the farmer have more freedom and we would like to sell more cotton so he could profitably grow more.

The CHAIRMAN. You represent the American Cotton Shippers Association. Of course, the more cotton you have the more money you have.

Mr. WEIL. No, sir; we just think the more——

The CHAIRMAN. It is true, isn't it?

Mr. WEIL. Not necessarily, sir. It depends on trading conditions, Senator, but we think greater production is in the national interest—so long as the farmer is making a good return. If he can plant and sell more cotton profitably, we would like to see that and we are also mindful of these allied industries that would also benefit from the increased volume.

The CHAIRMAN. Well, I believe that the bill before us that would come the nearest to meeting your objective would be the Talmadge bill.

Mr. WEIL. We are in agreement with the principles of the Talmadge bill.

The CHAIRMAN. Are there any further questions? Senator Talmadge?

Senator TALMADGE. No questions.

The CHAIRMAN. Senator Cooper?

Senator COOPER. I would like to ask a question or two for my own enlightenment, since I am not so well acquainted with the cotton business. What segments of the cotton industry does your association—the American Cotton Shippers Association—represent, and what is its function?

Mr. WEIL. It is the shipping and merchandising of cotton, sir.

Senator COOPER. Not producing?

Mr. WEIL. No, sir.

Senator COOPER. I notice that after indicating that there have been some objections among members of producer groups to receiving direct payments from the Government, you say on page 4 of your statement that as an accommodation to those objections your association has indicated the willingness of its members to assume the burden and to receive the so-called payment-in-kind certificates at the source. How would you do that?

Mr. WEIL. Well, sir, if you would like me to explain it——

Senator COOPER. I do not want to take up too much time.

Mr. WEIL. Well, briefly, it would simply be that we would be given some kind of authority as soon as we buy the cotton from the farmer to obtain from the CCC, an amount of cotton or, failing the amount of cotton, the amount of cash which it would represent, which would provide the equalization payment at the rate determined by the Congress.

Senator COOPER. You would assume the payment of one support price to the producer yourself?

Mr. WEIL. We would pay the producer the higher price——

Senator COOPER. Yes.

Mr. WEIL. The support price and we would get back the payment from the Commodity Credit Corporation in the form of cotton at the world price.

Senator COOPER. You say that that would be done when cotton enters the channels of trade. That means, of course, when it is sold by the producer to the group you represent?

Mr. WEIL. When it enters the channels of trade—if the producer himself does not want to take the payment.

Senator COOPER. Well, you believe that there should be a price support for this cotton?

Mr. WEIL. Oh, we think so, yes, sir; we think we have to do that because of the nature of our national economy; yes, sir.

Senator COOPER. I gather from your answer to Senator Ellender that you favor the Talmadge bill rather than the bill he proposed which would bring about a reduction in some—

The CHAIRMAN. The bill that I introduced by request does not limit, as contrasted with the Talmadge bill.

Senator COOPER. There is no limit?

The CHAIRMAN. No limit. Any further questions? If there are no—

Mr. WEIL. I beg your pardon, Mr. Chairman, when you referred to the bill S. 1511, this is the bill that is similar to the House bill; is it not?

The CHAIRMAN. That is right.

Mr. WEIL. Well, that bill, of course, would meet our approval provided the payment was made when the cotton enters the channels of trade.

The CHAIRMAN. Well, that is right, that provides payment for both, for the domestic as well as the exporting cotton.

Mr. WEIL. Well, we are definitely in favor of that.

The CHAIRMAN. All right. Thank you, sir. Mr. Jones?

STATEMENT OF TRACY D. JONES, PRESIDENT, ARKANSAS-MISSOURI COTTON TRADE ASSOCIATION, LITTLE ROCK, ARK.

Mr. JONES. Thank you, Mr. Chairman. I am Tracy D. Jones of Little Rock, Ark. I am president of the Arkansas-Missouri Cotton Trade Association. We are an organization of cotton merchants and shippers operating in the States of Arkansas and Missouri. We are an affiliate of the American Cotton Shippers Association. I also have the endorsement of the exchanges of Little Rock and Pine Bluff, Ark.

As you well know, cotton is in a critical condition at the production, marketing, and the consumption level. It is alarming how much domestic consumption of cotton has declined. This year, alone, it is expected to be down three-quarters of a million bales. The same situation exists in exports. This year we will export 1 million bales less than we did last year, while imports of cotton goods are up 64 percent. Another thing that is alarming is the way synthetics have been taking cotton's markets. For the last 2 years, alone, cotton's loss to synthetics has been more than 700,000 bales each year. The reason for this loss is mainly because synthetics can be bought cheaper than cotton. If this trend continues, cotton consumption next year

could be as low as 7 million bales—and even less than that in years to come.

Cotton is in desperate need of legislation—legislation which will protect the farmer's income while at the same time will equalize the price of cotton in domestic as well as export markets. In other words, a one-price system that would give domestic mills a chance to buy cotton at the same price foreign mills can now buy it. Possibly this could be done by extensive research in the lowering of production costs. Until that time is reached, some way to ease into this one-price system must be found. It might be possible that the issuing of PIK certificates could serve that purpose. We think that any legislation enacted should have as its goal the eventual return to a free market for cotton.

Mr. Chairman, under present conditions, cotton is a dying industry.

The CHAIRMAN. Thank you. Any questions?

Senator TALMADGE. No.

The CHAIRMAN. Mr. Kilgore.

STATEMENT OF JAMES E. KILGORE, PRESIDENT, OKLAHOMA STATE COTTON EXCHANGE, MUSKOGEE, OKLA.

Mr. KILGORE. Mr. Chairman, my name is James E. Kilgore. I am a cotton merchant of Muskogee, Okla., and am president of the Oklahoma State Cotton Exchange, a group of cotton buyers, merchants, shippers, brokers, and others engaged in moving the bulk of Oklahoma cotton crop into mills and consuming establishments.

The 1962-63 cotton season has been very disappointing in the marketing of the crop. This will be the second year in succession in which the Government loan stocks have risen over 2 million bales per year. Domestic consumption of cotton continues to lose ground to synthetic fibers, while foreign production has risen from less than 8 million bales in 1930's to approximately 35 million bales in 1962. In other words, while we have maintained, under strict acreage control an average crop of around 15 million bales per year, foreign production has increased over 500 percent. This could not happen if cotton were not a profitable crop. We are not maintaining our fair share of the world markets, and we are not maintaining our balance of payments in foreign exchange, of which cotton has always produced a large share.

Under the present cotton program any foreign mill is given a \$42.50 per bale advantage in both foreign and American markets. Our mills and their employees are hurt and unhappy. Our producers are equally disturbed.

Congressman Edmondson recently made a poll of farmers of the 2d District of Oklahoma which showed dissatisfaction with all Federal controls, at acreage allotments and price supports for basic crops.

Selling cotton to the CCC and building up CCC loan stocks is not developing a market for cotton. A cotton program or policy must be developed which will move a maximum amount of cotton into domestic and export markets by, in some way, pricing our cotton on a competitive basis.

At its annual convention this spring, the members of the Oklahoma State Cotton Exchange passed resolutions urging action to make U.S. cotton available to American mills at the same price it is made avail-

able to foreign mills; opposing any further cut of our already reduced acreage; to increase our domestic market and to regain our historical share of the world market, and supporting a crash research program to reduce production costs.

We believe the program outlined by President Robert S. Weil for the American Cotton Shippers Association follows these principles and I am here to endorse it on behalf of the Oklahoma State Cotton Exchange. Mr. Chairman, the simple candid truth is that cotton is in deep trouble, and proper legislation is necessary to preserve an industry that has contributed much to the development of this country, and treated properly will do so again. Thank you.

The CHAIRMAN. Thank you, sir. Any questions? If not, we will hear from Mr. McCallum.

**STATEMENT OF ROBERT D. McCALLUM, SOUTHERN COTTON
ASSOCIATION, MEMPHIS, TENN.**

The CHAIRMAN. Identify yourself for the record.

Mr. McCALLUM. My name is Robert D. McCallum. I am vice president of the American Cotton Shippers Association, and a past president of the Southern Cotton Association on whose behalf I am appearing before this committee.

The Southern Cotton Association is composed of cotton merchants in Tennessee, Mississippi, and Louisiana. In the fiscal year ending February 28, 1962, our members reported purchases of 1,670,732 and in the fiscal year ending February 28, 1963, they reported purchases of only 1,075,251, a difference of 595,481 bales. We are extremely conscious of the vital importance of prompt legislative action that would give a competitive one-price system for American cotton. This is essential if the cotton merchandising industry and the exchanges are to survive.

The cotton merchants are the salesmen for American cotton in the world markets. Through the years many very important relationships with spinners all over the world have been established and much know-how has been achieved. Cotton merchants are continually seeking new markets for U.S. cotton and trying to maintain the old ones. No commodity has ever been merchandised more economically or efficiently.

The Southern Cotton Association and the cotton exchange in its area are in thorough agreement with the principles adopted by the American Cotton Shippers Association and I appreciate the opportunity of appearing before you to urge action that will reinvigorate the cotton merchandising industry.

The CHAIRMAN. Thank you. We will need a lot of light on the subject to be able to do that.

Mr. McCALLUM. I beg your pardon, Mr. Chairman?

The CHAIRMAN. I said, we need a lot of light on the subject in order to be able to do that. I wish that I could write out a formula—one, I mean, that would be acceptable to all. As you sit here today and listen, we have sat here and we have listened the other 2 days to the divergent testimony of witnesses in order to decide what the problem is and—

Mr. McCALLUM. Quite a problem, sir.

The CHAIRMAN. Yes, it is quite a problem and you cannot get people together on any of these bills, in my opinion. There would have to be

some combination of them. All right. Thank you, sir. Are there any questions? If not, we will hear from Mr. Williamson.

STATEMENT OF R. W. WILLIAMSON, VICE PRESIDENT, TEXAS COTTON ASSOCIATION, DALLAS, TEX.; ALSO REPRESENTING THE LUBBOCK COTTON EXCHANGE, HOUSTON COTTON EXCHANGE, AND DALLAS COTTON EXCHANGE

Mr. WILLIAMSON. My name is R. W. Williamson, and I appear here as representative of the Texas Cotton Association of which I am current vice president. In addition to the Texas Cotton Association, I am representing the Lubbock Cotton Exchange, Houston Cotton Exchange, and Dallas Cotton Exchange. I have been in the cotton merchandising business for the past 42 years, and have seen cotton get into deeper trouble almost yearly for the past 30 years, as a result of attempting to control its price by legislation.

Most of the critics of agricultural policies seem to forget that the U.S. Department of Agriculture is just exactly that and it is for the benefit of U.S. agriculture and not necessarily for the benefit of business. However, to produce a crop and try to control its price without giving thought to its eventual disposal and use is folly, but our present difficulty with cotton seems to have stemmed exactly from that fact.

The marketing of cotton is not a simple business. It is extremely complex and technical but regardless of any other factors our one and only hope of survival as an industry from farmer to mill can be stated in two words—competitive price. It is just that simple.

The Texas Cotton Association endorses 100 percent the principles of the American Cotton Shippers Association which were so ably presented by our president, Mr. Robert Weil.

Mr. Chairman, you and your committee can present a program for cotton based upon the knowledge which has been made available to you by all phases of the industry, but if we are to continue producing even from our current minimum of 16 million acres, we must find a use for more U.S.A. cotton than is available under present conditions. Competitive price is the only way, either by lowering the cost of production or by an equalization payment to effect a one-price system.

The Texas Cotton Association wishes to thank you, Mr. Chairman and your committee for allowing us to present our case.

The CHAIRMAN. Is the Dallas Exchange for the Talmadge bill?

Mr. WILLIAMSON. Yes, sir; and all the exchanges—well, they are for any bill or bills that would create a competitive one-price system, and we think that bill ought to do it.

The CHAIRMAN. You mean the Talmadge bill?

Mr. WILLIAMSON. Yes, excuse me, I meant the Talmadge bill.

The CHAIRMAN. You have seen the other bills before the House—well, before this committee. Would you be for those?

Mr. WILLIAMSON. No—I am sorry, Mr. Chairman, what I mean is this: Yes, sir, we would be for any bill which would produce competitive one-price system.

The CHAIRMAN. Well, it is easier to say “any bill,” but to get one that would carry out what, for example, Mr. Weil was suggesting here—that would require 11 or 12 principles and——

Mr. WILLIAMSON. Mr. Chairman, we believe that S. 1511 will carry out the principles that we have set forth.

The CHAIRMAN. Are there any further questions?

(No response.)

The CHAIRMAN. Thank you, sir.

Mr. Perkins?

**STATEMENT OF T. M. PERKINS, WESTERN COTTON SHIPPERS
ASSOCIATION, FRESNO, CALIF.**

The CHAIRMAN. Identify yourself for the record, please, sir.

Mr. PERKINS. My name is T. M. Perkins. My address is Fresno, Calif. I am a member and past president of the Western Cotton Shippers Association, an association of cotton merchants and shippers. Our territory is comprised of California, Arizona, Nevada, New Mexico and District 6 of Texas. In this past crop year, approximately 23 percent of the cotton grown in the United States was produced in this western area.

At its last annual meeting, held March 28 and 29, 1963, our association endorsed without qualification the principles of the cotton program proposed by the American Cotton Shippers Association.

I am authorized by the Fresno Cotton Exchange, the Calxico Cotton Exchange, and the Phoenix Cotton Exchange, to state at this meeting their endorsement of the proposals of the American Cotton Shippers Association.

We wish to urge this committee to approve legislation that will make cotton competitive under a one-price system.

The CHAIRMAN. Thank you very much. Any questions?

(No response.)

The CHAIRMAN. Mr. Gloer.

**STATEMENT OF J. M. GLOER, EXECUTIVE VICE PRESIDENT AND
SECRETARY, ATLANTIC COTTON ASSOCIATION, ATLANTA, GA.**

Senator TALMADGE. Mr. Chairman, it gives me great pleasure to welcome and present to you my good friend and constituent, Mr. J. M. Gloer. I have known him for many, many years and I consider him the most knowledgeable man in the United States on the problems of cotton.

The CHAIRMAN. Well, I hope that he will be able to shed some light for us. Proceed, sir.

Mr. GLOER. The Senator is very flattering.

Mr. Chairman and members of the committee, my name is J. M. Gloer, executive vice president and secretary of the Atlantic Cotton Association with headquarters in Atlanta, Ga. Our membership is comprised of those in the cotton merchandising trade, buying cotton produced in Alabama, Georgia, North Carolina, South Carolina, Virginia, and Florida, and selling, principally, to domestic textile mills, although a relatively small amount of cotton is sold and shipped out of South Atlantic and gulf ports. As the operations of our membership is, principally, domestic, I will deal with the domestic cotton situation.

I take pleasure in joining the American Cotton Shippers Association in its statement and to endorsing its program before your committee.

For 25 years this association has taken the position that cotton must be truly competitive in price. We have consistently said that this could only be done by allowing the market to fluctuate freely, and that any fixed artificial price above the world market would result in the loss of our export markets to foreign growers, our domestic market to man-made fibers, the accumulation of surpluses at tremendous loss to the taxpayer. We have, during this time, recognized the necessity of maintaining the farm income, as well as the inability of most farmers to compete in a free market. We have therefore during this long period urged that this gap be bridged by payment to the producer of the difference between the world price and whatever price level Congress should determine was necessary in the national interest. We reaffirm that position. We have never taken a position as to exact price levels, or acreage. We do not wish to do so here. We have however, believed it to be in the national interest that more production rather than less should be the ultimate goal. We believe a program based on these principles is in the farmer's interest because it would allow him freedom to plant. It would allow him freedom not to plant. He does not have this freedom now, because if he does not plant he loses his allotment, and the value of his farm is decreased.

The principle of supplementary payments to the cotton producer to assure him an adequate income is not new. In 1935 Congress passed legislation commonly known as the Oscar Johnston plan. That program was a 10-cent loan with maximum payments to the producer, upon sale of his cotton, a 2-cent per pound. Grade and staple differentials were based on the law of supply and demand rather than on preconceived differentials based on an 8-month average of the prior cotton season. The loan rate of 10 cents per pounds was 2 cents below the loan rate the previous 1934-35 cotton season, but this differential was made up by the maximum 2-cent supplementary payments. Under the 1935-36 program, exports increased 1,250,000 bales and domestic consumption increased 1 million bales that cotton year compared to the previous cotton year. Only 115,000 bales found their way into Government loan; all was redeemed the same cotton season by the cotton producer at profit. That program was most successful; cotton was consumed domestically and exported—not piled up in Government loan.

At the December 1944 cotton hearing before a Cotton Subcommittee of the House Committee on Agriculture, the then Secretary of Agriculture Claude Wickard, prophetically testified (pages 94 through 102 of the printed copy of the proceedings of that hearing) pointing out choice of three approaches to the then cotton problem. I think it pertinent to this hearing to brief the three approaches of the then Secretary of Agriculture:

Approach 1. Retain high support prices. Under this approach foreign acreage would be increased; synthetics would take more and more of the cotton's domestic market; as the United States would not be willing to surrender its export market for cotton, due to the lower price of foreign cotton than U.S. cotton, it would be necessary to have a suitable export subsidy being the difference between the domestically supported price and foreign prices; embargoes and high tariffs would be required to keep out foreign cotton and cotton products. (This is exactly what has happened, and that is what was predicted in 1944 by the then Secretary of Agriculture Wickard.)

Approach 2. I am quoting this approach verbatim: "The second approach I have in mind would provide for maintaining parity price for domestically consumed portion of the total crop production, with growers receiving a world price for the export portion of the crop." (This is not unlike S. 1190.)

Approach 3. Government payments would be made to maintain grower's incomes. Government loan would be offered as a floor and therefore be in line with world prices. Under approach 3 export subsidies would not be needed; American cotton would be in strong position to compete with foreign growths and synthetic fibers; no special structure of tariff or import quotas would be needed. American consumers would be paying less for American cotton; would be able to buy it for the same price at which it was offered to foreign buyers.

All of these three approaches by the then Secretary were 19 years ago and they are just as applicable today as they were 19 years ago.

The late Oscar Johnston, then president of the National Cotton Council of America approved Secretary Wickard's approaches 2 and 3, and testified (p. 112 of the 1944 hearings)—

if the facts reveal that cotton must lower prices to keep its markets, I am sure the entire cotton industry, the producers included, will support such a program. Of course, if the market price is reduced, I think some supplementary income support for the producer should be provided while the cotton industry is going through the transitional process to put it on a better competitive footing.

(Mr. Johnston, of course, was author of the 1935 cotton program referred to at the beginning of this statement.)

It is unfortunate that Mr. Wickard's advice as to approaches 2 and 3 were not heeded.

Some have, inadvertently, called the direct-payment approach the Brannan plan. I would call attention to the fact that the direct-payment plan (of 1935) was in effect 14 years before Brannan became U.S. Secretary of Agriculture. Too, the Brannan plan embraced perishables only—for storable agricultural products, including cotton, Brannan recommended continuance of Government loans and purchases.

Loss of cotton's domestic consumption. I will not take up the time of the committee with a mass of statistics. I will give three statistics and two illustrations to show cotton's loss to manmade fibers in the domestic market and only that, I am only speaking of stable fiber, I am not referring to yarn or other types of rayon or any other substitutes for cotton.

Domestic cotton consumption has decreased from 9,210,000 bales in the 1955-56 cotton year to an estimated domestic consumption in the 1962-63 cotton year of 8,200,000 bales. It is interesting to observe that the U.S. population in 1955 was 165,931,000; in 1963, 188,447,000—an increase in population of 22,546,000 persons, and yet, domestic consumption of cotton is down 1 million bales. To bring this up to date: Assuming the textile consumption trend will continue for the 12 months' cotton year, 1962-63, while cotton's domestic consumption is decreasing (compared to 1961-62) by some 800,000 bales, manmade fiber domestic consumption is increasing by 135,600,000 pounds, net (equal to 315,000 bales).

Again I wish to say I am only referring to that stuff that you see in the mill warehouses, right next to cotton, it is in the bales ready to mix up with it.

I would like to give an up-to-date illustration as to rayon taking cotton's domestic market in 1 year. A Carolina textile mill, normally consuming 160,000 bales of cotton, this year is consuming 40,000 bales of manmade fibers; replacing cotton. A Georgia textile mill, normally consuming 31,000 bales of cotton, this year is replacing cotton to the tune of 8,736 bales of rayon. These two illustrations can be multiplied many, many fold, so it is not difficult to see why loss of domestic cotton consumption; increase in domestic consumption of manmade fibers. Reason: price of cotton, 34 cents to 36 cents per pound (gross weights); rayon, 26 cents to 27 cents per pound (net weights).

Savings to U.S. taxpayer/consumer under the direct supplementary payments to the producer (based on the 1961-62 cotton year).

There would be no need for export subsidies on raw cotton and cotton products; savings to taxpayer: \$233 million.

Domestic textile mills would be able to obtain their raw cotton requirements at \$42.50 per bale less (9 million bales of cotton at \$42.50 per bale)—passed on to U.S. consumer in less-priced textiles—\$382,500,000.

Savings to taxpayer/consumer: \$615,500,000.

I might mention here, if you will, that if the Congress did not pass any legislation you would still have cotton subject to this \$233 million-plus of export subsidies.

This figure does not include USDA/CCC overhead in administering the present program, losses under Public Law 480, carrying charges on some 10 million bales of CCC-acquired cotton (interest, storage, and insurance) which must be added to the above savings. USDA/CCC can best furnish these costs. They certainly would amount to many millions of dollars' additional savings to the U.S. taxpayer.

Senator TALMADGE. May I interrupt you at this point, Mr. Gloer? Mr. GLOER. Certainly, sir.

Senator TALMADGE. How do you reach that conclusion, this \$382,500,000 figure?

Mr. GLOER. Well, Senator, under the present circumstances, the present program, the consumer is paying a price of 8½ cents a pound higher and so, therefore, he is paying \$382,500,000 more for this cotton. And as a taxpayer he would have to pay this \$382,500,000 for the one-price system, but he would get it back in the form of less-priced textiles.

Now, there has been some talk to the effect that the farmer—that the consumer would not get this back, so let us just reverse the situation. Suppose that tomorrow the price of cotton should be increased \$42.50 a bale. In that event, I don't think anybody would say that it would be a fraud not to pass it on to the consumer and that would apply to any raw material—

Senator TALMADGE. Your logic is, as I understand it, that the competitive situation would come in and it would be passed on?

Mr. GLOER. Mr. Cannon has so testified before the House Committee on Agriculture.

The CHAIRMAN. But for your producers of this cotton you would want a price support of some kind, you would want to pay the pro-

ducer of that cotton the difference between what the world price is and what the support price is?

Mr. GLOER. That is correct, sir.

The CHAIRMAN. So if cotton sells for 22 cents a pound at the world price and the support price is 32 cents a pound you would expect the Government to pay the difference between those two figures and that would be 10 cents a pound, by way of subsidy?

Mr. GLOER. I think, as I said at the beginning of my statement, Mr. Chairman, whatever price that the Congress desires to enact—we make no recommendations as to what it should be. The only thing we say is that cotton should be competitive in the domestic market.

The CHAIRMAN. But what you want to do is to eliminate the CCC—that is No. 1?

Mr. GLOER. That is right.

The CHAIRMAN. And you would want the Government, you would—you would want as much cotton planted as the farmers desire to plant?

Mr. GLOER. As much as they desire to plant.

The CHAIRMAN. Yes, and the way to compensate them, you say, would be to pay them the difference, that difference between the world market price and whatever the support price is?

Mr. GLOER. Yes, sir; that is correct.

The CHAIRMAN. All right.

Mr. GLOER. The savings to the consumer of \$382,500,000 is in the price of raw cotton alone. Testimony before the Subcommittee on Cotton of the House Committee on Agriculture, December 13-14, 1962, by Mr. C. A. Cannon speaking for the American Textile Manufacturers Institute, included—

a complete return to a one-price system for cotton in the United States could mean an annual cost saving to the consuming public of a probable \$600 to \$800 million.

In my testimony I am only referring to savings in the actual raw product. Mr. Cannon is better qualified than I am; he is a textile manufacturer, again, to say whether that is correct.

The CHAIRMAN. Of course, what you stated there is that by getting rid of the CCC and if you had a free market you would save the subsidy that is paid for future purposes?

Mr. GLOER. That is right.

The CHAIRMAN. But if you consider the amount of money that would be paid out of the Treasury to the producer of that cotton, I daresay it would cost as much, if not more.

Mr. GLOER. Well—

The CHAIRMAN. Particularly if you permit unlimited production.

Mr. GLOER. Well, I am not talking about the level of the price. I thought that I made it clear at the start. The only thing I testified for is a price which would make cotton competitive and I am speaking more of the domestic market than the foreign market, the amount in the domestic mills, the domestic area is what I am more familiar with and—

The CHAIRMAN. But you would want the domestic mills to get the same “shake of the dice” as the foreign?

Mr. GLOER. That is right, they should.

The CHAIRMAN. All right. Proceed.

Mr. GLOER. Under Secretary of Agriculture Charles D. Murphy testified before the same committee in February—referring to the cost of a one-price system for cotton stated—

We would expect this initial cost to be more than compensated for by lower costs to consumers of cotton textiles, more stable employment in the textile and related industries, and increased markets for cotton producers.

The above has to do with that part of S. 1190 having to do with the direct-payment approach effective August 1964.

I would like at this point to refer to section 7 (p. 10 of S. 1190, beginning on line 8). That section authorizes payment-in-kind certificates from the effective date of the bill ending July 31, 1964. This section (lines 15, 16, 17) provides "to make payments through the issuance of payment-in-kind certificates to persons other than the producers of such cotton." We suggest this be changed to "PIK certificates as cotton enters the channels of trade." Reasons—if PIK payments are not made as cotton enters the channels of trade, the 1963 crop will go into Government loan—I am assuming legislation, sir—and come out only as cotton is shipped to the domestic mill or exported. Assuming the 1963 crop would remain in Government loan 6 months, this would mean additional unnecessary costs of some \$16 million in the marketing of the 1963 crop in interest and insurance alone.

Legislation to effectuate a one-price system for cotton is imperative—now. The principles embodied in S. 1190 will not only attain that goal, but will give freedom to the cotton producer to plant or not to plant; will result in many millions of dollars in savings to the taxpayer and to the consumer, who are one and the same. We would support, however, any legislation that would effectuate a one-price system for cotton.

I wish to thank your committee for affording me the opportunity of appearing at this hearing.

Before I close, Mr. Chairman, I wish to say that my statement is endorsed by the Montgomery County exchange at Montgomery, Ala., and the Atlanta exchange at Atlanta, Ga., and the Charleston Cotton Exchange of Charleston, S.C.

The CHAIRMAN. Thank you very much. Are there any further questions?

Senator TALMADGE. No questions, but I merely want to compliment the witness on his very able statement, Mr. Chairman.

The CHAIRMAN. Senator Cooper?

Senator COOPER. I understand that you would support strict controls upon that part of the production that would go into domestic use?

Mr. GLOER. Control of the domestic portion of the crop, yes.

Senator COOPER. And to that extent, the difference between the world price and the support price as fixed by Senator Talmadge's bill would be paid by the Federal Government?

Mr. GLOER. I believe under that, that is proposed, and upon the rest the bill gives disaster loans for the protection of the producer at 50 or 60 percent, which would be a 20- or 24-cent support price.

Senator COOPER. Supposing the producers just cut loose and produce as much they want to, knowing that they will get a certain support price only for the cotton going into domestic use. Supposing thousands of growers each produce thousands and thousands more

pounds of cotton, and it goes into trade, wouldn't that drive the price down?

Mr. GLOER. Certainly, sir, I think that would be exactly the case, but being acquainted with and knowing how intelligent farmers are, I should be surprised——

The CHAIRMAN. You would be surprised.

Mr. GLOER. What is that?

The CHAIRMAN. You would be surprised—off the record.

(Discussion off the record.)

Senator COOPER. Now, suppose growers did that, though, and produced a large amount of cotton over and above the amount needed for domestic use and normal exports, which would drive the price down. The Government would then be required to take that cotton under loan, wouldn't it?

Mr. GLOER. Yes. Down at the disaster loan level, let us say that it was 20 or 24 cents. If they should produce to that extent, then it would go into the Government loan.

Senator COOPER. That is all.

The CHAIRMAN. Thank you. Any more questions?

Senator TALMADGE. No, Mr. Chairman, and if you will excuse me, I will fill my luncheon engagement now.

The CHAIRMAN. Yes.

STATEMENT OF HILTON L. BRACEY, MISSOURI COTTON PRODUCERS ASSOCIATION, PORTAGEVILLE, MO.

The CHAIRMAN. Mr. Bracey, identify yourself for the record.

Mr. BRACEY. My name is Hilton L. Bracey and I live in Portageville, Mo., and I represent the Missouri Cotton Producers Association.

The CHAIRMAN. Thank you. Proceed.

Mr. BRACEY. First of all, we would like to thank you and the members of your committee for the opportunity to come here and present the views of the Missouri Cotton Producers Association. We appreciate it very much.

The CHAIRMAN. Glad to have you.

Mr. BRACEY. Gentlemen, the entire cotton industry is in a grave crisis. The situation is desperate.

Cotton's percentage share of the total domestic fiber market dropped to a new low of 59.4 percent last year. Concurrently, manmade fibers claimed a record high of 34.4 percent of this market in 1962.

U.S. imports of cotton textiles, on a raw cotton equivalent basis, reached a record 644,600 bales in 1962. This was 64 percent above the 393,100 bales imported in 1961 and 23 percent more than the previous record of 525,500 bales in 1960.

U.S. cotton exports are declining. It is estimated that exports during the 1962-63 season will total less than 4 million bales compared with 4.9 million bales a year earlier.

Planted cotton acreage in 1963 is slated to be the smallest since 1958. Indicated acreage for this year is 14.8 million acres compared with 16.3 million acres in 1962. The smaller indicated acreage reflects a reduction of some 11 percent in the national acreage allotment and other changes in the cotton production pattern. Serious inequities exist in the distribution of cotton acreage allotments between individual farmers. Some farmers are actually receiving higher allotments

in 1963 than in past years while others are being forced to absorb the full impact of the reduction in the national acreage allotment.

Cotton farm income in general is dangerously low. This is the result of lower prices for cotton to all producers and a combination of lower prices and reduced acreage to other producers in areas that have not benefited from the release and reapportionment program.

Total disappearance of cotton during the 1962-63 season is expected to total about 12.3 million bales. This is 1.6 million bales under the previous season and the smallest since 1958-59. The drop in total disappearance is due to losses in both domestic and export markets. Current estimates indicate that domestic consumption will drop 700,000 bales, and exports 900,000 bales from a year earlier.

The carryover on next August 1 will be at least 10.6 million bales—the largest in total since 1957 when the carryover reached an all-time high of 14.5 million bales.

Uncertainty and confusion prevail throughout the entire cotton industry—the biggest part of the biggest industry in the United States.

The current cotton crisis did not develop overnight or even in the last couple of years. The domestic market for cotton has trended downward for the last decade. This downward trend has been going on in spite of large increases in population and a high level of general economic activity. On a per capita basis, domestic consumption of cotton has dropped one-fourth in the last 10 years. On a total domestic market basis, the drop is less noticeable, but the loss is there and it cannot be ignored. A simple extension of the 10-year trend shows a further loss that could reduce total domestic consumption to less than 7 million bales in the next 3 to 5 years. This fact clearly shows that cotton is not “at the crossroads” as the popular expression goes. Cotton passed the “crossroad” a long time ago, and unfortunately for the cotton industry and the entire Nation, it took the wrong fork of the road.

As cotton producers, we have sacrificed 8 cents per pound or \$40 per bale in price since 1950. Even with this enormous cut in price, we have not been in competition with manmade fibers. Consequently, we have received no increase in the domestic consumption of cotton as a reward for our price cuts, and furthermore, no part of the price cut absorbed by us has been reflected in consumer prices. These drawn-out, piecemeal price cuts of the past several years prove without question the futility of price reductions that do not reach actual competitive levels. They also serve as a warning against any approach to the current cotton problem that does not recognize the necessity for meeting our competition head on both pricewise and qualitywise.

Looking at the present situation and toward the future for cotton and cotton producers, we cannot escape the fact that fully competitive pricing is the only way to hold, and stand any chance of increasing cotton's present share of the domestic fiber market. It is equally clear that competitive pricing is the only possibility for placing our cotton on a basis of equality with foreign growths. It goes without saying that cotton producers must be protected in some way from the shock of a price reduction that is necessary to get on a truly competitive price basis. These facts cannot be ignored. They must be faced squarely and objectively.

Let us point out, and emphasize right here, that it is not possible to get our cotton competitive in the domestic market, and keep our farm-

ers in the business of producing cotton under any plan or program that would be permissible under existing legislation. So long as we are forced to operate under existing legislation, we will be unable to meet the price competition of man-made fibers in the domestic market. If the cotton price support level is set low enough to be effective in the domestic market, a great majority of our producers would be put out of business almost immediately. If the price support level is set high enough to sustain farm income, cotton is automatically out of competition. Either approach completely ignores the needs of cotton and cotton producers.

BASIC OBJECTIVES

The basic objectives of a sound cotton program are—

1. To enable cotton producers to obtain a fair income based on their investment and managerial ability.
2. To allow producers to participate in price support and acreage control programs according to their individual needs and conditions.
3. To make cotton competitive with man-made fibers in the domestic market.
4. To make U.S. cotton competitive in price with foreign grown cotton and man-made fibers—without discriminating against domestic cotton mills, the primary market for U.S. cotton.
5. To market cotton through normal channels of trade.
6. To minimize costs to Government.

We are convinced that these objectives are absolutely essential to the success of any cotton program. They could be accomplished through any number of possible approaches that would sustain farm income, provide the needed flexibility in acreage and price, and make cotton competitive in price in both domestic and foreign markets. Under prevailing circumstances and conditions, however, we feel that an individual producer choice program in combination with a domestic equalization payment would be the best and most practical approach toward doing what needs to be done for cotton and cotton producers.

Under this approach we recommend—

1. That the present minimum national acreage allotment of 16 million acres plus the provision for small farms be continued.
2. That an individual acreage-price option be provided for cotton producers. The acreage-price option to be made available through a blended price program whereby a producer would be allowed to increase his regular farm acreage allotment up to 40 percent and pay a marketing fee equal to the export subsidy rate on the increased acreage.
3. That a domestic equalization payment program be authorized for the benefit of the U.S. cotton trade, the payment to be made to someone as far removed from the producer as possible, and to be in an amount that will remove the inequity between domestic and foreign prices, and make cotton competitive in price with man-made fibers in the domestic market.

The CHAIRMAN. What would that amount to, do you know?

Mr. BRACEY. Well, there are varying opinions on that, Mr. Chairman, but we do not think it has to be the same amount as export sub-

sidy. It could be less than that, possibly in the neighborhood of 6 cents a pound and transportation costs and other considerations should be allowed in this particular matter.

The CHAIRMAN. Well, there is no doubt that the export subsidy would have to be larger than the domestic?

Mr. BRACEY. That is correct. We do not think that they have to be the same. We are entirely willing to leave that up to the Secretary of Agriculture to determine.

The CHAIRMAN. I am presuming that you would favor the bill now before the House and duplicate one before this committee?

Mr. BRACEY. No, sir; we do not for two or three reasons. One reason is that it requires the payment, the domestic and export payments would be the same and it also allows this payment, if necessary, to come from the farmer's income, which we do object to——

The CHAIRMAN. Well, what bill are you for?

Mr. BRACEY. We are for the Sparkman bill, sir.

The CHAIRMAN. The Sparkman bill?

Mr. BRACEY. As such.

The CHAIRMAN. All right.

Mr. BRACEY. Inequities exist. Serious inequities have developed in the distribution of individual cotton acreage allotments during recent years. Each year since the release and reapportionment provision was enacted in 1959 some 1.5 million "bonus" acres have been distributed free of charge to individual producers in some areas of the Cotton Belt.

Mr. Chairman, we have an attached table which I will not go into but it shows the unwanted acreage released by the States for the years 1960, 1961, and 1962, and we would like just to make that a matter of record.

(The table referred to follows:)

Unwanted cotton allotment acreage released and reappportioned

	1960			1961			1962		
	Allotment	Released	Reappor- tioned	Allotment	Released	Reappor- tioned	Allotment	Released	Reappor- tioned
Alabama.....	997,500	136,947	135,774	1,089,800	152,223	150,841	1,068,200	183,776	181,031
Arizona.....	407,600	3,387	3,358	374,700	4,580	4,580	370,600	2,023	2,023
Arkansas.....	1,453,400	51,437	51,244	1,520,200	82,679	82,487	1,481,400	65,121	64,843
California.....	973,700	13,510	13,434	836,200	15,495	15,479	826,700	11,211	11,151
Florida.....	37,900	9,759	9,212	39,200	11,112	9,050	39,300	9,035	6,428
Georgia.....	862,800	108,906	105,887	948,000	140,857	137,513	931,900	153,705	150,532
Illinois.....	3,400	412	412	3,300	1,221	1,041	3,200	777	758
Kansas.....	9,500	651	645	8,200	699	680	8,000	509	474
Kentucky.....	587,100	78,823	78,082	645,900	84,059	83,539	630,300	85,403	85,172
Louisiana.....	1,650,800	185,862	184,785	1,761,900	173,058	171,758	1,720,000	175,347	174,076
Mississippi.....	429,100	2,066	2,045	406,400	6,426	6,286	396,500	2,350	2,138
Missouri.....	3,600	97	96	3,500	100	100	3,500	73	73
Nevada.....	202,400	1,439	1,439	193,800	1,795	1,795	191,300	1,748	1,748
New Mexico.....	481,600	61,158	58,704	508,800	90,661	82,306	504,100	103,500	97,721
North Carolina.....	804,700	6,196	58,182	862,100	74,013	72,771	847,500	75,710	74,337
Oklahoma.....	712,600	65,469	62,607	777,700	85,148	82,389	762,100	100,016	96,431
South Carolina.....	573,800	18,846	18,651	611,200	21,218	21,050	600,600	23,079	23,369
Tennessee.....	7,343,200	4+6,431	435,423	7,849,200	557,431	543,246	7,698,200	691,824	679,359
Texas.....	19,100	1,817	1,749	18,300	2,154	2,129	18,300	2,264	2,242
Virginia.....									
United States.....	17,553,800	1,246,715	1,221,791	18,458,400	1,504,939	1,469,058	18,101,700	1,688,119	1,654,784

Source: USDA.

Mr. BRACEY. A great many producers have actually received and are still receiving cotton allotments in excess of the planting histories on their farms. Pyramiding of allotments is generally on farms with substantial cropland acreage. In at least some cases, this practice has deprived small farms of additional and needed acreage as the "bonus" acreage is exhausted before the very small farm is considered. Without exception, the bonus acreage is over and above the individual producer's basic allotment. Where producers receive allotments equal to or in excess of their planting histories they do nothing whatsoever to earn price support protection. Yet, they get the same price support protection as other producers who are forced to absorb severe acreage restrictions.

In effect, the bonus acreage made available through the release and reapportionment provision is subtracted from the allotments of producers who happen to live in areas where such acreage is not available.

The CHAIRMAN. That is not a permanent acreage, though, is it?

Mr. BRACEY. It is an annual thing, it has been happening every year.

The CHAIRMAN. I understand, but——

Mr. BRACEY. It is from year to year, that is correct.

The CHAIRMAN. Not permanent, but from year to year.

Mr. BRACEY. Yes.

The CHAIRMAN. All right.

Mr. BRACEY. The production from the bonus acreage complicates the supply management program. It is extremely expensive to the taxpaying public. It is especially expensive and distasteful to the producer who first of all sees such acreage subtracted from his allotment and then is forced to help pay the bill as a taxpayer.

Mr. Chairman, at this point I would like, if I may, to read a short editorial which appeared in the Cotton Trade Journal for May 17, 1963, entitled "Cotton Is Cotton," and which reads:

The issue surrounding the "choice" provision in proposed cotton legislation boils down to a simple matter of equitable treatment for all producers under the acreage control program.

Cotton is cotton. It makes no difference whether it is produced on the 1.5 million acres of released and reapportioned acreage or the proposed "choice" acreage.

The 1.5 million acres that now go out free of charge to a great many producers is over and above the individual producer's allotment. It amounts to a "bonus" acreage that, in effect, is subtracted from the allotments of producers who happen to live in areas where such acreage is not available. The production on this 1.5 million acres adds to the overall cotton supply. It is costing the Government a pretty penny, and it is also mighty expensive to the producer who doesn't get any.

Serious inequities have developed in the distribution of cotton acreage allotments among individual farms. Some farmers are actually getting higher allotments in 1963 than in past years while others are being forced to absorb the full impact of the reduction in the national acreage allotment.

Producers in areas of the Cotton Belt where the "bonus" acreage is not available through the release and reapportionment program are offering to pay for the same privilege that other producers get free of charge.

They are asking to be allowed to grow extra cotton for the world market at world prices. The opponents of the "choice" provision say it cannot be justified because it would add to the already heavy carryover. But cotton is cotton, whether produced on released and reapportioned acres or under an overplanting option.

Existing legislation clearly defines "cotton allotments" as being based on established histories of individual farms. The law further provides that cotton allotments are in a real sense the property of individual farms. Cotton allotments are never the property of counties, States, or areas. The allocating of acreage to farms in excess of historical plantings defeats the very purpose of the supply management program and cannot be justified.

I might say, sir, that less than one-half of the cotton States now plant more than 95 percent of their allotted cotton acreage and, also, over one-half of the counties in the Cotton Belt, over half of them, the farmers in those counties are now getting more acreage than they were planting, in over half of the counties in the Cotton Belt, while in other counties they are being required to stick to their proportionate——

The CHAIRMAN. Well, is that because they don't use their acreage?

Mr. BRACEY. It is because in some areas farmers are going out of cotton production for some reason or other, we are saying that there are inequities there as between individuals, not between the States and the counties as such.

Senator COOPER. May I ask a question at that point?

The CHAIRMAN. Yes.

Senator COOPER. On this matter of release and reapportionment, it is not correct, is it, that an allotment or a part of an allotment can be taken away from a farmer actually producing cotton and assigned to another producer?

Mr. BRACEY. Well, voluntarily only. In other words, the individual releases——

Senator COOPER. He releases it, I understand, to a pool?

Mr. BRACEY. Yes, and it is reapportioned and——

Senator COOPER. He cannot release it to another farmer?

Mr. BRACEY. Not directly; no, sir.

Senator COOPER. I notice that at the top of page 7 of your statement you say, "cotton allotments are never the property of counties, States, or areas." And then you later say the producer should be paid for the allotment. Now, if he does not produce it, and he makes the decision that he does not want to produce it, after expressing that choice why should he be paid for it?

Mr. BRACEY. Well, I will cover that in just a moment, Senator. But, in effect, the man gains nothing for it, he gets nothing, he just signs a release and his allotment is apportioned to somebody else. Now, usually the man who is forced to release his allotment is the man who needs the money, he is the one that needs the payment the most. In other words, he would be a man who is a small farmer and probably working his farm alone and his income is so limited that he needs the extra money, needs it more than somebody else that gets the allotment and——

Senator COOPER. If a farmer thought he could get paid for an allotment, that if not used he perhaps would not be paid for it, would he not be likely to keep up uneconomical production in the hopes he eventually would get paid——

Mr. BRACEY. Well, if the payment program were authorized, I assume it would be retired permanently from production and would not be in effect as now.

The CHAIRMAN. But he has to plant the acreage, as I understand the law, within 3 years?

Mr. BRACEY. No, sir; only one-third, only—I am sorry, only one-tenth of every acre every third year.

The CHAIRMAN. But the point is he has to do something to maintain it.

Senator JORDAN, did you have a question?

Senator JORDAN. If Senator Cooper is through.

Senator COOPER. I am, except for saying just one other thing. It does seem to me that if some farmers are getting a bonus where they have done nothing to create a historical base, that is an area the committee certainly should look at and study.

Mr. BRACEY. Well, that is what we are talking about, sir, in this particular instance.

Senator COOPER. That is all.

Senator JORDAN. I would like to point out to the witness that there is no farmer whose allotment is taken away from him; he is not forced to release it at all. He does not have to surrender it unless he wants to.

The CHAIRMAN. That is what the witness testified.

Mr. BRACEY. Yes, sir; that is correct, we understand that.

Senator JORDAN. The allotment actually belongs to the county or the State and that is the reason for the law, to protect the States and counties so that the acreage would not be lost to another State if it is not used.

The CHAIRMAN. That is why the law was amended, so as to prevent that very thing.

Senator JORDAN. Exactly and in your State, Mr. Bracey, cotton production has increased from 155,000 bales in 1930 to 472,000 bales in 1960. So you haven't done too bad in your own State of Missouri.

Mr. BRACEY. Well, that could be applicable to anything else, such as the horse and buggy—but we are riding jet airplanes, too. But I wouldn't want to go into that. The only thing we are trying to establish is that some farmers get an unlimited acreage and other farmers do not, and that is one point that we would like to correct and our suggestion for correcting it would not hurt you or anybody else—I mean your State—but I thought we would make this point before we made that suggestion, that is all we were trying to do.

The CHAIRMAN. Anything else?

Senator JORDAN. No.

The CHAIRMAN. Proceed.

Mr. BRACEY. The inequities now prevalent in the distribution of individual cotton acreage allotments could be corrected in one of three possible approaches.

1. Outright repeal of the release and reapportionment provision. Elimination of this provision would place all producers on an equal basis. No one would get preferential treatment. Program costs would be substantially reduced. The supply management objective would be much easier to reach.

The CHAIRMAN. How do you come to the conclusion that the program costs would be reduced if that acreage was transferred to other States?

Mr. BRACEY. Well, it could eventually; yes, sir, and—

The CHAIRMAN. But on the contrary it might be more costly because you produce more cotton?

Mr. BRACEY. Well, we say now that we are producing more than we are using and what I am thinking is that in that sense it would be a reduction.

The CHAIRMAN. Proceed.

Mr. BRACEY. 2. Permanent retirement of the acreage now distributed through the release and reapportionment program by Government payments to the producer who owns such acreage. Under the present system the producer who actually owns the released acreage gets absolutely nothing for it. He merely signs a release and the acreage goes to some other producer who plants it over and above his proportionate share of the national acreage allotment. Permanent acreage retirement would be many, many times less expensive to the taxpaying public. The producer owning the acreage allotment would get paid for it. It would eliminate abnormally high allotments, and insure equal treatment for all cotton producers.

3. An individual producer acreage-price option. We urge that a blended price plan or acreage-price option whereby a producer would pay a marketing fee equal to the export subsidy rate on acreage above his regular farm allotment is the most practical way to inject the needed flexibility into the acreage control and price support program.

And, gentlemen, this is the approach that we favor and recommend to you.

It would allow cotton producers to participate in acreage control and price support programs according to their individual needs and conditions, and would not in any way interfere with normal marketing procedures or influence market prices.

Under a blended price plan the acreage above the regular farm allotment would be considered as "export market acreage," and the actual marketing fee would be determined by multiplying the export market acreage on the farm by the export subsidy rate (currently 8.5 cents per pound) and dividing the result by the total acreage allotment for the farm (the sum of the regular acreage allotment and the export market acreage).

And we have a table here which I will not read but which we will submit for your record.

Price support of 32.47 cents per pound for M-1 inch, and export subsidy of 8.5 cents per pound would establish the following:

Percent increase above regular allotment	Amount of marketing fee	Average or blended sup- port level
5	0.40	32.07
10	.77	31.70
15	1.11	31.36
20	1.42	31.05
25	1.70	30.77
30	1.96	30.51
35	2.20	30.27
40	2.34	30.04

Mr. BRACEY. The blended price plan derives its name from the fact that where a producer chooses to grow extra cotton above his regular farm allotment he would, in effect, receive a "blend" of two price support levels. For example, assuming price support of cotton produced

on the regular farm acreage allotment at 32.47 cents per pound M-1 inch (the level in effect for 1963), 8.5 cents per pound export subsidy, and export market acreage of 20 percent above the regular farm acreage allotment, the producer would pay a marketing fee of 1.42 cents per pound on all of his cotton which would establish a blended price support level in this instance of 31.05 cents per pound for all cotton produced on the farm.

The producer would be permitted to adjust his "export market acreage" between the minimum and maximum allowed to suit his individual situation, and the amount of the marketing fee would be determined when the cotton acreage is measured, and would be entered on the marketing card issued for the cotton on the farm. The first buyer of the cotton would be required to collect or deduct the amount of the marketing fee from all cotton covered by a particular marketing card, and to submit the fee to the Commodity Credit Corporation. If cotton were to go into the CCC loan, the marketing fee would be deducted from the proceeds of the loan.

After the marketing fee is paid, the cotton would be marketed in the normal way, and no one except the producer and the first buyer would be concerned in any way with the marketing arrangement.

The main purpose of the blended price plan is to allow producers to expand their production and strengthen cotton's competitive price position through the more efficient use of land, labor, and equipment. While the blended price plan does not reduce the actual market or loan value of cotton, it does allow producers to help reduce the outlay of public funds in return for the opportunity to produce more cotton. Indirectly, the blended price plan accomplishes the objective of more competitive prices for cotton through the collection of marketing fees to help defray Government program costs.

Gentlemen, these collections could range from \$25 million to \$125 million a year, depending on the arrangement that you might see fit to allow.

And, in the simplest and most practical manner yet suggested, allows producers who are able, because of better land, larger operations, the application of technology, and the ability to obtain needed capital, to produce and sell cotton at a lower price support level without disrupting and displacing other farmers who are limited in some or all of these areas.

The second general area that requires additional legislative authority centers around the need for eliminating the inequity between domestic and foreign prices, and for making cotton more competitive with manmade fibers in the domestic market. The current export program, while absolutely essential for the protection of producers and the entire U.S. cotton industry, aggravates the problems of domestic textile mills already competing with cheap foreign labor and lower manufacturing costs, by making raw cotton available to foreign manufacturers at prices considerably lower than the domestic support price. Almost everyone, from the President on down, has publicly recognized the need for allowing domestic cotton mills to buy raw cotton in competition with foreign mills. Eliminating the present price differential between domestic and foreign prices, which we have already stressed must be done without impairing cotton farm income, would accomplish at least two of the basic objectives of a sound cotton program at one time. It would in addition to maintaining our com-

petitive position in world markets without discriminating against domestic cotton mills, ease and possibly eliminate the need for special restrictions against the importation of cotton textile products. Eliminating the inequity between domestic and foreign prices would also very effectively and immediately make cotton competitive with man-made fibers in the domestic market. A domestic equalization payment would actually amount to an extension of the present export subsidy for the benefit of the domestic cotton trade.

We urge that a domestic equalization payment (sometimes called trade incentive plan) stands to do the same thing for domestic consumption as the export subsidy has accomplished in world markets. The export subsidy program is a dramatic example of what competitive pricing can and will accomplish. There can be no question concerning the influence of competitive pricing on export sales of our cotton. We strongly feel that a similar pricing arrangement in the domestic market would accomplish similar results. And, we would be meeting our price competition without sacrificing the income of producers.

The two legislative changes which we are recommending, (1) an individual producer choice plan, and (2) a domestic equalization payment or trade incentive plan, would with proper administrative procedures which we are confident the U.S. Department of Agriculture would provide, accomplish all of the basic objectives of a sound program for cotton and cotton producers. We recognize, of course, that the initial cost of the recommended approach would cost some more than the present program. We believe, however, that you would rather see public funds used for a program that would allow our industry to produce and sell rather than continue a program that is forcing us to retrench and store, and one which most all of us feel would eventually drive us out of the cotton business.

Our recommendations are essentially the same as the provisions in S. 608 introduced by Senator Sparkman.

Again we appreciate this opportunity. Thank you, Mr. Chairman, very much.

The CHAIRMAN. Any questions?

(No response.)

The CHAIRMAN. Thank you very much.

Mr. Nichols?

STATEMENT OF WILLIAM F. NICHOLS, CHAIRMAN, ALABAMA LEGISLATIVE COTTON STUDY COMMITTEE, SYLACAUGA, ALA.

The CHAIRMAN. Will you identify yourself for the record, Mr. Nichols?

Mr. NICHOLS. Yes, sir.

Mr. Chairman and distinguished members of the Senate Committee on Agriculture, and friends of cotton, my name is Bill Nichols, from Sylacauga, Ala. I am a member of the Alabama Senate and currently serve as chairman of the Alabama Legislative Cotton Study Committee, a body created by the 1957 Legislature of the State of Alabama as a result of the wholesome economic distress experienced by the Alabama cotton industry due to the inequitable administration of national cotton programs.

My business connections are with a small Alabama company engaged in fertilizer manufacturing, the operation of cotton gins, cotton planting seed operations, and cotton warehousing. I have a very small allotment of my own and my company has for more than 50 years actively served the cotton producers of east Alabama.

As a member of the Secretary of Agriculture's National Advisory Committee on Cotton, it has been my privilege during recent months to meet with the committee in regular session and to sit with producer groups in other meetings seeking new cotton legislation for 1964 and subsequent years. In the testimony presented at these meetings, I would say that all segments of the cotton industry have been helpful in providing pertinent information and advice toward formulating a new cotton program. Certainly, the cotton industry is a dynamic segment of American agriculture and, while the opinions of these groups were nowhere unanimous, certain basic fundamentals were evident, and it becomes increasingly important that these be incorporated in any new cotton bill.

Senate bill 608 has been introduced by Alabama's distinguished Senators, John Sparkman and Lister Hill, at the request of the Alabama Legislative Cotton Study Committee, and the bill specifically follows the recommendations of the regional cotton meeting held in Atlanta, Ga., on January 7, 1963. At this meeting, attended by more than 50 producer delegates from the States of Virginia, North Carolina, South Carolina, Georgia, Alabama, Mississippi, and Texas, the following principles to be used in developing cotton legislation for 1963 and subsequent years were endorsed and submitted to the Secretary of Agriculture and to the chairmen of both the House and Senate Agriculture Committees for their careful and valued consideration.

1. Endorsement of a trade incentive payment to the cotton manufacturer with payment of this, established as far as possible from the cotton farmer.

2. A base allotment of 16 million acres with the support price not less than in 1962.

3. A provision to permit each producer to overplant his base allotment up to a percentage not to exceed 20 percent with payment of marketing fees of at least 8½ cents per pound be paid to the U.S. Department of Agriculture on the cotton produced on this overplanted acreage.

4. Overplanted acreage shall not count toward farm acreage history.

5. After the first year of operation, the overplanting privilege shall not be put into effect unless the carryover is being adequately reduced each year toward a normal carryover.

6. As domestic consumption and exports increase, the basic allotment holder shall receive the proportionate part of any increased acreage.

The CHAIRMAN. Under three the farmer would get price support for that, wouldn't he?

Mr. NICHOLS. This cotton would be produced at the lower price, sir, the 20-percent overplant.

The CHAIRMAN. I know, but he would get price support, as I understand it.

Mr. NICHOLS. At about 24 cents, sir.

The CHAIRMAN. Well, there would not be any price support for the 24 cents if that is the world market. In other words, he would get price support for that 20 percent and then pay it back to the Treasury?

Mr. NICHOLS. Sir, you are correct about that.

The CHAIRMAN. All right. I just wanted to make that plain, sir.

Mr. NICHOLS. On January 14, 1962, exactly 1 week following the Atlanta meeting the National Advisory Committee on Cotton met here in Washington and after an all-day session the committee approved recommendations almost identical with those of the Atlanta meeting, and the only change being that the national committee recommended a 30-percent overplant provision rather than the 20-percent figure which was approved in Atlanta. Complete recommendations of both meetings, together with lists of those producers attending the Atlanta meeting appear on page 1366, Congressional Record of January 31, 1963.

Today's cotton problems are, of course, not new. Mill consumption of cotton has steadily declined in the United States in the last 7 years since 1956 at an annual average rate of 1 percent. In addition to this loss of mill consumption there has been a decline of cotton textile exports of about 6 percent a year. For the past 7 years our Government has assisted in making U.S. cotton available to foreign mills at prices substantially lower than prices paid by U.S. mills for cotton. The adverse effects of this has been evidenced by the sharp upward trend in imports of cotton textiles.

THE DOMESTIC MILL SUBSIDY

Gentlemen, Alabama is blessed with all the important segments of the cotton economy, not the least of which is our great textile industry. The main office and largest mill of the Avondale Mills System, founded at the turn of the century by the late Gov. B. B. Comer, is located in my town. These mills employ several thousand Alabama people. These people are the finest I know anywhere. They have the latest know-how in manufacturing technique, and their operations are efficient. Their people are dedicated workers. The Avondale management provides a profit-sharing system for its employees second to none. Their schools and recreation facilities are outstanding. The Avondale scholarship program provides college education for outstanding students of their mill employees. In recent years these people have been plagued by inequities resulting from a two-price system of cotton. Cheaper cotton goods made with cheap labor from American cotton available to foreign spinners at lower prices have been a thorn in the side of our Alabama mills.

We supported the Department of Agriculture's request before the Tariff Commission for an offset fee designed to eliminate the inequity resulting from the two-price system. When the Tariff Commission refused to grant this relief, the President, on September 6, 1962, instructed the Department of Agriculture to seek other means to relieve the mills' unique burden.

The Alabama textile industry, with an annual payroll in excess of \$150 million, employs more than 50,000 Alabama citizens. We believe that payment in kind from Government stocks of cotton for the pur-

pose of reducing the cost of cotton to U.S. mills, as provided for in section 348 of the Sparkman bill, is the best available method of eliminating the inequity. We, therefore, strongly endorse this feature of S. 608 and see it as a means whereby our textile industry can be strengthened and cotton can regain its competitive position as a low-cost fiber in domestic markets.

OVERPLANT PROVISIONS

In Alabama, we do not feel that any two-choice program is necessary at this time. In the last year of the old B acreage program, less than 3 percent of our Alabama growers elected to grow cotton at reduced prices. We cannot see any appreciable acreage planted in Alabama under the 30-percent overplant provision for the world market. Production costs are just too high to warrant this feature of S. 608. At the same time we can appreciate the logic behind the suggestion that farmers in certain cotton areas be permitted to increase their base allotment and that the export market acreage be produced, of course, at world prices. In deference to our cotton friends, such as Mr. Bracey from Missouri, who has just testified, in those parts of the Cotton Belt where production costs are perhaps less, we would, of course, acquiesce to their wishes and would, therefore, in the interest of formulating a bill acceptable to other cotton areas, support section 349 of this bill. I continue to be skeptical as to the actual number of producers who will attempt to grow cotton under export market acreage. We may have a few people who can and will produce cotton at world prices, but I am going to remain a doubting Thomas as to the number until I see actual results.

The CHAIRMAN. Well, there are areas out in the West where they have irrigation and perhaps their production costs are not as high as ours and they are not bothered by the boll weevil.

Mr. NICHOLS. Their costs, sir, are relatively high in some sections.

The CHAIRMAN. Yes, I understand that—but they do produce a good product?

Mr. NICHOLS. Yes, sir.

The CHAIRMAN. All right.

MAINTAIN GROWER INCOME

Mr. NICHOLS. On March 19, 1963, the Alabama Legislature, both houses concurring, unanimously adopted a joint resolution commending the Secretary of Agriculture for his action in setting the 1963 support price to the farmer at no less than 1962 levels.

The resolution likewise expresses thanks—

to Senator John Sparkman and Senator Lister Hill and the entire Alabama delegation for the leadership they have evidenced toward remedial legislation for cotton which would eliminate the inequities of present laws, improve the competitive position of our textile mills, stimulate domestic consumption of cotton, reduce consumer cost of cotton products and make it possible to preserve and increase net farm income.

The Alabama farmer's net income may be preserved in several ways. First, we must be sure that we maintain our fair share of the national cotton allotment. Based upon history, Alabama's share of the national allotment in 1950, the first recent allotment year, was

1,620,000 acres, this figure being 7.5 percent of the total national allotment. By 1957, however, Alabama's allotment of 1,028,000 acres represented a loss of almost 600,000 acres and our percentage of the national allotment had been reduced to 5.7 percent—all of which simply meant that Alabama had lost more than 250,000 acres of its historical allotment to other States. Farmers wishing to plant cotton were paralyzed because their neighbors had failed to plant their full allotment. Loss in acreages plus a drop in price forced many small producers out of business resulting in demoralization and near chaos at the producer level.

Finally, in 1956, Congress with good wisdom passed the 1956 acreage freeze law and in 1959 with the leadership of key members of this great committee passed the acreage transfer law. This release and transfer program for cotton, as we now know it, has meant more in putting Alabama growers on an efficient basis than anything that has been done in recent years. This program alone will bring to Alabama cotton growers this year an added \$25 to \$30 million in gross income. Gentlemen, this program is sacred to my producers, and obviously no program, however attractive it might seem, could be acceptable to Alabama, if it failed to preserve all the features of the established acreage release and reallocation program.

SUPPORT LEVELS

A great deal has been said about just where the levels of support price ought to be in future cotton legislation. Let me say that I do not appear before you today to pursue any special hardship case for the small inefficient farmer. To be sure, we still have these people with us, but they are going out fast. I yield to no man in my convictions that if this Nation loses its family farms, it's well on the road to ruin. If a few people control the businesses and the land of this country, all is gone as far as democracy is concerned. Nevertheless, I am convinced that some of us are still thinking of "family farms" in terms of what constituted family-sized units a generation or two generations ago. The strong substantial family farm of the future, with cotton as its major crop, may need 100 or even 200 acres of that crop to show a fair profit. We are no longer thinking in Alabama of preserving family farms which we used to know as one or two horse farms, with 5 or 10 or maybe 20 acres of cotton. We need to make sure that we do not lose the type of people on family farms that can give us a strong, sturdy balance wheel for democracy in the future.

The cotton producer in my State today is equipped with the latest know-how in production methods. He prepares his land in the fall, he plants on schedule using adequate fertilizer and the best planting seed available. He uses chemicals to control his grass and weeds and poisons from 10 to 15 times in an effort to control the ever-present boll weevil. This farmer either owns a picker or contracts with his neighbor to pick his crop.

Incidentally, better than half of the crop this past year was picked with machine pickers, I am told.

This farmer is a specialist in his field. He takes pride in his ability to produce cotton. He is a good citizen and he loves his chosen profession, farming, and yet this man is hard pressed to show even a small profit.

The cotton farmer is continually faced with the purchase of higher priced equipment, higher priced labor, in fact, almost everything going into production effort is costing him more money. We read a lot these days about the efficiency of cotton production on irrigated acreage in Western States and about the apparent willingness of some segments of growers to take a lower level of support price. It is interesting to note however that official production figures computed by the Department of Agriculture Economics on both California and Arizona show that even on irrigated cotton producing two bales per acre the cost per pound of lint produced in Arizona was 27.8 cents per pound and, in California the cost to produce a pound of lint was 26.3 cents per pound. Similar production costs figured in North and South Carolina released by their departments of agriculture showed that production of one bale per acre in South Carolina cost the farmer 25.5 cents per pound to produce his lint, while the same rate of production ran 27.9 cents per pound in North Carolina. Our Alabama figures run about like North Carolina—27.5 cents or 28 cents per pound, where we produce a bale per acre.

To the credit of our experiment station people, I state to you that we are working hard to reduce these cost figures. One easily recognizes that perhaps the best way to do this is to increase the average yield per acre. In 1959, the Alabama Legislature appropriated \$100,000 to Auburn University to purchase and equip a cotton research farm on cotton mechanization. Price sources, including oil mills, fertilizer and insecticide manufacturers, and other related agri-businesses contributed almost \$20,000. Research here is now underway and Alabama cotton producers may expect benefits in the immediate future.

We continue to await research from the USDA Boll Weevil Research Laboratory in Starkville, Miss. From the high plains of Texas eastward, there is no step, in my judgment, that could be taken that would mean so much to Alabama growers to more nearly compete with world prices as a crash program to eliminate the boll weevil. As I look back, I am amazed and rather outraged that all of us who have talked so much about doing this and that to maintain our markets for cotton and to increase consumption have done so little actually to try to get rid of the weevil. In our part of the South, I strongly believe that it could mean the difference of 5 or 6 cents per pound of lint in production costs.

All of this is fine, and we await eagerly the day when we are able to produce cotton cheaper than we are now doing in Alabama. I say now, however, with all the sincerity at my command, that until that day arrives, and certainly we hope that it might be approaching within the next few years, that we must insist as politely as we know how, but as forcefully as we must, that the support level not be reduced below the current level in terms of percentage of parity or in cents per pound of cotton. We remind each of you gentlemen that the current 32.47 cents per pound figure is computed on only 79 percent of today's parity figure. We would remind those here today that farmers now receive only some 35 cents per bale of cotton more for their crops than they did during the lowest period of the Benson years.

We beg of you gentlemen considering cotton legislation to keep in mind that only disaster, chaos, and demoralization in producers'

efforts can result if Congress fails to preserve the farmer's net income.

In conclusion, may I reiterate that, in my judgment, Senate bill 608 would give relief to those producers who wish to grow more cotton at about the world prices and the payment-in-kind program to be determined by the Secretary, I am convinced, should increase mill consumption and, therefore, aid the entire cotton industry. We appreciate the time given us to present these remarks, and it is our sincere desire and hope that Congress may come forth with equitable cotton legislation before this session is concluded.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much.

Are there any further questions?

(No response.)

Mr. NICHOLS. Mr. Chairman, I have with me my commissioner of agriculture. He does not have a prepared statement but I would like to introduce him. He is Mr. R. C. Bamberg. I also have Mr. Ed Mauldin from Town Creek, a member of the President's Advisory Committee.

The CHAIRMAN. Glad to have you.

STATEMENT OF R. C. BAMBERG, ALABAMA LEGISLATIVE COTTON STUDY COMMITTEE, UNIONTOWN, ALA.

Mr. BAMBERG. Well, Mr. Chairman, I do have this short prepared statement. I would like to submit it to you in order that it might be in your record.

The CHAIRMAN. Yes, sir, it will be put in the record.

(The statement referred to follows:)

Mr. Chairman, members of the Senate Committee on Agriculture, and friends of cotton, my name is "Red" Bamberg; my home is Uniontown, Ala., and I am a cotton farmer. Hence, my interest in the cotton legislation now before you is an intense one, and I am here to express support for Senate bill 608 introduced by Alabama's fine Senators, John Sparkman and Lister Hill.

Of all the current cotton proposals, I believe that the Sparkman-Hill bill is the best approach to revision for cotton legislation that has been advanced, and for several reasons.

First of all, the provisions of S. 608 are simple—which is highly important from a number of angles. Secondly, it meets the mill problem; and, this also is extremely urgent. Too, it changes the present program as little as possible to meet changed conditions. And from the standpoint of the thinking of producers in the Southeast, I would say that the less change from the present program, the better pleased they will be.

Of course, as has been stated here today, S. 608 follows the recommendations of the regional cotton meeting held in Atlanta, Ga., on January 7, 1963, and the general endorsements of the National Cotton Advisory Committee. Despite the overall agreement of these two representative groups, it is the sentiment of some (who, evidently, knew nothing of the depression) to ask for wide open production again. And although they may contend that they have thought through all of the factors involved when they argue for this approach, I cannot believe they would find it possible to live with this sort of approach long as it is my feeling that only a very few can produce cotton at world prices.

At any rate, in the Southeast, the Sparkman-Hill legislation will enable us to continue an orderly adjustment to a mechanized and up-to-date agriculture; and from what I have been able to gather from the views of producers in our area, another 3 to 5 years is needed to complete this transition stage. Particularly helpful in our changeover has been the release and reapportionment program, which became effective in 1960.

Indeed, the varied benefits of this program cannot be overemphasized for virtually all of the Old Belt from central Texas eastward to the Atlantic, and

especially to our southeastern producers. Through the features of the release and reapportionment program we have been able to get cotton acreage into the hands of farmers who want it, who will plant it, and who by nature of efficient production methods can make it a factor of still greater importance to the agriculture of Alabama and of all the Old South. By no means, could Alabama endorse any cotton legislation that did not preserve all aspects of this established acreage release and reallocation program; and the Hill-Sparkman bill does just this.

To point up this program's economic effect, let me remind you that in the worst of the Benson days, in 1958, we produced but 439,000 bales. Already we are back to 700,000 bales. Although this additional 250,000 is not net profit to the farmer, if you assume that the value of lint and seed of each bale is around \$170, you can readily figure the gross increase in income to growers; and, then, if you multiply that gross by 5, or 6, or 7—in accordance with how liberal you want to be—you'll have a pretty safe figure on what release and reapportionment has meant to the entire economy annually.

Under the Sparkman-Hill proposal, we would be given the same legal measures for price protection that we now have; and, yet, it would also give the man, who thinks he can produce cotton at world prices, that opportunity. The implementation of such will help to answer the question of whether the sentiment for more moderate controls or virtually no controls would be sound. Now, it is true that with our "blended price" plan, as embodied in S. 608, there would be no grower who would be producing at world prices; however, the real test comes from observing individual grower and area decisions on electing the option to grow additional cotton at the equivalent of world prices.

Permit me to summarize by section what I consider the more salient features of S. 608:

Section 348: We all favor the elimination of the real inequities of our mills, but the overall issue is not a simple nor easy one to analyze. Although, in my judgement, the textile situation, as respects competition with synthetics and foreign markets, has been somewhat exaggerated, we in the Southeast certainly realize and believe there should be an adjustment in the two-price system as it presently operates. Through the provisions of section 348, I feel a workable solution can be accomplished.

Section 349: In my opinion, we should be careful about the language used to protect our present basic acreage allotment and that "export acres" should not cut into that nor should these "export acres" be authorized indefinitely. It is my fervent hope that weevil eradication will be well underway within the next few years and completed in another decade. Such an achievement would radically change our whole approach to cotton programs and price supports. Some of the House bills have included a provision for stepped-up research leading to boll weevil eradication and I consider this most urgent; it is the one thing that would do more to reduce cotton costs than all other present possibilities combined. There are no weevils of consequence from the high plains of Texas to the Pacific, so these statements are made for the Old Belt from the high plains to the Atlantic.

Because of the present feud between factions with sectional interests, I believe it would be wise to spell out how and when "increased basic allotments" and "export acres" are to be distributed.

Most assuredly, some groups would like to get more of our Southeastern acres before we can complete our present transition stage from small to economic size units and before we can rid ourselves of the weevil. Once these steps are achieved, we can compete with or outdistance any area except possibly the high plains of Texas. And it is imperative that we hold to the opportunity we now have to make these adjustments and without being handicapped for the future.

Section 350: Perhaps, all members of the Cotton Advisory Committee would say that sections 349 and 350 were considered basic to the producer in setting up a revised type program on which the Committee could agree. And although some of us would favor payment of the export marketing fee, as defined, on all cotton from "export acres" rather than to permit some to be exported "in bond," the Far West is apparently the area most interested in direct export; and, if USDA believes it can handle a dual system, I do not believe that we in the Southeast would be insistent about the payment of the export fee on all "export" cotton.

Section 369 and others: The bill, of course, will be revised to eliminate any 1963 crop provisions for producers.

In conclusion, I would like to reiterate that I believe the Sparkman-Hill, S. 608, provides the best opportunity for necessary revisions of cotton legislation as it is designed to improve legislatively situations that need changing to help our farmers move forward with increased optimism for the future.

Mr. BAMBERG. And, Mr. Chairman, I live in this age of space and astronauts and I am more or less the backup man for the bill, S. 608, here today and certainly we have many people in Alabama who heartily endorse this bill, S. 608, and who hope that this committee will give some backup to this bill when it comes time to consider your decision.

The CHAIRMAN. Well, sir, you know the problems confronting us, don't you?

Mr. BAMBERG. Oh, yes, sir.

The CHAIRMAN. There are others who favor other bills, there are others who are just as contentious about the bill and other bills before us as you are about this. So it is quite a problem.

Mr. BAMBERG. Yes, sir; I agree with you.

Mr. NICHOLS. I believe Mr. Mauldin would like a word.

The CHAIRMAN. Proceed, sir.

STATEMENT OF ED MAULDIN, ALABAMA LEGISLATIVE COTTON STUDY COMMITTEE, TOWN CREEK, ALA.

Mr. MAULDIN. My name is Ed Mauldin and I come from Town Creek in Alabama and I appreciate this privilege of appearing before this committee before which I appeared before, particularly in the interest of the acreage release program that you passed in 1959.

I would like to say that I concur heartily in everything Mr. Bamberg and Mr. Nichols have said and I am for S. 608. I think the producers of Alabama will find it acceptable and also will find it more acceptable than S. 1190 which I understand is the chairman's bill. The Alabama legislative study in 1960 endorsed features almost identical to that.

We would oppose, I believe, S. 1458 and S. 1511 because we believe those provisions would make mandatory a reduction in the support price of the farmer on a lot—well, on almost all his crop.

I would like to point out further that in the current cotton situation according to the Department of Agriculture in April 1963, the economic research service—I will not read this but I will submit this for your record, Mr. Chairman, table 21, wherein there are quoted some figures to show what is happening and why we are for a lower price for the domestic mills.

Now, we are not dreamers enough to believe that this is going to solve the cotton problem, because I do not believe the facts prove that the price alone will take away the synthetic market.

In 1955 this data shows that rayon and acetate, which are the lower priced synthetics, had 21.4 percent of the domestic fiber market in 1955. And now in 1962, which is the latest year for which we have the figures, the rayon and acetate are the most low priced fibers and they have 17.3 percent, a reduction of approximately 4 percent.

What this indicates to me, Mr. Chairman, is that rayon is the main synthetic fiber in which price is a factor and cotton is a competitor. But as to the higher priced man-made fibers, those are the ones where having cheaper cotton is not going to take away their markets, if

that were the case, then they would never have gained the market in the first place because cotton has in the past years and always has been cheaper.

Recently, back in April of this year I had the privilege of accompanying the Secretary on a trip through Alabama and Tennessee and in the course of that we stopped at Lexington, Tenn., and in anticipation of our arrival, the local restaurant where we attended a meeting, broke out some new table linen and this new table linen attracted my attention, particularly the napkins, because they were of somewhat flashy material and I noticed that they were brand new and that the labels were still on them.

Now, on the label, which I took off and which I submit now for your record, Mr. Chairman, it says, "Cotton and rayon made by Toyobo, Japan." I would like to make that a part of your record if I could.

The CHAIRMAN. Yes, without objection.

(The label referred to follows:)

MADE BY TOYOBO, JAPAN

COTTON & RAYON

Mr. MAULDIN. That would indicate to me that rayon is being blended at the world price, that is, world price rayon and world price cotton and if we lower our prices and take it away from the farmer, we still may not have a market.

With your permission I will leave for your record this page, table 21, entitled, "Domestic consumption of fibers," from the "Cotton Situation" of April 1963 of the Department of Agriculture. I would like to include that as part of my testimony.

(The table referred to follows:)

TABLE 21.—Domestic consumption of fibers: Total and per capita, 1935 to 1962

Year beginning Jan. 1	Population July 1	Cotton			Wool			Rayon and acetate ²			Noncellulosic manmades ²			All fibers ³	
		Total	Percent- age of fibers	Per capita	Total	Percent- age of fibers	Per capita	Total	Percent- age of fibers	Per capita	Total	Percent- age of fibers	Per capita	Total	Per capita
	Millions	Million pounds	Percent	Pounds	Million pounds	Percent	Pounds	Million pounds	Percent	Pounds	Million pounds	Percent	Pounds	Million pounds	Pounds
1935	127.2	2,700.9	79.3	21.2	433.6	12.7	3.4	272.0	8.0	2.1	—	—	—	3,406.5	26.8
1936	128.1	3,433.0	81.6	26.8	434.2	10.3	3.4	340.7	8.1	2.7	—	—	—	4,207.9	32.8
1937	128.8	3,598.7	83.1	29.7	405.0	9.4	3.1	326.5	7.5	2.5	—	—	—	4,330.2	33.6
1938	129.8	2,809.2	81.6	21.6	295.8	8.6	2.3	335.8	9.8	2.6	—	—	—	3,440.8	26.5
1939	130.9	3,509.0	79.9	26.8	418.6	9.5	3.2	465.3	10.6	3.6	—	—	—	4,392.9	33.6
1940	132.1	3,822.6	80.9	28.9	416.9	8.8	3.2	483.2	10.2	3.7	—	—	—	4,726.9	35.8
1941	133.4	4,936.9	79.7	37.0	663.1	10.7	5.0	584.5	9.4	4.4	—	—	—	6,195.7	46.4
1942	134.9	5,424.3	81.3	40.2	607.1	9.1	4.5	621.4	9.3	4.6	—	—	—	6,675.3	49.5
1943	136.7	5,008.9	79.4	36.7	604.9	9.6	4.4	663.7	10.5	4.9	—	—	—	6,312.0	46.2
1944	138.4	4,507.9	77.4	32.6	561.5	9.6	4.1	707.2	12.2	5.1	—	—	—	5,831.1	42.1
1945	139.9	4,248.7	75.0	30.4	604.6	10.7	4.3	766.8	13.5	5.5	—	—	—	5,068.1	40.5
1946	141.4	4,450.4	73.6	31.5	699.1	11.6	4.9	846.6	14.0	6.0	—	—	—	6,045.8	42.8
1947	144.1	3,915.8	70.8	27.2	668.1	12.1	4.6	901.2	16.3	6.3	—	—	—	5,530.9	38.4
1948	146.6	4,025.7	68.4	27.5	714.7	12.1	4.9	1,081.1	18.4	7.4	—	—	—	5,887.5	40.2
1949	149.2	3,472.6	69.4	23.3	533.5	10.7	3.6	911.9	18.2	6.1	—	—	—	5,002.8	33.5
1950	151.7	4,464.1	67.7	29.4	601.1	10.5	4.6	1,305.6	19.8	8.6	—	—	—	6,596.6	43.5
1951	154.4	4,513.9	70.1	29.2	532.4	8.3	3.4	1,205.2	18.7	7.8	—	—	—	6,112.1	41.7
1952	157.0	4,165.4	68.2	26.5	548.3	9.0	3.5	1,162.4	19.0	7.4	—	—	—	5,436.0	38.9
1953	159.6	4,209.4	67.9	26.4	531.0	8.9	3.5	1,167.7	18.9	7.3	—	—	—	6,192.7	38.8
1954	162.4	3,885.6	67.6	23.9	439.6	7.7	2.7	1,105.7	19.3	6.8	—	—	—	5,742.1	35.4
1955	165.3	4,206.6	64.5	25.5	489.6	7.5	3.0	1,395.3	21.4	8.4	—	—	—	6,518.0	39.4
1956	168.2	4,216.0	66.0	25.1	526.2	8.2	3.1	1,166.6	18.3	6.9	—	—	—	6,386.1	38.0
1957	171.2	3,878.0	64.3	22.7	449.4	7.5	2.6	1,145.9	18.9	6.7	—	—	—	6,031.9	35.2
1958	174.1	3,729.0	63.9	21.4	416.7	7.1	2.4	1,113.4	19.1	6.4	—	—	—	5,832.6	33.5
1959	177.1	4,274.4	62.6	24.1	557.3	8.1	3.1	1,256.3	18.4	7.1	—	—	—	6,833.4	38.6
1960	180.7	4,232.8	64.6	23.4	538.5	8.2	3.0	1,031.8	15.7	5.7	—	—	—	6,551.0	36.3
1961	183.7	4,048.3	61.9	22.1	535.0	8.1	2.9	1,105.4	16.9	6.0	—	—	—	6,551.0	35.7
1962	186.6	4,278.1	59.8	22.9	568.7	7.9	3.0	1,238.7	17.3	6.6	—	—	—	7,159.9	38.4

¹ Bureau of the Census, Population continental United States as of July 1, including Armed Forces overseas.² Includes fiber waste.³ Does not include silk and flax.⁴ Less than 0.05 pound.⁵ Includes picker lap.⁶ Preliminary.

Mr. MAULDIN. Therefore, I endorse the provisions of Senator Sparkman's bill, for the purpose of giving relief to the textile mills, but not anticipating that we will find in it a panacea that will solve all cotton problems. Thank you, Mr. Chairman.

The CHAIRMAN. Well, we thought that the bill enacted in 1958 would do that, but it seems to have worsened it.

Mr. MAULDIN. Well, not necessarily.

The CHAIRMAN. Off the record.

(Discussion off the record.)

The CHAIRMAN. We are glad to have you here, Senator Sparkman. Please proceed in your own way.

STATEMENT OF HON. JOHN SPARKMAN, A U.S. SENATOR FROM THE STATE OF ALABAMA

Senator SPARKMAN. Mr. Chairman, I thank you and the members of the committee for this opportunity of appearing here before you in behalf of S. 608. I appreciate, also, your scheduling the testimony of members of the Alabama Legislative Cotton Study Committee.

I have an analysis of S. 608 which I shall be pleased to leave with the committee, although I will not read it at this time.

Simply stated, the bill would accomplish two things. (1) It would allow the Commodity Credit Corporation to issue payment-in-kind certificates to cotton buyers at a rate which the Secretary of Agriculture determines will eliminate inequities in present cotton costs to domestic users. (2) The bill would allow planting of up to 30 percent of the basic farm allotment as additional "export-market acreage" for sale at the world price.

Cotton remains vitally important to the American economy. Notwithstanding all of the mechanization and specialization which has taken place in cotton farming, over a million people yet work to produce the national cotton crop. One and a half million more people work in industry to convert raw cotton into consumer goods. Additional millions of people provide goods and services to cotton farmers and the textile industry. The economic well-being of all of these citizens is dependent on a sound cotton program. I feel that my bill, S. 608, would materially improve the economic outlook for the cotton textile industry and for cotton farmers.

Events over the past several months have made more acute the need for new cotton legislation.

First, textile imports have risen sharply. In calendar year 1962, cotton textile imports reached the record level of 644,600 bales, expressed in terms of raw cotton. This was 64 percent above the 1961 level and 23 percent over the old record of 1960. For the second time in our history, we were net importers of textiles in 1962. Exports were equal to 460,000 bales, leaving a deficit balance or import balance of 183,700 bales.

Second, manmade fibers have continued to increase their share of the market. They amounted to a record 34.4 percent of the market in 1962.

Third, the Tariff Commission ruled against the recommendation by the Department of Agriculture for an import equalization fee on imported cotton textiles to offset the 8½-cent-per-pound export pay-

ment on raw cotton. This action closed the door to effective administrative action to offset cotton cost advantages of foreign mills over domestic mills.

The payment-in-kind provision of my bill will provide a new method for eliminating the inequity of high cotton costs to domestic mills and low costs to foreign mills. The export acreage provision of the bill would allow our cottongrowers to recapture some of the lost world markets for raw cottons.

Mr. Chairman, I believe that S. 608 would solve some of cotton's most pressing problems and I urge the committee to consider the bill favorably.

I have a telegram which I received recently from Alabama State Senator Bill Nichols, chairman of the Alabama Legislative Cotton Study Committee. I would like to read this telegram into the record at this point.

The Alabama Legislative Cotton Study Committee, in conjunction with producer leadership from Georgia and Alabama, today examined all known cotton legislative proposals as explained to us by our Congressman George Grant, including the most recent Cooley proposal and Talmadge bill. After extended and thorough discussion, the group unanimously went on record as reiterating positions taken by the Alabama Legislative Cotton Study Committee as testified in the House Cotton Subcommittee hearing on December 13, 1962, and policies adopted at the February 6, 1963, Alabama Legislative Cotton Study Committee meeting previously made known to you. In today's action, support for S. 608 and H.R. 2495 was unanimously reestablished. The entire group further went on record opposing any reduction in the present 32.47-cent support price and further expressed wholehearted opposition to any legislation suggesting or proposing class distinction between farmers of various sizes, economic status, geographic location, or political affiliation. Respectfully, this group requested hearings on any future cotton legislation embodying proposals different from those set out in S. 608 and H.R. 2495. In view of the compromises worked out on January 7 in Atlanta, we respectfully urge your support of this position.

I submit this analysis of S. 608, Mr. Chairman, for the record.

The CHAIRMAN. Without objection.

(The analysis referred to follows:)

ANALYSIS OF S. 608, 88TH CONGRESS, 1ST SESSION, INTRODUCED ON JANUARY 31, 1963

The bill would amend the Agricultural Adjustment Act of 1938, as amended, to make cotton available to domestic users at prices more competitive with prices foreign users pay for cotton and to authorize the Secretary to permit cottongrowers to plant additional acreage for the 1963 and succeeding crops of upland cotton.

Paragraph (1) of section 1 of the bill would add the following new sections to the act:

Section 348: This section would authorize the Commodity Credit Corporation to make payments to persons other than producers on upland cotton produced in the United States at a rate which the Secretary determines will eliminate inequities sustained by domestic users of cotton as a result of differences in domestic and foreign costs of cotton, taking into account differences in transportation costs and other relevant factors. Payments would be made through issuance of payment-in-kind (PIK) certificates subject to terms and conditions, including redemption for cash if suitable stocks of CCC cotton are not available, as the Secretary may prescribe.

Section 349: This section would authorize the Secretary to permit increased plantings of upland cotton for the 1963 crop and for each succeeding crop up to 30 percent of the farm allotment established under present provisions of law (including revisions due to release and reapportionment of allotment for the farm). The increased acreage which is referred to as export market acreage would not count as history acreage in establishing future State, county, and

farm allotments. For purposes of determining compliance with the farm allotment, the sum of the farm allotment and the maximum export market acreage authorized for the farm would be used for farms on which export market acreage is planted. In other words, no farm marketing excess and marketing quota penalty will result unless the plantings of cotton on a farm exceed the above total authorized acreage for the farm. Beginning with the 1964 crop of cotton, estimated production of cotton on export market acreage must be deducted from the national marketing quota but in any event the national acreage allotment shall not be less than 16 million acres. This section shall not apply to extra long staple cotton.

Section 350(a) : This subsection would exempt producers on a farm on which there is export market acreage from payment of the export marketing fee if they furnish a bond or other security satisfactory to the Secretary conditioned upon the exportation without benefit of any Government export subsidy of a quantity of cotton equal to the estimated production of the export market acreage on the farm. The period of time for completion of such exportation would be prescribed by the Secretary. As set forth in section 350(b), the producers furnishing a bond or other security shall be liable for an export marketing fee (1) on the number of pounds of cotton by which the actual production of the export market acreage exceeds the estimated production specified in the bond or other security, and (2) on the number of pounds of cotton covered by the bond or other security which are not exported in compliance with the conditions thereof.

Section 350(b). This subsection would make producers on a farm on which there is export market acreage jointly and severally liable for payment to the Secretary of an export marketing fee on the production of the export market acreage unless exempt by reason of furnishing a bond or other security pursuant to subsection (a) of section 350. The Secretary shall determine the amount per pound of cotton which shall be the export marketing fee for any crop not later than the beginning of the marketing year for the crop and such amount shall approximate the difference between the price of cotton marketed by producers in the United States during such marketing year and the price at which such cotton can be marketed competitively for export during such marketing year. The export marketing fee, unless prepaid, shall be payable at a converted rate on all cotton produced on the farm and the rate is determined by multiplying the export market acreage on the farm by the export marketing fee per pound of cotton and dividing the result by the acreage planted to cotton on the farm. The fee at the converted rate shall be collected by the first buyer from the producer at the time of marketing. Pledging of the cotton to CCC by a producer and, as provided by regulations of the Secretary, delivering, pledging, or mortgaging of cotton by a producer to any person shall be deemed a marketing of cotton. If cotton is not marketed during the marketing year, the fee at the converted rate is due and payable at the end of the marketing year. The person liable for payment or collection of the fee is also liable for interest at 6 percent per annum from the due date until payment is made. The Secretary may provide by regulation for prepayment of the fee on the basis of estimated production subject to adjustment on the basis of actual production and may require prepayment of fees which are so small that collection at the converted rate is impracticable. The Secretary may establish actual production by appraisal upon failure of the producer to furnish satisfactory proof of production. The Secretary shall remit to CCC all export marketing fees received which CCC shall use to defray costs of promoting export sales of cotton under section 203 of the Agricultural Act of 1956, as amended.

Section 369. This section provides that determinations of export market acreage shall be subject to review by a review committee and court review under sections 363 to 368 of the act. It also requires mailing to the farm operator of notices of maximum export market acreage and determinations of actual export market acreage.

Paragraph (2) of section 1 of the bill would amend section 372 of the act by adding a new subsection (e) at the end thereof. This subsection (e) would provide that collecting of export marketing fees and remitting of such fees to the Secretary shall be subject to existing provisions of law in subsections (b) through (d) of section 372 of the act which govern collection of marketing quota penalties, claims for refunds and exemptions for cotton grown for experimental purposes, except that export marketing fees shall be paid by the Secretary to CCC.

Paragraph (3) of section 1 of the bill would amend section 376 of the act by adding a sentence at the end thereof which would grant court jurisdiction to enforce the collection of export marketing fees.

Paragraph (4) of section 1 of the bill would amend section 385 of the act by adding a sentence at the end thereof which would make final and conclusive any payments under section 348 of the act.

Senator SPARKMAN. In conclusion, Mr. Chairman, just let me say this, that there is not a great deal of difference between the Talmadge bill and my bill. There is a difference but the objective is the same. There is a little difference in the method of arriving at the objective——

The CHAIRMAN. A wide difference.

Senator SPARKMAN. Well, yes, but the objective remains the same. We both would leave the two-price system. We both would permit additional acreage at the world pricetag——

The CHAIRMAN. Well, I think all the bills do that with the exception of the one that I introduced by request.

Senator SPARKMAN. Yes. There is a difference in the method of payment between the Talmadge bill and mine, but I agree with what one of these gentlemen said, I believe, that they could live with the Talmadge bill. I think the approach in my bill is better than the approach in the Talmadge bill but, as I say, I do not conceive of them as being so far apart but what the cottongrowers in our area would be well off if either one of them should be enacted into law.

I do hope that the committee will report favorably legislation from this committee that will do the things which we are seeking to do.

The CHAIRMAN. Well, according to the data before me——

Senator SPARKMAN. And I believe that the Talmadge bill price would be lower than under mine.

The CHAIRMAN. Well, not the cost to the Government. Under the Talmadge bill the cost would be estimated at \$667 million whereas the cost under your bill would be \$662 million.

Senator SPARKMAN. I am sorry, Mr. Chairman, how much?

The CHAIRMAN. \$667, or a difference of \$5 or \$6 million.

Senator SPARKMAN. Yes.

The CHAIRMAN. It looks almost as though there were collaboration——

Senator SPARKMAN. Well, to tell the truth, Mr. Chairman, I think there was a good bit of indirect collaboration. I mean to say, there was not direct collaboration between Senator Talmadge and myself, although I did talk with him.

Now, the Senator might be interested to know how I arrived at this bill. First, I think perhaps the greatest collection of cotton industry people, cotton producers, cotton processors, cotton merchants, cotton people of every kind, that we have ever had to agree on anything, have agreed on this program that came out of the recommendation sometime after this advisory committee—what is the name of it?

Mr. MAULDIN. The National Cotton Advisory Committee.

Senator SPARKMAN. Yes, they came out with a recommendation. I got the two recommendations together and I submitted them to one who I thought was an expert on drafting agricultural legislation and I was very much impressed with his recommendations and I said:

I would like to have that put into the form of a bill.

And it was done.

Now, I regarded the Talmadge bill as being a successor to my bill, carrying with it something he has advocated in previous legislation, and that is the method of making the payments. So while I strongly urge my bill, believing that it is the better, still I join in paying compliments to the Talmadge bill because it seeks the same objective.

The CHAIRMAN. Well, as you know, Senator Sparkman, the Committee on Agriculture of the House considered your bill, that is, the Gathings bill which is the same as yours, as I understand, and they turned it down for the so-called Cooley bill and now Cooley has introduced another bill which is now being considered by the House or—well, I understand that they are considering H.R. 6196 so as to have a similar bill before it.

I introduced by request S. 1511 which is the same as the so-called Cooley bill. Now, the Cooley bill that was turned down by the House in early part of this year is not the same as your bill, but the committee somehow would not consider the Gathings bill, which is the same as your bill, so I understand. So that is another difficulty that confronts us, Senator Sparkman.

Senator SPARKMAN. Of course, the Cooley bill, as I understand it, does something that we would all certainly argue against, that is, it would reduce the price that the farmers will get for the cotton.

The CHAIRMAN. If we are going to become competitive in the world market, something will have to be done about that, and that is why a good many are now thinking of the Talmadge bill, because the Talmadge bill envisions a price for all cotton, on the domestic as well as the foreign market, at the same rate and would compensate the smaller farmer—

Senator SPARKMAN. Yes.

The CHAIRMAN. With price support.

Senator SPARKMAN. That would be available.

The CHAIRMAN. Yes; 15 bales or more.

Senator SPARKMAN. That is right. And let me repeat, Mr. Chairman, I have nothing to say against the Talmadge bill at all and I repeat while I think that mine is the better plan, yet if the committee thinks the Talmadge bill is better, why, I certainly would stand up and applaud.

The CHAIRMAN. Of course, I do not know what the committee is going to do but from all of the evidence that we have gathered up to now, there is quite a divergence of opinion as to which bill ought to come out. We have had the American Farm Bureau advocating a certain one and the cotton shippers advocating another.

Mr. MAULDIN. If I may add one point, Mr. Chairman.

The CHAIRMAN. Yes.

Mr. MAULDIN. If I could say this, the Cooley bill might eliminate the two-price system to the mill but by doing so would create two prices to the farmer by that 15-bale deal, which would be very confusing and I think——

The CHAIRMAN. Well, I am glad to learn how the Secretary of Agriculture evidently fixed the support price for this year—I think you let the cat out of the bag—somebody caused him to do that, and, of course, after he announced the acreage allotment and the price support, there was nothing that the Congress could do to change that. Are there any further questions?

(No response.)

The CHAIRMAN. If not, the committee will stand in recess until 10 o'clock tomorrow morning.

(Whereupon, at 2:05 p.m., the committee recessed, to reconvene at 10 a.m., Thursday, May 23, 1963.)

COTTON PROGRAMS

THURSDAY, MAY 23, 1963

U.S. SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D.C.

The committee met, pursuant to recess, at 10 a.m., in room 324, Old Senate Office Building, Senator Allen J. Ellender (chairman) presiding.

Present: Senators Ellender (chairman), Johnston, Eastland, Jordan, Aiken, Young of North Dakota, and Boggs.

The CHAIRMAN. The committee will please come to order.

We will continue the hearings on the four bills that are before us. As I stated on several occasions, proposals need not be covered by the bills before us.

The first witness for this morning is Mr. Cortright, chairman, Farm Policy Committee, Mississippi Delta Council, of Stoneville, Miss. Mr. Cortright, will you have a seat, sir.

STATEMENT OF GEORGE C. CORTRIGHT, CHAIRMAN, FARM POLICY COMMITTEE, MISSISSIPPI DELTA COUNCIL, STONEVILLE, MISS.

Mr. CORTRIGHT. Senator Ellender and gentlemen of the committee, it is a privilege to have the opportunity to confer with you on cotton's problems again. I know that you are as concerned as is the industry over the dilemma we face. I shall largely stick to my statement as is before you, and I invite any questions that you might have that I can throw additional light upon.

The CHAIRMAN. Do you mind interruptions, or do you want to read it through?

Mr. CORTRIGHT. No, sir; I can take interruptions any time and return to the text without any trouble.

My name is George C. Cortright. I am a cotton farmer from Sharkey County, Miss., and am chairman of the Delta Council Farm Policy Committee. Delta Council is supported by the agricultural, business, and professional leadership of the Mississippi Delta area and by Boards of Supervisors in the 18 delta counties. The organization is authorized to represent the common interests of the more than one-half million people who live and do business in these 18 delta and part-delta counties. Cotton is the principal source of income in our area and Delta Council represents the cotton farmer's viewpoint in the area. We appreciate the opportunity to present our views on needed cotton program changes.

We are all aware of the fact that the past 2 years have been characterized by a steady deterioration of cotton's competitive position

as reflected in substantial market losses. From a favorable supply situation for the 1961-62 crop year, the current outlook indicates another increase in the carryover, and the prediction is for additional increases next year resulting from minimum allotments provided by law. Total stocks of 10.5 million bales are anticipated by August 1, 1963. The situation demands immediate attention.

Market losses can be accounted for largely by lower prices for cotton's competitors, both at home and abroad, and by quality gains made in competing fibers. The following factors should, however, be catalogued as of real consequence in leading up to the current critical situation:

1. Since January 1961 there has been an increase in the cost of cotton to U.S. mills of roughly 3 cents per pound, at the same time that other fibers have reduced their prices and sellers of cotton in other cotton countries have kept their prices just below ours. This has been an administrative decision. We will not question whether it was a wise decision or not, but it is a matter of fact that this is what happened and it contributed to the dilemma in cotton by making it in a disadvantageous competitive position.

2. U.S. cotton prices, even with the export subsidy, have been such that we have not maintained a fair share of world markets for U.S. cotton. Our noncompetitive position in world markets has encouraged additional expansion in cotton acreage abroad.

Senator EASTLAND. Why is that?

Mr. CORTRIGHT. We had hoped, Senator, that through the effective use of section 203 of the Agricultural Act of 1956 that we would be competitive on a day-to-day basis. In fact, we have found that our price much of the time has been 1 to 1½ cents higher than foreign prices and has still given an umbrella effect to foreign producers at the profitable level.

Senator EASTLAND. That was an administrative decision?

Mr. CORTRIGHT. That was an administrative decision also.

The CHAIRMAN. Would you describe how, do you mean because they raised the price of cotton to the farmer?

Mr. CORTRIGHT. It is because of two things: A subsidy has been set at the beginning of the cotton marketing year, and in so setting the subsidy, foreigners knew it had been the policy of this country never to change the subsidy during the year. This is not what section 203 says. It says we shall be competitive. So they simply reasoned, from past experience, that we were not going to change the subsidy on the American price during the year and they could, with confidence, under price U.S. cottons.

The CHAIRMAN. How else could you sell the cotton abroad except by providing subsidies?

Mr. CORTRIGHT. There have been some discussions of methods that would make a flexible subsidy on a bid basis. There are pros and cons as to the wisdom of this, but inevitably, it has been the opinion of the trade that the subsidy has been set too low originally, and we were not at that time at a rockbottom world price, but we were on the higher fringes of what might be the range of world prices.

The CHAIRMAN. What was the subsidy? Six or six and a half?

Mr. CORTRIGHT. It moved from six to eight and a half cents with the change of administration.

The CHAIRMAN. That was a mistake.

Mr. CORTRIGHT. In retrospect as much as one cent to one and a half cents more to meet the competition, competitive situation—

The CHAIRMAN. It should have been more than eight and a half cents.

Mr. CORTRIGHT. It would have had to be more to complete, to meet the competitive situation.

Senator EASTLAND. Is that what the law requires?

Mr. CORTRIGHT. The law says "such as will be necessary to maintain the historical share of the world cotton market."

Senator YOUNG. Who sets the price of the competitive foreign cotton, foreign nations themselves? It is not the trade, is it?

Mr. CORTRIGHT. The trade sets the price of foreign cotton. The free world market sets the price of foreign cotton.

Senator YOUNG. But do foreign producers sell their cotton on the world market or do their governments sell it for them?

Mr. CORTRIGHT. I think you find some of both situations existing. There are internal programs within the various foreign producing countries that give an artificiality of the economics of cotton marketing.

Senator YOUNG. With wheat, I know it is practically impossible for the trade to sell much wheat directly to the industry over there. You have to sell it to the Government if you want to sell it.

Mr. CORTRIGHT. This is not the case by and large in foreign cotton.

Senator AIKEN. Does the trade keep an accurate account of the day-to-day exports of cotton?

Mr. CORTRIGHT. From the United States to foreign countries?

Senator AIKEN. Yes.

Mr. CORTRIGHT. I think so, sir. There are statistics.

Senator AIKEN. Doesn't the Department of Agriculture have access to those records?

Mr. CORTRIGHT. I am sure they do, sir.

Senator AIKEN. The reason I ask that is, I always used to read in certain papers the day-to-day exports of cotton from the United States, and this year they have been stopped. I was just wondering what stopped them and why.

Mr. CORTRIGHT. Why certain papers have stopped printing the figures is unknown to me.

Senator AIKEN. Yes. They have been buying half as much as a year ago or 2 years ago. I was wondering what had happened.

Mr. CORTRIGHT. I see statistics quoted by the New York Cotton Exchange frequently in cotton publications. They are available.

Senator AIKEN. Maybe there were not enough people interested in cotton exports. That may be why they have stopped printing the day-to-day exports.

The CHAIRMAN. Judging from the testimony that we have so far received here, it seems that these subsidies which were paid foreign users of cotton has had an adverse effect on our domestic consumers here, and it has resulted, according to some testimony, that with cheaper cotton, cheaper labor, we took in quite a lot more cloth than we should.

I think the testimony shows that we took in last year or the current year the equal of 875,000 bales of cotton, that is, in goods. Now, sup-

pose that you had made that subsidy 10 cents instead of 8½ cents, as you think it should have been done, wouldn't that have aggravated the situation more?

Mr. CORTRIGHT. The inequity to the domestic mills, of course, is measured by the disparity in raw cotton prices between our—

The CHAIRMAN. Yes.

Mr. CORTRIGHT (continuing). Manufacturing concerns and foreign manufacturing concerns. The greater the disparity, certainly the greater the inequity, as is caused by Government action.

There are additional factors that add to the inequities such as cheaper labor, et cetera, that must be considered also.

The CHAIRMAN. Going back to my question: If under the subsidy of 8½ cents, you took in the equal of 875,000 bales of cotton, what would have happened if you had put the subsidy at 10 cents a pound to foreign buyers? Wouldn't that have aggravated it more?

Mr. CORTRIGHT. I would say that it would depend on whether there was sufficient profit margin that the foreign manufacturer might have simply chosen to make a greater profit and not try to push more goods.

The CHAIRMAN. I know that, but it stands to reason that if the 8½ cent subsidy had an adverse effect, 10 cents would have aggravated it more.

Mr. CORTRIGHT. The greater the disparity.

Senator EASTLAND. That would be true of heavy goods, not fine goods; is that correct?

The CHAIRMAN. No matter what goods they are, they are here facing us.

Senator EASTLAND. I know, but in fine goods the cost of the raw material is not the factor that it is in heavy goods construction.

The CHAIRMAN. What do you mean by heavy goods?

Mr. CORTRIGHT. He is making reference to the labor inputs that go into the fine goods is much greater proportionately than the labor imports into the heavy constructions, and therefore the price of cotton on heavy goods causes a greater disparity than it does in the finer articles.

The CHAIRMAN. You mean heavier manufacturing.

Mr. CORTRIGHT. That is right; more pounds per yard.

Senator AIKEN. This may be an elementary question, but I would like to know, if the subsidy is necessary to move our cotton in export, is it affected in any way by the price support level fixed in this country?

Mr. CORTRIGHT. Certainly. It is very certainly related to it.

Senator EASTLAND. The question was asked you if the subsidy was increased to 10 cents, would it have an injurious effect on domestic textile production. Is it not true that that cotton would have been bought at the world price from a foreign cotton grower and that the whole thing has been that the American producer has been frozen out? In other words, consumption was down. If the American grower does not fill the demand, Mexico, Brazil, and North Africa, would supply their demand; would it not?

Mr. CORTRIGHT. Yes, sir; and quite often you find temporary situations developing with foreign-producing countries, where they begin to compete one with the other and you find temporary periods when the

world price had gone substantially below the American price of cotton, and by this means foreign countries will dominate the foreign market.

The third feature that we would catalog is very much in line with the questions that have been posed just prior to this, and it is that the Tariff Commission rejected the cotton industry's and the U.S. Department of Agriculture's request under a section 22 action for import quotas and import fees to check the rising flow of foreign textile imports. Voluntary agreements with major importing countries are not wholly effective and markets continue to be disrupted.

Senator EASTLAND. Let me ask you another question, if you will excuse me, about exports and then I am through. Is it not true that the State Department has always opposed the export of American cotton?

Mr. CORTRIGHT. Senator, I am not close enough to State Department policy to make a positive statement. The rumor in the industry is that they have, but by personal knowledge, I cannot say.

Senator EASTLAND. They have always——

The CHAIRMAN. That is as to competition. There is no doubt about it, but when it comes to giving it away they are all for it.

Mr. CORTRIGHT. What we buy now——

Senator EASTLAND. They want an umbrella held over foreign cotton. In my mind there is no question about that.

Mr. CORTRIGHT. I think evidence of the voluntary agreements negotiated at Geneva, both the long- and short-term agreements with other exporting countries, have not been fully effective and markets are continuing to be disrupted by the imports of cotton, in the form of manufactured textiles.

Senator EASTLAND. What is needed, is the one-price system.

Mr. CORTRIGHT. It is imperative, and that will be a part of the testimony in the succeeding sentences.

The CHAIRMAN. When you say a "one-price system," you mean for domestic and foreign consumers?

Mr. CORTRIGHT. Our mills need to have access to cotton at the same price that foreign mills have access to cotton.

Now, as a result of the unfavorable decision of the Tariff Commission, President Kennedy directed the U.S. Department of Agriculture to develop legislation that will eliminate the inequity caused by the difference in raw cotton cost between domestic and foreign textile producers. This directive has not yet been implemented.

The CHAIRMAN. Efforts have been made——

Mr. CORTRIGHT. This is part of the effort to implement that.

The CHAIRMAN. The House did.

Mr. CORTRIGHT. Yes.

The CHAIRMAN. The House did turn it down the first time I remember in January or February.

Mr. CORTRIGHT. They considered it and referred it back to the subcommittee, I believe.

The CHAIRMAN. So that efforts were made. You just cannot force things through Congress.

Mr. CORTRIGHT. That is right, efforts are being made. Now, our situation at the beginning of this year was this, that faced with market losses in both domestic and foreign channels, along with a buildup in the carryover, a minimum national acreage allotment of 16,250,000

acres was established for the current year. I don't think the market offtake warranted anything more than a minimum allotment without the assurance that there was to be new legislation enacted. This represents almost a 2-million-acre reduction in the national allotment. At the same time, the price support was maintained at 32.47 cents per pound. Middling inch, average location, for the 1963-64 crop year. These two already announced policy positions, that is, a drastic cut in cotton acreage and price supports at noncompetitive levels for another year, represent a disastrous course of action for cotton. A continuation of these policies threatens the existence of the cotton industry as a major enterprise.

The CHAIRMAN. Is it your view that under the law, as enacted in 1958, that we had sufficient tools to make it possible to make cotton more competitive by depressing the price, I mean the support price of it, and keeping the acreage so that almost as much profit could be made out of lower prices?

Mr. CORTRIGHT. The latitude certainly existed for that type of administration.

The CHAIRMAN. That was my contention, and as a Member of Congress, I did my best to try and have the administration do just that: but there were other Members of Congress who were more powerful than I was and they evidently sold a bill of goods that did not turn out to be so good, and that is why the price was fixed at 32-point-something per pound instead of, as I said, increasing the acreage and lowering the price. I believe the Secretary will be justified in doing just that.

Mr. CORTRIGHT. We are well aware of your good efforts, sir.

The CHAIRMAN. The record will show who was instrumental in asking for higher prices, as pointed out yesterday.

Senator EASTLAND. Mr. Cortright, you are a farmer in Mississippi, and in the Mississippi Valley States, Louisiana, Arkansas, Mississippi, and southeast Missouri, isn't the cost of producing cotton roughly the same?

Mr. CORTRIGHT. The general situation is comparable within those areas.

Senator EASTLAND. What would you say the cost in those areas would be to produce cotton?

Mr. CORTRIGHT. It varies from year to year as the yield varies, but without—

Senator EASTLAND. And it would vary from individual farm to individual farm?

Mr. CORTRIGHT. Individual farm to individual farm, different soil types—

Senator EASTLAND. Whether the man owns the land or not, whether he has to pay interest on it, how much would it cost? I think the hearings ought to show that.

Mr. CORTRIGHT. We feel, and I speak only for the Mississippi Delta, with whom I have conferred largely, and I think the same may be applicable to other areas you mentioned that we can make a reasonable return on land and management with a support price in the general range of 29 to 31 cents a pound, which would let, at the present time, all farmers have a reasonable profit.

Senator EASTLAND. Could they make any money if they go below that, say at 24 cents a pound?

Mr. CORTRIGHT. I would say, I personally would select an alternate crop. It would be very difficult. I think we run one of the most reasonably efficient operations too.

The CHAIRMAN. Proceed, sir.

Mr. CORTRIGHT. As we look at the changes that are needed in cotton legislation here are some of the basic considerations which we believe need to be kept in mind by all as we deal with the current cotton crisis:

1. The direct relationship between levels of production and price affecting grower incomes requires adjustments in an orderly manner to prevent drastic effects upon farm income. Large-scale cuts in U.S. cotton acreage in the past have resulted in rapid expansions in foreign production. It is useless from the standpoint of a special policy, in fact it is damaging to our dollar position abroad, to program in ways that will result in U.S. cotton growers making the supply adjustment for the entire world.

2. We believe that the continuing market losses for cotton at home and abroad vis-a-vis other fibers are counter to the increases in population and levels of living. Programs for cotton should keep us in step with market expansion potentials.

3. Research and its intensification should provide way to reduce cotton production costs and to put new and extended quality dimensions into our cottons. Such research intensification must make it possible for farmers to profitably meet competition with added stabilities in net farm income for the future.

4. Trade incentive or equalization payments aimed at eliminating the inequity in the cost of raw cotton to domestic mills should be made at the stage in normal marketing channels most remote from the grower. We recommend that these payments be made to the last handler. Any other approach will invite limitations of payments for any farm or firm. Also, any other approach will tend to cause the farm price to ride below loan levels and reduce the opportunities for growers to obtain reasonable equities above loan levels for the kinds and qualities of cotton for which there is a good demand relative to their supplies.

Mr. Chairman, we realize that this is an extremely controversial subject. We do not suggest that you try to deal with it in legislation but that you leave this, the point of any payment, to the discretion of the Secretary, and let this technical subject be handled by the experts in the industry and in the Department.

Senator YOUNG. May I ask you this question? Isn't the American Farm Bureau Federation opposed to these subsidy payments? They were in the wheat program.

Mr. CORTRIGHT. I did not, sir, hear the testimony of the American Farm Bureau. I do not know what they had to say.

Senator YOUNG. What is the position of the Mississippi State Farm Bureau?

Mr. CORTRIGHT. The Mississippi Farm Bureau's position favors this.

Senator YOUNG. Favors it for cotton, but not for wheat?

Mr. CORTRIGHT. I could not tell you their position for wheat because I do not know. Wheat is a minor crop in our State and I would not be appraised of the local farm bureau's position on this situation.

Senator AIKEN. I understand from reading the statements of the Farm Bureau here that they favored the Ellender bill.

The CHAIRMAN. There is no Ellender bill before this committee. I introduced it by request.

Senator AIKEN. Oh, I see.

Mr. CORTRIGHT. The fifth point is that cotton program changes should lead toward eventual reductions in Government spending. Cotton growers would benefit most in the stabilization and further expansion of cotton markets. The cost involved in reversing the trend in market losses toward one of market expansion logically should fall both upon the shoulders of the growers and the Government. I am simply saying we think we should bear part of the cost of making this transition.

We believe that the best interest of the cotton industry and the Nation could be served by a program incorporating the following principles:

1. A basic price support with a nonrecourse loan level of 30 cents per pound, Middling 1 inch, for the 1964 crop.

The CHAIRMAN. That is my bill. That is what you referred to, what I introduced by request.

Mr. CORTRIGHT. Adjustments in price supports in the future should be made upon changes in an efficiency-cost-of-production index.

The CHAIRMAN. Right.

Mr. CORTRIGHT. No. 2, we recommend a trade incentive or equalization payment-in-kind certificate program to eliminate the inequities of raw cotton costs to domestic mills. The payment-in-kind certificates in domestic channels should be handled as nearly as practicable in the same manner as the payment-in-kind credits or certificates earned by exporting cotton.

Senator YOUNG. Do you believe there should be a limitation made on the amount of payment-in-kind that can be made?

Mr. CORTRIGHT. No, sir.

Senator YOUNG. That is contrary again to the argument made on the feed grain bill recently enacted.

The CHAIRMAN. That is one part of the bill that the Farm Bureau does not agree to, that is to pay, compensate, domestic users.

Senator JORDAN. What is indicated here would be 8½ cents, because right now that is the inequity now.

Senator YOUNG. I believe it is a good program myself. I believe payment-in-kind is all right. I cannot help but remember the argument that was used just a few days ago against the feed grain bill that there was no limitation in payments-in-kind. It was called a gigantic Brannan plan.

Mr. CORTRIGHT. Export markets are absolutely essential to a healthy U.S. cotton industry. The export program should be operated in a manner that will keep U.S. cotton available at fully competitive prices in world markets. This will also help stabilize foreign production.

Senator EASTLAND. If support price was lowered by 11 cents a pound, lowered to 22 cents the world price, would there be any exports?

Mr. CORTRIGHT. I am afraid that after the first surge of foolhardiness, we would know the error of our ways, and would not produce any cotton for export.

Senator EASTLAND. It cannot be made that cheap.

Mr. CORTRIGHT. I do not think we can go that cheap.

Senator AIKEN. However, we understand, or it is reported that in the present trade discussions now taking place in Europe, there are likely to come some new proposals. We have an International Sugar Agreement, International Wheat Agreement, and we understand there are likely to be proposals for international agreements concerning exporting and importing other commodities. Would you support an international agreement for cotton?

Mr. CORTRIGHT. I do not know all the intricacies of international agreements; because of my unfamiliarity with it, I would not have a firm position at this time.

Senator AIKEN. Do you think it is worth considering?

Mr. CORTRIGHT. It is always worth considering things that will alleviate these international tensions.

The CHAIRMAN. Then, from these statements that you have just made here, you cannot see where the Government can get out of supporting cotton growers, can you?

Mr. CORTRIGHT. Not over the short term of years, Senator Ellender. We would hope that there are opportunities in research that would permit us to make cost reductions that would enable this to be the fact.

The CHAIRMAN. The testimony previously presented to this committee as well as Subcommittee on Appropriations is that through research, we might be able to lop off from 5 to 10 cents a pound on the cost of production of cotton, but it will take from 5 to 10 years in order to attain that goal.

Mr. CORTRIGHT. Yes, sir, that is the fourth point of the program that we are recommending and I shall continue with my statement.

We have already pointed out that cotton program changes should lead toward eventual reductions in Government costs. This will not be possible without an expanded research program directly and aggressively aimed at reducing production costs. As production costs are reduced, support prices can be reduced, thus maintaining a constant net farm income. Good State-Federal programs are already underway in many areas. These efforts are hobbled, however, by a lack of funds and facilities needed to achieve breakthroughs. There are big potentials in this field, and this was recognized by President Kennedy in his agricultural message to Congress in January, and much ground-work has already been accomplished. It is estimated that there are reducible costs and losses amounting to slightly more than 10 cents per pound in cotton production today in most areas. Effective answers to such costly problems as insect control, weed and grass control, plant diseases, boll rot, field losses, and so forth, would permit farmers to greatly reduce the cost of production and meet competition. Funds for research of this kind would represent the best investment that could be made toward achieving huge savings in program costs in future years. Benefits would also accrue to the consuming public. We earnestly request that a greatly expanded research program to lower the cost of cotton production be given priority attention.

Senator EASTLAND. Don't you think this support price ought to be reduced to around 30 cents a pound?

Mr. CORTRIGHT. We testified: This is a part of the legislation that we are recommending.

Dr. Nathan Koffsky, reporting to the National Agricultural Research Advisory Committee on the work of the Economic Research

Service, said USDA has recently completed a study indicating that small farms have special economic problems, but that agricultural programs should not be tailored entirely or exclusively to meet the problems of this special group. We concur with this conclusion. If the Congress determines that special consideration be extended to this group, we recommend that it be confined to the hardship group already recognized in the current cotton law.

We have reviewed the legislative proposals now before this committee and believe that S. 1511, introduced on May 13 by Senator Ellender as requested and Senator Jordan, more nearly approaches the problems of the cotton industry in a realistic manner than does any other of the proposals. Consequently, we wish to add our endorsement of this legislation.

Farmers in the Mississippi Delta are opposed to any approach that would put the nonrecourse loan at the world price level or tend to force the spot market or future's market to the world price level, until such time that technological improvements permit comparable reductions in production costs. We are also strongly opposed to direct or compensatory payments to farmers in lieu of nonrecourse Commodity Credit Corporation loans.

We have carefully considered the domestic allotment proposal and do not believe that this approach, which has been rejected by Congress on many previous occasions, should be adopted. In fact, any program permitting unlimited production, even at world prices, probably would greatly add to the surplus over the short term even though farmers would actually produce such cotton at a loss.

While we have no position against a choice program, we do not feel that a program of this kind holds out any practical solution to cotton's problems. We have, therefore, never considered such a program proposal as an essential part of any long-range cotton program.

The cotton industry today faces a crisis that is perhaps without parallel in its entire history. The rise in cotton's price and the change in the textile industry's appraisal of cotton's future, because of this increase in price, have injured not just a few of cotton's markets but all of them. There is little chance of real improvement unless the industry is capable and willing to move toward a more competitive price position as well as being competitive in quality and promotion. While we are not able to produce cotton at fully competitive prices at this time, we are certainly willing to absorb some of the program costs through an adjustment in price supports to the 30-cent-per-pound level as has been suggested by Senator Ellender. We have confidence that additional adjustments can be made in the future as production costs are reduced.

We wish to point out that textile manufacturers now have a wide array of many new fibers from which to choose. Some of these fibers lend themselves to blending with cotton in traditional all-cotton end uses because of price considerations. The U.S. textile market is growing; however, unrealistic cotton policies are encouraging the use of more manmade fibers. Cotton's share of the fiber market is dwindling. Prompt action is needed to prevent a major disaster.

The CHAIRMAN. The bill that you are proposing, that is that you favor, is bill No. 1511, it is the same as H.R. 6196 that is now before the House.

Mr. CORTRIGHT. Yes, sir.

The CHAIRMAN. Keeping in mind all four bills before us, the cost of the present program is \$461,500,000 according to our economist here; and the cost of S. 1511 would be \$720 million, almost \$721 million, or a difference of \$360 million. I simply want to call your attention to the fact that, to go before Congress now and ask for a program that would cost more than the present program will be rather difficult, as you know.

This committee has gone on record on several occasions trying to work out a plan to reduce the costs of the wheat program. We finally succeeded in passing a law, but it was rejected by the farmers this week, and it means that the Government, insofar as new production is concerned is more or less out of the wheat business, and we have before this committee a bill to reduce the cost of our dairy program from \$4,500,000 to \$600 million a year. That is what it has been costing us.

We had before us in the past the corn and other feed-grain programs with a view of trying to decrease the cost of that program.

I simply want you to realize that for this committee to go on record in trying to get the cost of the programs I have just mentioned lowered, you might realize how difficult it would be for us to propose a program that will cost more than the present one. Do you get the idea?

Mr. CORTRIGHT. Sir, I want to assure you that there is no individual, and I don't believe any area I know of, that is more conservative or more responsive to a program of fiscal responsibility than the Mississippi Delta. We urgently want to see a sound fiscal policy in our National Government. We believe that this Government, though, in maintaining its total responsibilities must maintain this cotton industry during a transition period.

We hope that this period will be short. We believe that it is good public policy to recommend a short-term increase in expenditures with the exception that employment opportunities will continue, that with progressive findings in research, that Government costs will be reduced not only to the level of the current program but well below it in a reasonable number of years. We are in complete agreement and understand completely your position on that.

The CHAIRMAN. I am simply speaking for this committee, I mean the difficulties that confront us.

Mr. CORTRIGHT. I understand it completely. One thing that concerned me as I read Assistant Secretary Murphy's testimony of Monday, that in comparing S. 1190 with S. 1511, he shows it to be approximately \$50 million a year cheaper.

Senator EASTLAND. What is S. 1190?

Mr. CORTRIGHT. That is Senator Talmadge's bill.

The CHAIRMAN. His bill will cost \$667 million.

Mr. CORTRIGHT. Against \$720 million.

The CHAIRMAN. That is right.

Mr. CORTRIGHT. As I try to analyze these figures, I notice that the entire saving comes in a reduction in the cost of Public Law 480 programming some \$60 million there and trying to find out how this was justified, I finally arrived at the conclusion in the following table where he estimates that exports would be half a million bales less under the bill than under any other. I don't think it is a sound program.

The CHAIRMAN. You mean the Talmadge bill?

Mr. CORTRIGHT. The Talmadge bill. I don't think it is sound programming to shoot at any bill that is going to lessen our cotton exports.

The CHAIRMAN. Under the Talmadge bill, as I understand it, there will be free cotton. There will be a general price support on that, the minimum price for cotton will be at least the world price, and the plan is to compensate directly to the producers a certain price that would guarantee a fixed amount for those who produce cotton for domestic consumption, but the plan as I understand it, will eliminate this two-price system between exports and local use and it would seem to me that if the plan is to fix the price of cotton at world prices, that that might increase the sale of cotton abroad.

Mr. CORTRIGHT. This is what bothers me, but there is something in it that caused the Department in its testimony to estimate that exports under the Talmadge bill would be less in the first year than under any of the other plans that have been presented. I think it is significant. I do not know what the reasoning behind it was.

The CHAIRMAN. I could not see any reasoning because the idea is to make the cotton sell at world prices, both to domestic as well as foreign consumption.

Mr. CORTRIGHT. I understand it, but of course you have the same sheet that I have studied and you see that estimated exports are half a million bales less.

The CHAIRMAN. I simply put all this in the record for the benefit of all members of the committee, and I want to see that irrespective of what the questions asked are by the members of this committee, it is not to be determined that they are for or against this proposal.

Mr. CORTRIGHT. I understand.

The CHAIRMAN. What we try to do is elicit from all the witnesses all the facts that we can possibly gather so as to use that as a basis for legislation.

Senator EASTLAND. Can cotton be grown at the world price?

Mr. CORTRIGHT. In my judgment not enough cotton would be grown in the United States to have any portion of our present export world market at world prices. It is just not economically feasible.

The CHAIRMAN. You mean at present.

Mr. CORTRIGHT. At present, that is right, on the present technology.

The CHAIRMAN. You hold that in the future they might be able to do it.

Mr. CORTRIGHT. With a massive and an adequate research program that will give us a know-how to do this.

The CHAIRMAN. As brought out yesterday if we proceed to spend millions of dollars in this massive attack, as you put it, it stands to reason that our competitors will get that information. They have gotten everything else, and this will decrease their costs so that we would be in the same boat in 10 years as we are now.

Mr. CORTRIGHT. I do not think the disadvantage would accrue quite as rapidly to them as it has in the past.

Senator EASTLAND. Of course, the big saving would be in insecticides. Do they have the same bugs that we do?

Mr. CORTRIGHT. In many areas they do; in many areas they are buying our insecticides where they have to combat them. Their one large current advantage that will tend to equalize through the years is their labor costs.

The CHAIRMAN. Taking our own country here, the West and Middle West is not confronted with the boll weevil?

Mr. CORTRIGHT. No, sir; but they have other insects.

The CHAIRMAN. I understand, but it is not as acute as it is here down in the South?

Are there any further questions?

Senator JORDAN. We could breed a better grade of boll weevil and export them.

The CHAIRMAN. Are there any further questions? If not, thank you very much.

Mr. CORTRIGHT. Thank you very much, Senator Ellender and gentlemen of the committee.

The CHAIRMAN. The next witness is Mr. Harvey R. Adams. Will you identify yourself for the record?

STATEMENT OF HARVEY R. ADAMS, EXECUTIVE VICE PRESIDENT, AGRICULTURAL COUNCIL OF ARKANSAS, WEST MEMPHIS, ARK.

Mr. ADAMS. I am Harvey R. Adams, executive vice president of the Agricultural Council of Arkansas, West Memphis, Ark. I have a very short statement, Mr. Chairman. This statement is made on behalf of the Agricultural Council in Arkansas, a non-profit farmer organization representing a large percentage of cotton produced in Arkansas.

Mr. Chairman, we appreciate the opportunity of appearing before this committee to express our views with respect to proposed cotton legislation. It has been the privilege of representatives of this association to serve on the National Producer Associates with whom we have met on several occasions, and also participated in two Beltwide cotton producer meetings, one of which was as late as May 6, 1963.

Producers have been aware for some time that cotton was in trouble; however, in searching for a formula which would maintain the income of cotton farmers and make cotton more competitive, we were severely handicapped when it came to maintaining or decreasing the present cost to the Government. But when President Kennedy indicated that additional funds might be used to help solve this problem, we were confident that producers and other segments of the industry could agree on a reasonable and equitable solution. We, of course, realize that any added cost to the Government presents a real problem and must be justified in the resulting benefits to the entire Nation.

Producer organizations and the National Cotton Advisory Committee, in formulating their recommendations, necessarily gave due consideration to the problems of both the small and the large farmers, and their geographical location, the price differential between domestic and foreign mills, and the additional cost to the Government. These were contained in the Sparkman bill, S. 608, and the Gathings bill, H.R. 2495, as amended in Committee Print No. 1.

In reviewing the decision and recommendations of producer organizations and the National Cotton Advisory Committee, it is readily apparent that in order to secure essential legislation, producers are willing to compromise and agree to some legislative proposal which they feel are not to the best interests of their own area. We realize

the necessity and importance of equalizing the cost of raw cotton between foreign and domestic mills and of endeavoring to meet price competition of synthetic fibers. This is something that vitally affects the economic existence of not only cotton farmers, but every segment of the industry, except perhaps the domestic mills who can survive by forcing the use of synthetic fibers on a consuming public who prefer cotton.

Senator EASTLAND. What do you think the production costs are?

Mr. ADAMS. You asked me that a while ago, and I listened to Mr. Cortright, and it seems peculiar that the area right across the river from you and that section of Arkansas down there, they are pretty well mechanized, and not too long ago when we were discussing this in a committee meeting, they stated that if they could average out of cotton in their area at 30 cents a pound, they could live with it. I mean they are not going to make a big profit, but they think they can live with it. However, I might say also that in the beltwide committee meetings, the lowest figure we could get across the belt was 31.25.

Senator YOUNG. What is the present support price?

Mr. ADAMS. 32.47.

The CHAIRMAN. Of course, in this support price factor, that is 30 cents or whatever price you say it would cost, you have return on investment, wear and tear on the machines and every item of expense which, of course, is the correct way to reach it?

Mr. ADAMS. Senator, those people I quoted are very efficient farmers. All of them are not in that good a shape. You will find in Arkansas in our area, a great many, in fact, a substantial number that say they do not believe they can raise cotton much cheaper than they are now, especially in view of the rising labor costs and for supplies and equipment, one thing and another.

Senator EASTLAND. What they felt was that it would take 30 cents to pay their debts and stay in business.

Mr. ADAMS. That is right.

However, in attempting to meet price competition, the fact must be borne in mind that the cost of everything needed to produce cotton—labor, machinery, and supplies—has been and is continuing to increase, and farmers cannot survive regardless of the acres involved if they have to sell their product below production costs. While glowing reports have been made regarding the possible results of research with respect to reducing production costs, it could take years for such benefits to be realized and we are confronted with a cotton price situation on which action must be taken now if farmers and those engaged in the processing, handling, and merchandising of cotton expect to survive. In 1961 there were 930,555 original cotton allotment farms, of which 85.3 percent were under 30 acres. This means the income of a lot of people and the merchants in urban areas who supply them are involved. In other words, it is just not a question of cotton, it is a question of people who make their livelihood from the production of cotton.

Senator YOUNG. May I ask this question? You state that 85 percent of all those producing cotton produce less than 30 acres. Are these 30-acre and smaller farms handpicked or machine picked?

Mr. ADAMS. I expect the majority of them are handpicked. However, they have custom pickers now who go from farm to farm and pick some of that.

Senator YOUNG. What does a cottonpicker cost?

Senator EASTLAND. A two-row cottonpicker, \$20,000, and they charge \$20 to \$30 a bale for custom picking.

Mr. ADAMS. That is right. \$20 to \$30.

In order to maintain cotton producers' income and enable cotton to become competitive pricewise in domestic and foreign markets, the Agricultural Council of Arkansas recommends the following:

That the Secretary of Agriculture be authorized to make payments through the issuance of payment-in-kind certificates to persons other than producers in such amounts and subject to such terms and conditions as the Secretary determines will eliminate inequities due to differences in the cost of raw cotton between domestic and foreign users of such cotton, including raw cotton in inventory on the date of enactment of this section.

The council is not opposed to an overplant provision of not more than 30 percent to be known as "export market acreage" which shall not be counted as history and which shall be marketed without benefit of any Government export subsidy.

The CHAIRMAN. Mr. Adams, you understand that this extra 20-percent, 30-percent planting will receive price supports, don't you?

Mr. ADAMS. Oh, yes.

The CHAIRMAN. So they would not be producing for export, foreign sales?

Mr. ADAMS. I am not sure that I understand your question.

The CHAIRMAN. Well, don't forget the 20-percent increase in acreage will receive price support the same as you will. Wait now, 20 percent, and then he would have to pay back——

Mr. ADAMS. He would have to pay it to the Government.

The CHAIRMAN (continuing). Eight and a half cents——

Mr. ADAMS. So he is losing eight and a half cents on exports.

The CHAIRMAN. Still the Government will be responsible, and the Government may have to keep that in the warehouse for some time.

Mr. ADAMS. He is raising it still at eight and a half cents less.

The CHAIRMAN. I know that.

Mr. ADAMS. The same thing could apply under the Talmadge bill, too.

The CHAIRMAN. I am just trying to point that out to you. I am not arguing for one bill as against the other. I just thought I would make that plain, that if they produce for a foreign market they get the foreign price support, and when the cotton is salable, they pay back to the Government this eight and a half cents or whatever the foreign subsidy is.

Mr. ADAMS. We are not recommending that provision, Senator, we are not opposing it.

The CHAIRMAN. That is what is going to happen if that provision remains in, that as you simply increase your surpluses you make your woes that much greater.

Mr. ADAMS. While the Council does not endorse it, it will not oppose it if that is essential to the enactment of the legislation, provision of a price support to producers on not to exceed 15 bales at a level of up to 10 percent in excess of the basic level but not in excess of the level of price support for the 1963 crop.

The council is opposed to any direct subsidy payment to producers. We are opposed to allotments based on bales rather than acres. We are opposed to ceilings or limitations on the price, loan, or income any farmer may receive. We oppose any equalization payment being paid to the first buyer of cotton offered for sale by the producer.

We are opposed to the proposals contained in the Talmadge bill, S. 1190, particularly to the multiple-price support provisions and to the planting of unlimited acreage for sale for export. We are also opposed to S. 1458, which provides for a reduction in the support price of cotton to farmers and increase in acreage allotments without eliminating the inequity of price between domestic and export cotton.

There are some regulations and provisions of law relating to the cotton program of vital concern to cotton producers and allied interests which we feel can be equitably administered by the Secretary of Agriculture. For instance, we do not feel it economically sound to materially reduce cotton acres in the United States which will probably lead to a further increase in the amount planted in foreign countries. We believe that with a realistic price and sales program, a substantial increase in the present allotted acres in the United States will be justified.

Mr. Chairman, as 1511 had not been introduced at the time that I wrote this statement, at least I did not know about it, I believe that our organization would not be opposed to that provision.

Senator YOUNG. Could I ask a question?

The CHAIRMAN. Surely.

Senator YOUNG. Would you explain how the subsidy would work when it was paid to the textile manufacturer? Is that how it would be handled, rather than to the farmer?

Mr. ADAMS. You are getting into a really hot subject. We, as farmers, don't want to pay to somebody else because we have limitations, and I can remember, Senator Eastland, back when we were trying to pass the compensatory payment bill emphasizing that fact that we certainly were liable to limitations of payments and we actually got them under the B program.

Senator YOUNG. What I was really getting at was, how the mechanics or how the subsidy program works out when applied to industry?

Mr. ADAMS. I think it would work anyway if you want to apply it. I think it would be made to work. We just don't want it made to us directly because we feel that if it is we are going to get limitations.

The CHAIRMAN. Well, I understand the mills do not want it either, so it is apt to be in between us.

Senator YOUNG. What will be the mechanics of handling a subsidy program like this? Would the mills be paid a certain amount per pound for each pound they bought?

Mr. ADAMS. I imagine they would, if the Congress directed it be paid to the mills.

The CHAIRMAN. No, they would be sold at the same price or virtually the same price as the cotton would be sold abroad, and the seller, which would be the middleman, would collect from the Department the difference between that and the sale price and the support price, whatever it is, or the cost to the Government.

Senator YOUNG. That would be when the Government is dealing with the textile business. What if the farmer dealt with it?

The CHAIRMAN. The same way. You see the farmer would pay the difference between what the farmer gets and what the dealer would have to sell it for, the same way.

Mr. ADAMS. I notice that——

Senator EASTLAND. Isn't it this way?

The CHAIRMAN. That is my understanding now.

Senator EASTLAND. That the buyer—when he bought it would get a certificate——

The CHAIRMAN. Yes.

Senator EASTLAND. Worth 8½ cents a pound that would be paid from the Commodity Credit Corporation stock and he would sell it to the mill less the——

Senator YOUNG. There would be a minimum price that he would have to pay to the producer for it.

Senator EASTLAND. That is right, and he would get this certificate in cotton. Now that cotton CCC stock is only worth the world price, so the Government has already got a loss, and I cannot see where it would cost anything——

The CHAIRMAN. Where what?

Senator EASTLAND. Cost anything.

The CHAIRMAN. You would have to replenish the cost to the Government for having acquired that.

Senator EASTLAND. There is a loss already in those stocks. Those stocks were at the world price. That is all they were.

Senator YOUNG. And the return to the farmer would be the same either way.

Senator EASTLAND. Right.

Senator YOUNG. Either paid directly to him or the textile mills?

Senator EASTLAND. The cotton buyer. Let's assume you have got a 30-cent price. The buyer would buy it for 30 cents a pound, then he would get a certificate payable in kind from the Commodity Credit Corporation stocks at whatever the export subsidy was, whether it was 6 or 8 cents a pound, and he would use that to purchase cotton from these stocks.

Senator YOUNG. There would be some advantages in payment to the manufacturer, then, wouldn't there?

The CHAIRMAN. Sure. Put him on the same level as cotton that is sold abroad. As it is now, the cotton that is actually sold for milling in our country, the local mills pay 8½ cents more per pound than do the foreign mills.

Senator YOUNG. I was trying to get at the mechanics of how it would work more than anything else.

Mr. ADAMS. Senator, sometimes the cotton changes hands three or four times before it gets to the mill: the ginner buys it, a small country buyer buys it off the gin; it is put on what they call tables and say, in Cotton Row on Front Street, as we call it, and another cotton buyer may come along and have a scale for that particular kind of cotton, so he buys it.

So it would change hands two or three times before it actually gets in the mill hands.

Now the question is, where, along the line, who should get that payment, and, of course, we object to the first buyer because if the first buyer gets it, that throws the price down for the world market right off the bat.

Senator YOUNG. Yes.

The CHAIRMAN. Are there any further questions?

We thank you, Mr. Adams.

Now we will call our next witness.

The CHAIRMAN. All right. Mr. Haynes. J. T. Haynes. Is he present?

(No response.)

The CHAIRMAN. If not, put that down that I called him. He will be permitted to file a written statement if he desires.

Next, Mr. Gilfoil.

**STATEMENT OF J. H. GILFOIL, III, CHAIRMAN, COTTON COMMITTEE,
LOUISIANA DELTA COUNCIL, LAKE PROVIDENCE, LA.**

Mr. GILFOIL. Senator, and gentlemen of the committee, I appreciate the opportunity to appear before you again. I will welcome interruptions at any time.

Mr. Chairman and members of the committee, I am J. H. Gilfoil, III, a farmer of Lake Providence, La., and chairman of the Louisiana Delta Council Cotton Committee. I am also currently serving as president of American Cotton Producer Associates but am appearing here today representing the Louisiana Delta Council.

I am here today to discuss the critical situation confronting the cotton industry and to present our views and recommendations regarding proposed remedial legislation.

Louisiana Delta Council is an economic federation of the people of the northeast Louisiana delta region. We represent the common interests of agriculture, industry, education, forestry, and research. The territory served consists of 11 parishes (counties) comprising an area bounded on the north by the State of Arkansas, situated between the Ouachita and Mississippi Rivers, and extending southward to the parishes of Concordia and Catahoula.

The income of our area containing 283,000 people is primarily derived from agricultural sources, principally cotton. There are approximately 10,315 cotton farms in our section.

The 11 parishes in the Louisiana Delta Council area have 295,982 acres of cotton available for planting this year compared to 331,607 acres in 1962. This reduction of 35,625 acres came about primarily due to a 12-percent decrease in the national cotton acreage allotment. Our 11 parishes in northeast Louisiana received 53 percent of the State's total 1963 cotton allotment of 568,383 acres.

If 97 percent of the allotted acreage is planted, as is usually the case, and normal crop conditions prevail the 1963 area cotton crop would have an estimated potential farm level value of approximately \$51 million.

Last year's area crop totaling 310,956 bales was worth about \$56 million while the State's production of 540,194 bales was valued at approximately \$100 million.

The State cotton industry with its gins, oil mills, delinting plants, cotton companies, and warehouses represents an investment of more than \$80 million and employs several thousand people.

I have presented this brief summary of cotton's role in the Louisiana economy to acquaint the members of this committee with our concern over the matters being discussed here today.

Senator EASTLAND. About what does it cost to produce cotton in Louisiana?

Mr. GILFOIL. Senator Eastland, I have heard the gentlemen who testified previously to me this morning and I would have to say that I think we are substantially in agreement with them. Most people feel that they can make some profit at a level of approximately 30 cents a pound, but that, too, would depend a great deal upon the acreage involved. In other words, if our acreage was so restricted that we can't economically operate, 30 cents a pound would not be a profitable level for us.

Senator EASTLAND. Acreage shrinks, it increases the unit cost of production.

Mr. GILFOIL. Yes, and the reason I am emphasizing this here is that I feel unless constructive action is taken this year it must lead to a cut in the minimum national allotment.

Senator EASTLAND. Do you feel if the price was reduced to 24 cents a pound you could produce cotton for that?

Mr. GILFOIL. No, sir, not under the present circumstances.

I will proceed.

I will welcome your questions at any time and will do my best to answer them. With the aim of expediting testimony to be presented and in order to avoid reiteration insofar as possible I should like to briefly outline our basic thinking concerning cotton policy.

1. We must have a program designed to sell a minimum of 16 million bales annually.

2. Louisiana producers generally are willing to accept a reduction in the price support level in order to achieve this goal.

3. The discretionary power of the Secretary of Agriculture relative to designating the level of price support should be limited and regulated by the Congress.

4. We favor retention of the acreage release and reapportionment program.

5. As the producer's price support level decreases the export subsidy should be reduced commensurately so long as U.S. cotton is fully competitive at world prices.

6. We favor an annual \$10 million crash cotton research program for 5 years designed to reduce costs of production.

7. Any cotton program must be aimed at reducing Federal costs and getting the Government out of the cotton business.

Louisiana Delta Council's initial recommendation on proposed cotton legislation was that Congress amend the present law so as to provide:

That a trade incentive payment-in-kind be made on domestically consumed cotton. That this payment be at the rate of 5 cents per pound and that this payment be made to the last handler as is the case with the present export program.

That the domestic trade incentive payment be effective immediately upon enactment and that it apply to cotton currently in the channels of trade.

That acreage increases be granted as supply situation permits, and that this acreage be allocated on the basic allotment.

That the price support level for 1964 be reduced by 200 points from the 1963 level and that it be reduced by 100 points each of the succeeding 3 years and that the trade incentive payments be reduced by a like amount in each of these years.

Below is a chart that would illustrate the above proposal.

If there are any questions about the chart, I will be glad to answer them. In other words, I won't read it.

The CHAIRMAN. It will be printed in the record at this point.

(The chart referred to follows:)

Year	Loan level ¹	Domestic payment- in-kind	Export payment- in-kind	Effective base price, domestic	Effective base price, export
		<i>Cents</i>	<i>Cents</i>		
1963.....	32.47	5	8½	27.47	23.97
1964.....	30.47	3	6½	27.47	23.97
1965.....	29.47	2	5½	27.47	23.97
1966.....	28.47	1	4½	27.47	23.97
1967.....	27.47	0	3½	27.47	23.97

¹ Based on Middling 1 inch at average location.

Mr. GILFOIL. We realize that these proposals will not result in making cotton prices fully competitive. We believe, however, that coupled with effective action by the Tariff Commission under the provisions of section 22 of the Tariff Act our industry could compete.

This is the program our organization believes is best for the industry. However, it is apparent after many meetings we cannot gain support for it at this time since other groups have their own ideas. While we could enthusiastically continue support of our own proposal we are fully aware of the gravity of the situation confronting us today.

Therefore, hoping to secure the broadest possible area of support for beneficial action and in the interest of harmony we endorse S. 1511 introduced by Senators Ellender and Jordan and now being considered by this committee.

It being understood, of course, that you did that by request, Senator.

The CHAIRMAN. I did it to get all the bills up before Congress—before the committee, I mean so that hearings could be held on them.

Mr. GILFOIL. This bill principally is designed to encourage increased consumption of cotton, to maintain the income of cotton producers and to provide a special research program designed to lower costs of production.

S. 1511 represents the essence of agreements reached by many producer groups with the exception that there are no provisions regarding overplanting or a price floor and it may very well be that these should be included.

S. 1511 would offset the current inequity under which our domestic cotton textile industry is attempting to compete due to the 8½-cent export subsidy. It provides for lowering of the price-support level and special price protection for small producers.

We strongly oppose S. 1190 introduced by Senators Talmadge and Humphrey. It would permit the market price of cotton to fall to the world price level and provide producer payments necessary to sustain farm income on an equitable basis.

We do not consider that this bill can achieve desired objectives. Among other things it provides for direct compensatory payments to producers within their domestic allotments. We are unalterably opposed to such a feature of any legislation and I do not know of any producer group advocating such type payments under a cotton program. Among its objectionable features this bill further sets allotments on bales rather than on an acreage basis and it will almost certainly be amended to provide for future limitations of payments to producers.

Senator EASTLAND. Could you grow cotton for export?

Mr. GILFOIL. No; not under the present conditions.

Cotton and its customers require a long-range program which guarantees price stability on a competitive basis with adequate supplies available.

Unless the Congress passes remedial legislation our cotton and national economy will continue to suffer. As producers we have a moral responsibility to all taxpayers to help develop legislation aimed at reducing the tremendous costs of Government agricultural programs.

In my considered opinion S. 1511 represents the most feasible approach to a legislative solution of our cotton problems. It is a compromise and generally represents the thinking of many divergent producing areas and philosophies. It faces up to the fact that unless the entire industry makes concessions now to secure beneficial legislation next year may be too late.

I have submitted this testimony with this fact in mind. I respectfully urge the earnest consideration of these recommendations by the members of the Senate Committee on Agriculture and Forestry. Thank you.

The CHAIRMAN. Did you appear before the House Committee, Mr. Gilfoil?

Mr. GILFOIL. No, sir, I did not; not the committee as such.

The CHAIRMAN. At last reports I understand that even though the bill before the House, which is the same as that here, that is when I introduced it has been changed a lot and won't have enough votes to vote that out of committee. So you can realize the difficulties that confront us if the House can't and won't take action.

Mr. GILFOIL. Yes, I do. We are in hopes that they will report out substantially this bill. As I pointed out, the draft of the bill did not include certain things that had been recommended to the committee by the producer groups and I believe that maybe those differences can be compromised.

The CHAIRMAN. The delta council and the Louisiana Farm Bureau seems to be at loggerhead what is best to do.

Mr. GILFOIL. Senator, we are in very substantial agreement, I think. These seven points that I read are essential to any program. We were in complete agreement on those. The only differentials to my knowledge between the delta council and the farm bureau are these: whether action is necessary in 1963 and whether there should be a domestic trade incentive payment. Those are the only differences that I know of.

The CHAIRMAN. Those are essential differences, particularly the payment to domestic users. The farm bureau is against it.

Mr. GILFOIL. That is my understanding.

The CHAIRMAN. Any further questions? If not, we thank you very much, Mr. Gilfoil.

Mr. GILFOIL. Thank you, sir.

The CHAIRMAN. Mr. Wilmer Smith, will you step forward, please?

STATEMENT OF WILMER SMITH, PLAINS COTTON GROWERS, LUBBOCK, TEX.

Mr. SMITH. Senator, I am Wilmer Smith. If I may, I would like to just file this statement and talk off the cuff for just a moment.

The CHAIRMAN. Very well, the statement will be put in the record at this point.

(The prepared statement submitted by Wilmer Smith reads in full as follows:)

The Plains Cotton Growers, Inc., a cotton producer organization representing approximately 25,000 cotton growers on the Texas high plains, producing annually over 2 million bales or about 15 percent of the U.S. cotton crop respectfully submits the following statement on cotton legislation for your consideration.

Much has been said and written in the past year about the cotton situation and the precipitous position now occupied by this once thriving industry. Almost all cotton leaders and others vitally concerned with its welfare have agreed that positive legislative action is needed to enable the cotton industry to maintain its prominent position in the U.S. economy.

In the past few weeks numerous plans have been proposed as offering a solution to cotton's problems and others will no doubt be submitted in the weeks to come. In view of the varying proposals now under discussion and other provisions which may come up for discussion in the near future, we would like to reaffirm our position in relation to a cotton program.

The National Cotton Advisory Committee has consistently recommended a trade incentive program which would make cotton competitive in price to synthetic fibers and foreign cotton in both domestic and foreign markets through a raw cotton trade incentive to be paid to the last handler of the cotton, using the principle of the export subsidy across the board. The possibility of some sort of individual producer choice program trading acres for price and vice versa has also been considered and no direct payments to producers or mills have been advocated or anticipated.

There are, of course, many proposals as to the implementation of the proposed trade incentive plan, and many divergent points of view, but the major points we support are:

1. To provide a one-price system by giving Secretary authority to issue payment-in-kind certificates to the last handler on domestic sales, such as he already has for exports.

2. An acreage-price choice for individual producers if it is not an insurmountable obstacle to item 1.

3. Maintain the loan at the producers price support level each year.

4. Maintain national marketing quota and acreage allotment at the highest possible level in keeping with potential markets and reasonable carryover.

5. Value of domestic payment-in-kind certificates to be such as to remove the inequities due to differences in cost of raw cotton between domestic and foreign users.

6. To provide savings to Government in future years, develop formula for reducing loan and subsidies geared to success of program as evidenced by increased consumption and expanded acreage.

Also, in view of certain plans which have been proposed, we feel that we should enumerate certain major principles which we feel would be objectionable in any cotton program. These provisions which we could not support at the present time are as follows:

1. The establishment of the loan at any level other than the producer income level.

2. Direct payments in any form to the farmer.
3. Limitations on producer participation in any form.
4. Change from acreage allotments to baleage quotas.

There are, of course, other provisions which we might find objectionable, but these are the major points which have come up for recent discussion because of their inclusion in various proposals. Although we have not elaborated on them in this statement, we think you will recognize that practically all of the objections expressed have been discussed at various producer meetings during the past year, and that these very objections were the most potent items in uniting producer groups. It is our belief that any bill embodying the objections listed above would be "mighty thin ice" for cotton producers, as we do not believe such a bill would be tenable for more than 1 year if it could be passed at all.

Because of the very great urgency of new cotton legislation we stand by the simple trade incentive approach which has been approved by most segments of the industry, and which we believe can be resolved and passed with the concerted effort of all who are truly interested in the future of cotton.

Mr. SMITH. In the first place, we in the high plains can live with any price, just about, that you folks in Louisiana and Mississippi can live with, and we can live with just about any acreage that the Western States can live with, and if I might, I would like to mention about four or five things that we think a cotton bill ought to have, and summarize various things from my entire statement.

We should have a one-price system with the Secretary having authority to use payment-in-kind in domestic market just like he uses them in the foreign markets. In answer to a question that was asked one of the witnesses, that payment-in-kind payment could be made just in the same fashion as it was made in the export market to get things going.

Now, we prefer that we have no increase in acreage unless, of course, it can be done and maintain the one-price system without going on to—without creating surpluses and so on. We want to maintain a loan level at a farmer income level rather than at a world price level, and we want the values of the payment-in-kind of the domestic market to be such that they will make cotton—at the same price in the domestic market as the foreign market and we want to provide a saving to the Government in future years through developing a formula or reduction of the loan price as we increase domestic consumption covered in domestic consumption.

The CHAIRMAN. The Secretary of Agriculture could probably obtain that goal by using his power between 65 and 90 percent parity.

Mr. SMITH. He could do that. Yes, sir, the authority is in the present law for him to lower the price. We would hope that he doesn't use it drastically until we have increased the domestic consumption.

The CHAIRMAN. He has not so far done it. On the contrary he has been criticized because he kept it at last year's level.

Mr. SMITH. There are three or four things that we would oppose. We oppose the establishment of the loan level at any level other than producer income level, and we are not enthusiastic about the direct payments to any farmer. We would oppose limitations of any farm, and we are vitally opposed to change from acreage allotment to a bale allotment. Now, there are—

The CHAIRMAN. You would then be opposed to the Talmadge bill?

Mr. SMITH. To that part of the Talmadge bill. We think that the payment in kind should be to someone other than the producer. We are willing to take our chance with selling our story to the Secretary;

however, we think it could be the same spot it is in the foreign market. And by doing that, then we might have some equities in CCC cotton that could be harvested by persons who want to already market their cotton. And we don't want them—the American price quoted at the world price.

Senator EASTLAND. What does it cost to produce cotton in the plains?

Mr. SMITH. I would guess we have, perhaps one of the lowest production costs in the Cotton Belt. I am not real sure I can answer you specifically what our costs are because they vary so much. We have had several studies on cost index and it is hard to say just what it is. We also have the lowest price cut on the American market, too.

Senator EASTLAND. You have more cotton—

Mr. SMITH. We did have in 1955, but that situation has reversed itself now, and the below grade cotton is not a surplus stock on loans at the present time. There are several things that did that. I think our study and research done by the cottongrowers coupled with the emergency sales of short staple cotton, in 1962 I believe we had less than 1 percent of so-called high plains type of loan. That is something that fluctuates from time to time. But when the delta is talking about 30-cent cotton we are talking about on the high plains something less than that because our average grade and staple is below Middling, and shorter than an inch, so ours would be average discount cotton and under the 30-cent level. I personally would not want to produce cotton at the world level if that answers your question. But we would insist that you—that either the law be written or that the Secretary use the increased domestic consumption coupled with effective research in order to arrive at the amounts of possible production. We would not oppose a level of 30 cents or more as Mr. Cortright testified earlier. We are not really happy with that price, but again we are in the enviable spot—

Senator EASTLAND. What is the difference between the price of your cotton and that produced in Louisiana and Arkansas and Mississippi?

Mr. SMITH. Senator, our cotton is shorter and normally an average lower grade.

Senator EASTLAND. About how much difference?

Mr. SMITH. Our average, I believe, the last year was about an average of strict low, and about 31, I believe; between 15 and 16, and 31. There are other people in the room that could answer that better than I, but it is under an inch. There is a big market for—as Mr. Cortright talked about earlier in the testimony—of the heavy goods that is manufactured from our type cotton.

The CHAIRMAN. Thank you, Mr. Smith. Any further questions? Thank you very much.

Mr. Bowden? All right, sir.

STATEMENT OF JIM BOWDEN, PRESIDENT, EL PASO VALLEY COTTON ASSOCIATION, FABENS, TEX.

Mr. BOWDEN. Mr. Chairman, I am Jim Bowden. I am a cotton farmer from Fabens, Tex., and I am currently serving as president of the El Paso Valley Cotton Association. With me are Mr. Robert L. Skov, treasurer and member of the board of directors, on the far right; and Mr. C. B. Ray, my executive vice president.

If you will allow me, in case there are questions, we will proceed.
The CHAIRMAN. All right, proceed.

Mr. BOWDEN. The committee has been fully informed as to the dire circumstances now confronting American cotton and the reasons for this situation. We will not burden you with duplication.

Cotton is absolutely essential to the economy of the El Paso area. For the committee's information this area encompasses the three westernmost counties in Texas which annually grow approximately 130,000 bales of cotton. Cotton provides a major bulwark to our economy. This has been true for almost one-half century. It is because of this that we have a vital stake in the future of American cotton.

Much has been said about the cost of Government programs and the buildup of cotton in the loan. It is with a great deal of satisfaction and pride that we can say to you that no more than 10 percent of our 1963 upland cotton production is now in the loan, because it is of such quality that the mills are using it. Because of this situation one might assume that we have no real fear and that our future is secure. But this is not the case.

The vast majority of cotton grown in our area is the Acala 1517 variety which produces a cotton not only of high quality but with a staple length of about $1\frac{5}{32}$ inch.

The CHAIRMAN. You irrigate?

Mr. BOWDEN. Yes, sir; we are in the irrigation district.

This cotton has traditionally brought a premium in the market. But our current price support program is seriously damaging our situation. The loan rate on lower qualities is at such a high level that the price difference between our cotton and the lower qualities has been considerably narrowed. Because of the high costs of producing our variety, the incentive to remain with quality cotton is, therefore, lowered. Our farmers are literally being forced into the production of lower qualities for economic reasons. If the basic causes are not corrected, there is a real danger that the total supply of this longer staple, high-quality cotton will become so short that the mills will no longer be interested in it. And we do not believe that the basic causes can be corrected until we are in a position to market our cotton without benefit of Government subsidy. This can only be achieved over a period of time through an aggressive research program aimed directly at reducing cotton production costs.

We also have additional reasons for wanting a strong cotton industry throughout the Nation. Our future is interlocked with other areas and other segments of the industry.

We believe that new legislation is imperative to the cotton industry. We believe that ultimately the price must be competitive and that the time is long past due when we should start in that direction. This has to be a gradual process based on the application of research to reduce production costs so that farmers can adjust their operations to meet a lower price structure.

We believe that S. 1511 more nearly fills our needs and those of the entire industry.

We wish to thank you, Mr. Chairman, and members of the committee, for allowing us this opportunity to discuss so vital a problem.

The CHAIRMAN. All right. Any questions? If not, we thank you very much, sir.

Mr. BOWDEN. We thank you very much, Mr. Chairman, for the opportunity to present our views.

The CHAIRMAN. Mr. Armstrong.

Mr. ARMSTRONG. Yes.

STATEMENT OF WALTER P. ARMSTRONG, JR., CHAIRMAN, COTTON COMMITTEE, MEMPHIS CHAMBER OF COMMERCE, MEMPHIS, TENN.

Mr. ARMSTRONG. Mr. Chairman, members of the committee, my name is Walter P. Armstrong, Jr. I live in Memphis, Tenn., and I appear here today on behalf of the Memphis Chamber of Commerce, as a member of its board of directors and chairman of its cotton committee. I am not in the cotton business, nor is any member of my committee. My interest is solely in the economic welfare of my community and of the Nation.

This committee has heard from many distinguished individuals who represent various branches of the American cotton industry. You know of the industry's deep concern over the present situation in cotton. You know how the cotton industry feels about the desperate need for remedial legislation. My purpose in being here today is to emphasize that the cotton industry's concern over this problem is shared by the entire business community of Memphis and its trade area.

Memphis has been called the cotton capital of the world. It clearly leads the world in volume of cotton trade. It is the hub of a great complex of cotton production, ginning, warehousing, merchandising, cottonseed crushing, and related economic activities. For example, total farm receipts from cotton in our trade area were over \$613 million this past year. This was approximately one-third of the Mid-south's basic income. No other industry or farm commodity even comes close to this total. When cotton is sick, every business enterprise in our city and our area is bound to feel the impact. In one way or another, all of the 600,000 people of our city—and all of the 2½ million people of our trade area—are affected by cotton. So it is only natural that the Memphis Chamber of Commerce take cognizance of what has been happening to cotton's markets and that the businessmen of our city take a position urging a solution to cotton's dilemma.

Sometimes I think that urban Americans overlook the importance of agriculture to their prosperity and economic health. In Memphis we would hope this will never be true. Cotton and other phases of agriculture make up the lifeblood of the Memphis economy. We feel this will continue to be true even though Memphis has a rapid industrial growth rate. We feel that our business community must be vitally concerned with what happens to all of agriculture.

Of course, cotton's importance goes far beyond Memphis and its trade territory. Cotton is a direct source of livelihood and economic activity for many millions of Americans across the whole southern half of the country, from the Carolinas to California. Through spinning, weaving and processing cotton affords livelihood to workers in many other parts of the country as well. Cotton provides a vast market for machinery and chemicals and other materials that are manufactured in all parts of the Nation. Cotton products such as clothing,

household fabrics, decorative materials, and many others flow continuously through the channels of wholesale and retail trade to consumers throughout the country; and the list of products embodying cotton in some part of their manufacture is almost endless. There is hardly a man, woman or child who is not touched, literally and figuratively, by cotton in their daily lives and who will not therefore be affected by cotton's future.

Remember, too, that cotton has long headed the list of America's exports. If cotton should be lost as a major export commodity, our country would lose its best earner of foreign exchange. This would worsen our already serious deficit in international payments, and increase the outflow of gold from this country. Obviously, the cotton problem has great national significance and must be resolved in the national interest.

We would not presume to suggest to the Congress exactly what a cotton bill should or should not contain. But we do know what is basically wrong with cotton, and we know what can make it right. What is wrong? Cotton is not meeting its price competition. And unless it does meet its price competition, it is not going to continue to be the vital force in the economy of our section and the Nation as a whole that it can and should and will be, provided it is allowed to do so.

We are vitally concerned with the welfare of our farmers. We know that their big export market has been saved by a Government price subsidy. We know the lower export price has sold a lot of cotton abroad. We know too, however, that as a result of the export program, foreign mills have been able to buy their cotton at much less than American mills. We know that this situation has created an intolerable burden for the cotton farmers' best customers, the American mills, and that the resulting flood of imports has completely demoralized the American textile industry. These imports have made big inroads on the American cotton farmer's domestic market. I am told these imports—made largely of foreign cotton—amounted to 645,000 bales this last year. This is more than the entire production of my home State of Tennessee, and more than is produced in any one of seven other States.

But cotton's troubles in the domestic markets do not begin and end with the import problem. Cotton is confronted with a whole host of vigorous competitors at home—all kinds of manmade fibers, paper, plastics, and so on. Rayon, for example, has gained over a million bales of consumption, at cotton's expense, over the last 2 years. And without any doubt, the main reason for rayon's gain has been its 14-cent-a-pound price advantage over cotton. This alone makes it abundantly clear that the domestic price of cotton must come down; not necessarily to that of rayon, but to its natural level where it can compete on a qualitative basis.

We know also that most American farmers would be unable to survive if all of a sudden they had to grow and sell their cotton at the world price. For this reason, during a period of adjustment a temporary domestic subsidy will be required which will permit cotton to move freely in the ordinary channels of trade and at the same time protect both the producer and the consumer. With such a subsidy, given a reasonable period of time, tremendous progress can be made

in reducing production costs through research, so that ultimately all subsidies can be eliminated. We have great confidence in research. We know what can be done in research and we need a research program big enough to allow it to be done. With such a program, producers can soon stand on their own feet in meeting competition, without reliance on subsidies.

We believe the principles in this resolution, if incorporated into law, would provide a sound basis for restoring confidence in cotton. Legislation along this line would immediately make cotton competitive in price both at home and abroad. It would eliminate the inequities of the present two-price system. Above all, through research, it would provide the basis for competitive pricing and reasonable profits to farmers without any dependence at all on Government price subsidies. This should be the ultimate objective. We think this is the sound way to go for the cotton industry, for the Cotton Belt, and for the Nation.

Now, with this background, I would like to read the resolution adopted last week by the Memphis Chamber of Commerce. [Reads:]

RESOLUTION

The Memphis Chamber of Commerce recognizes the need for a sound economic basis for the production and marketing of cotton regionally and nationally, and that the marketing, processing, manufacturing, fabricating, and sale and consumption of cotton, cotton products and products incorporating cotton constitutes an important segment of the total national economy. Therefore, the Memphis Chamber of Commerce, acting through its board of directors, resolves that the following principles are basic to the creation of a sound economic solution in the cotton industry:

(1) Price supports for raw cotton to the farmer should be gradually reduced so that cotton can become freely competitive in the domestic market with other fibers suitable to the same uses.

(2) The price of American cotton in the domestic and foreign markets should be equalized so that American cotton can become freely competitive with foreign produced cotton.

(3) A temporary subsidy on sales of cotton in the domestic market should be instituted to cushion the impact of that program upon our national economy.

(4) An intensive research program should be instituted immediately in cotton production methods so as to reduce production costs to a minimum. Efficient producers should be encouraged to make investments and long-range plans with confidence that their markets will not be destroyed.

(5) All Government subsidies upon the sale of cotton, both domestic and foreign, should be gradually eliminated as a result of lowered production costs and expanding domestic and world markets: Be it therefore

Resolved, That the Memphis Chamber of Commerce urges upon the President of the United States, the U.S. Department of Agriculture, and the Congress of the United States the initiation and implementation of a legislative program embodying these principles; and be it further

Resolved, That copies of this resolution be sent to the President of the United States, the Secretary of Agriculture, the Senators from Tennessee, the Members of Congress from the western division of Tennessee, and such others as may be appropriate; and be it further

Resolved, That chambers of commerce in cities similarly situated to Memphis, and those in other cities which will be indirectly affected by this program through the marketing of cotton products and products incorporating cotton, be urged to take similar action.

I want to thank the committee for the privilege of being here today and for the courtesy it has extended in providing me the opportunity to appear.

The CHAIRMAN. Mr. Armstrong, is your chamber of commerce an affiliate of the national organization?

Mr. ARMSTRONG. Yes, sir. This, however, is the position of our local organization, of course.

The CHAIRMAN. I understand that, but your national organization is against subsidies and desires to cut back on the cost of the farm program. So you are taking a different position than the national chamber of commerce.

Mr. ARMSTRONG. I am not entirely familiar with their position, but this is the position of our local chamber representing the views of the businessmen of Memphis and the Memphis area, yes, sir.

The CHAIRMAN. Any further questions? Thank you very much, sir.

Mr. ARMSTRONG. Thank you, Senator.

All right, Mr. Hoover.

STATEMENT OF ROBERT T. HOOVER, JR., EL PASO, TEX.

Mr. HOOVER. Good morning, Senator.

The CHAIRMAN. Have a seat, sir. Will you identify yourself for the record.

Mr. HOOVER. Mr. Chairman, my name is Robert T. Hoover, Jr. I reside in El Paso, Tex. I am a cotton producer, farming in partnership with members of my family as landlord, tenant, and owner. For the record, I am also a cotton merchant. I represent no one other than myself. I come before you with humility and a sincere desire to improve our very troubled cotton situation.

I know the hour is late and I will try to be as brief as possible, but my wife tells me that I should stick right to what is written.

The CHAIRMAN. That is good advice. You may proceed. You have plenty of time.

Mr. HOOVER. The 1962 carryover of 7,900,000 bales included 4,707,000 bales of Government-owned cotton. The net Government loan entries for 1962-63 are approximately 5 million bales. The anticipated carryover on August 1, 1963, will be 11,300,000 bales. The Government has recently inaugurated an export sales program which puts carryover cotton in competition with loan cotton at a loss to the Government of at least 1½ years' storage charges plus interest. The export sales program has sold some 689,000 bales through May 15. This cotton will largely displace sales from the next crop or sales from that which remained unsold in the 1962 Government loan.

The figures shown in chart B, which is page 10, show that on August 1, 1963, which is indicated by the dotted line that we will be to the point—well on our way to the point where we will have our highest carryover, our lowest production, our lowest support sales, and a rapidly declining domestic consumption.

The CHAIRMAN. Your chart will be made a part of the record.

(The document referred to follows:)

Mr. HOOVER. Beyond August 1, 1963, it is easy enough to project practically no exports and a rapidly diminishing domestic consumption if the present type of Government program for cotton is continued. I sincerely hope that I can offer this committee some thoughts which will make the graph turn in the direction that I have projected beyond August 1963.

Senator EASTLAND. Let me ask you a question before you go into that.

Mr. HOOVER. Yes, sir.

Senator EASTLAND. You are from El Paso, Tex.?

Mr. HOOVER. I am from El Paso, Tex., and I farm in the El Paso Valley.

Senator EASTLAND. Is that irrigated?

Mr. HOOVER. It is irrigated land.

Senator EASTLAND. The farming there is typical of the Far West?

Mr. HOOVER. We think it is fairly typical of all the irrigation district.

Senator EASTLAND. About what do you make to the acre?

Mr. HOOVER. Well, they spend money as if they have to make at least two bales to the acre and we have not averaged that in the last year.

Senator EASTLAND. What do you figure it cost to produce cotton in the El Paso area?

Mr. HOOVER. In consultation with the people who were here before and with the people before I came, I think that we could learn to get along with 30 cents a pound, but we will not be very comfortable with 30 cents and it would take some time before we could learn to live with less than 30 cents.

Senator EASTLAND. Could you export any cotton at support price if it were reduced to 24 cents? Could you grow cotton—

Mr. HOOVER. I feel with our record of this last year where we have had some benefit from Public Law 480 and, of course, some of Public Law 480 hurts exports, that we can show now we can only export 3 million bales at 24 cents and we would have to reduce the export price—

Senator EASTLAND. I know, but can you make cotton that cheap?

Mr. HOOVER. No, sir; we can't.

Senator EASTLAND. If the support price were reduced to 24 cents, what would it do to you?

Mr. HOOVER. Like Mr. Cortright, I think we would be looking for something else to grow.

The CHAIRMAN. What would that be?

Senator JOHNSTON. Would you grow it just for the world market?

Mr. HOOVER. If the world market were 24 cents and we would have to grow at that price, I think we would have to look for something else.

The CHAIRMAN. Proceed.

Mr. HOOVER. Cotton has an additional and more serious competitor. Synthetic fibers now have many desirable qualities and can be sold in competition with cotton at lower prices than cotton without apology to the consumer. Basic rayon staple at 25 cents to 27 cents is a serious and growing competitor of average cotton at 34 cents to 36 cents.

Cotton mills can easily convert to the production of synthetic fibers and are doing this now. Once they have diverted their production

away from cotton, it is difficult to get them to return. Truly, cotton is in a death struggle with synthetic fibers whose research expenditure is 4 times as large as that of cotton and whose promotion is 15 times as large.

We want to consider those remedies which will make American cotton better, cheaper, more competitive at home and abroad, and improve its reputation with the taxpayer, the Nation, and the world. We want to avoid putting cotton in the same situation with wheat and feed grains, that is to say, even though we have a large surplus, it may come to consist of undesirable qualities. Unsold surplus causes a reduction in acreage and acreage cuts are presently made uniformly across the belt and this in effect reduces the available supply of highly desirable cotton without materially reducing the supply of less desirable qualities. We need more realistic acreage control and price support programs which will allow desirable qualities to sell at some premium over undesirable cotton, and allow unsold qualities to seek some lower level.

We need a program which will gradually shift cotton production from qualities which find their principal market in the Government loan to qualities which are sought and demanded at the mill door.

Cotton desperately needs to win friends politically in order to survive and economically in order to complete.

The following are my suggestions for a program which will bring all of the factors of a sound cotton program into focus.

It is suggested that an incentive be given, county by county across the Nation, to all counties to upgrade the quality of their crop, to sell the maximum possible and finally to depend upon the loan only as an insurance program.

If each county were to report at some reasonable and convenient time, say May 1, the percent of its production which had remained in the loan averaged for a period of 3 to 5 years, this figure could be used equitably to adjust the county's production upward or downward in the following crop year depending on the increase or decrease which would be allotted to the Nation as a whole. Illustrations of this are shown on table A.

(Table A is as follows:)

INTRODUCTION TO TABLE A

This program could be established on a county-by-county basis. If it is determined that awarding incentives on a county-by-county basis is successful in encouraging the production of salable qualities, then county committees could set up incentives for growers within the county to encourage each of them toward increasing the county's efficiency.

The following page shows the method of calculation for both increase or decrease of total U.S. production. The first part shows five hypothetical counties, each producing the same number of bales with different sales. It shows how the production controls would be applied under the present system without regard to sales. The proposed system of making production controls proportional to sales is shown along with the method of computing the quota decrease. The same system is shown on the last part of the page with a slightly different method being used to compute a production increase. Under the proposed system the counties with high sales to production ratios receive the most benefit out of the increase, and at the same time take the smallest cut in a quota decrease. It is felt that a proportional decrease or increase for all counties would be more acceptable by all segments and parties involved.

notion they have given their production. Once they have given their production

TABLE A.—*Production controls*

DECREASING PRODUCTION

	County A	County B	County C	County D	County E	Total
Production.....	200	200	200	200	200	1,000
Sales.....	100	120	140	160	180	700

Present system.—Desired production = $800 \div 1,000 = 0.80$. $0.80 \times$ production = new production.

	County A	County B	County C	County D	County E	Total
New production.....	160	160	160	160	160	800

Proposed system.—Make production controls proportional to sales.

	County A	County B	County C	County D	County E	Total
Present production.....	200	200	200	200	200	1,000
Sales.....	100	120	140	160	180	700
Decrease factor.....	0.50	0.40	0.30	0.20	0.10	1.50
Production decrease.....	67	53	40	27	13	200
New production.....	133	147	160	173	187	800

To compute decreases:

1. Set allotment: Allotment = 800.
2. Compute decrease factor for each county: (Production = sales) / production.
3. Compute production decrease: $1,000 - 800 = 200$ decrease.
4. Compute base by dividing the sum of the decrease factors into the production decrease: $200 \div 1.50 = 133$.
5. Multiply each county's decrease factor by base to get decrease.

INCREASING PRODUCTION

	County A	County B	County C	County D	County E	Total
Production.....	200	200	200	200	200	1,000
Sales.....	100	120	140	160	180	700
Increase factor.....	0.50	0.60	0.70	0.80	0.90	3.50
Production increase.....	28	34	40	46	52	200
New production.....	228	234	240	246	252	1,200

To compute increase:

1. Set allotment: Allotment = 1,200.
2. Compute increase factors for each county: Sales / production.
3. Compute production increase: $1,200 - 1,000 = 200$.
4. Compute base by dividing the sum of the increase factors into the production increase: $200 \div 3.50 = 57.4$.
5. Multiply each county's increase factor by base to get increase.

TABLE A-1.—*Alternate method*

If no counties were allowed to take a decrease of more than 5 percent above the national decrease, the remaining counties would have to take a larger decrease than that calculated in table A in order to realize the national decrease. In the example below, the national decrease is from 1,000 to 800 or a cut of 20 percent. Therefore, the maximum allowable decrease in production would be 25 percent. To compute this, the decreases could be first computed by the methods shown in

table A based strictly on sales. If any counties had a production decrease of 5 percent more than the national decrease, the production decrease would be set at the maximum decrease (in the example—25 percent). The remaining decrease could be proportionally divided among the remaining counties in the same manner as before.

County	A	B	C	D	E	Total
Production.....	200	200	200	200	200	1,000
Sales.....	100	120	140	160	180	700
Decrease factor.....	0.50	0.40	0.30	0.20	0.10	1.50
Production decrease.....	67	53	40	27	13	200
New production.....	133	147	160	173	187	800
Percentage decrease.....	33	26	20	13	6	-----
New production ¹	150	150	150	167	183	800

¹ Since counties A and B had percentage cuts of over the maximum cut of 25 percent, their quota would be changed to allow them to produce 150 bales each. The remaining would then have to take a heavier proportional decrease. The remaining counties' decreases would be computed:

Counties A and B have taken a 100-bale cut, leaving the other counties to take a total cut of 100 bales. Therefore, the production decrease for the remaining counties would be 100 bales. The sum of the decrease factor would be $0.30+0.20+0.10=0.60$. $100 \div 0.60 = \text{approximately } 170$.

Multiplying the base of 170 by each counties' decrease factors gives the new production.

Mr. HOOVER. I would like for us, if we could, to turn to page 6. Well, we can turn to page 7, and I can explain this very quickly. This is the table and these are hypothetical counties and the figures are hypothetical acreages. County A in the year had a production of 200 and had sales of 100 bales. They had in effect a decrease factor of 50 percent. They sold half of their cotton. County E had a production of 200 and sales of 180. They had a decrease factor of 10 percent or they had sold 90 percent of their cotton. If the total sales of those 5 hypothetical countries were 1,000 acres of production or bales of production and the sales were 700, it is reasonable to assume that the following year we would have to reduce. And if in the illustration we reduced to a figure of eight-tenths or 80 percent, the new production would be 800 bales. Under the present reduction program, county A having sold only 100 would get 160 units or bales or acres; county E having sold 180 would get the same, 160. The sum would be the 800. Under this proposed system, if you take the sum of the decreased factors on the third line you come up with a figure of 1.50. You then divide the amount of production that you want to take out, the 200 by the 1.50, and you come up with a base of 133. By multiplying the 133 back into the decrease factor for each county you would get the county's proportionate decrease. The result is shown that the inefficient county, instead of getting 160 bales under the present system would get 133, and the more efficient county, instead of getting 160 would get 187. The sum would be 800. Below that, but I won't go into it, is a method of computing increases in a year of national increase even for counties that had shown a basic decrease.

The CHAIRMAN. What you are really advocating is that those parts of the United States where they produce cotton much more salable than others would receive compensation for it by way of more acres.

Mr. HOOVER. Yes, by a chance to produce because we are in such a dilemma that if we don't finally make cotton competitive we are going out of the business.

Senator JOHNSTON. In other words, you are squeezing out more than they are squeezing out now of the little farmers?

Mr. HOOVER. No, sir, I don't—

Senator JOHNSTON. Wouldn't that be what it is?

Mr. HOOVER. There are large farmers and small farmers who won't be able to compete, maybe, at this 30 cents that most of the people who testified have seemed to indicate a desire to go to.

Senator JOHNSTON. The reason I say that is because the small farmers grow a shorter staple cotton and the ones who have irrigated farms grow a longer staple cotton and they sell it, isn't that true?

Mr. HOOVER. I think that some of our mill friends can answer that better than I, but there is a greater demand for short staple cotton than there is for long staple cotton, so the demand would be there for all kinds and qualities of cotton. If there is some incentive given to sell your cotton they will finally grow the kinds that the mills ask for.

Senator JOHNSTON. That is true for the short staple, but it is not true, I don't think, when it comes to the percentage of long staple and short staple grown, isn't that true?

Mr. HOOVER. There seems to be an undersupply at the present time of cottons $1\frac{3}{32}$ inches and longer. There partly is an oversupply of cottons around an inch.

Senator JOHNSTON. Squeeze them out.

Mr. HOOVER. Not squeeze them out, but get them to thinking about changing their production to something that is more salable and less loanable, if that is a good word.

The CHAIRMAN. It would be your idea to have the growers produce cotton that is readily salable and not merely grow it for Government loan?

Mr. HOOVER. Yes, sir.

In brief, this plan would slightly penalize counties which, over a 3- to 5-year period, had sold less than the national average and slightly encourage counties which had sold a high percentage of their crop.

The CHAIRMAN. I imagine such a plan would be very difficult to administer. It is bad enough now. Proceed.

Mr. HOOVER. It is bad enough, but I think that the people who figure some of these things out can put it into one of these high-priced machines and come out rather quickly with what each county would be able to do.

This should allow for a gradual shift of production from high cost, low yield areas to low cost, high yield areas. It should encourage high production areas to plant the kinds of cotton in greatest demand because we today have some high yield areas that are planting cotton for the Government loan and we should encourage them to plant cotton for the American and foreign mills. It should encourage low yield areas to improve their product and to market it in competition with synthetics and other qualities of cotton. It should have an appeal to the cotton mills who could encourage adequate production of the most necessary qualities. The price is now being squeezed by synthetics on the top and the high loan on the bottom and it just makes it feasible for people like some of the previous witnesses to grow something that has a high loan price rather than something that some of our mill friends might want.

Because increased efficiency and increased production should finally result in lower cost, this should bring American cotton more nearly in line with world prices and reduce the cost to the taxpayer.

This raises the question of how to handle the social and economic problem of inefficient, high cost, low yield areas. As areas decline in production and the less efficient farmers tend to reduce their acre-

ages, they should be encouraged to retire their inefficient acres through a payment for nonproduction over a period of time, say 5 years.

This payment should equal or exceed the farmers projected net income had he chosen to continue in cotton. He could be given an additional incentive in payment for agreeing to place these reserve acres in some desirable conservation crop such as trees, preferably, or range grasses.

We cannot deal with the problem of full consumption and increased efficiencies without discussing price. A large part of the economy of cotton producing States is geared to a full production of approximately 14,500,000 bales. In order to achieve full consumption, our present goal should include at least 9 million bales of domestic consumption and 5,500,000 bales of exports. Our long-term goal should be for several million bales more, the amounts hopefully to be increased in proportion to the population growth. We are not even holding our own and the population is going up and the cotton has gone down from 10 million bales to 9 to 8, and I have a projection back here in table D that shows that at the present rate of decline of consumption and the necessary decline in production to keep the carryover from getting out of bounds, if the production goes from 14.5 in 1962 to 12.5 in 1963, and continues to decline until it reaches 5 million bales in 1967, and the domestic consumption declines from 8 million in 1962 to 7.1 in 1963, and 6.2 million in 1964, and finally reaches 5 million bales in 1966, and the exports decline until they include no more than that which the Government helps to finance, about 1.5 million bales; in spite of all that, because we are trying to bring the production down because we are not selling cotton and the consumption has come down because we have reached a constant figure, in spite of that it makes the carryover go up to where on July 1966 it would reach 18.8 million bales, and it would take until 1975 to reduce that carryover back to about 8 million bales. You would only be gaining on the carryover at the rate of 1.5 million bales a year. The result as I see it would be economic chaos across the Cotton Belt and the Nation. The conclusion that I came to was that this committee and its counterpart in the House of Representatives should act now to initiate a one-price system with a base price at least 1 cent lower than the present American export price. The cost will be far less expensive than the consequences. The result will restore cotton to a place of importance in increasing the productivity and prosperity of the Nation.

(The document referred to follows:)

TABLE D

Year beginning Aug. 1	1962	1963	1964	1965	1966	1967	1968
Government stock.....	4.7	8.1	11.1	13.9	15.9	16.3	14.8
Free stock.....	3.2	(3.2)	3.0	2.6	2.5	2.5	2.5
Carryover Aug. 1.....	7.9	11.3	14.1	16.5	18.4	18.8	17.3
Production.....	14.5	12.5	10.7	8.8	6.9	5.0	5.0
Supply.....	22.4	23.8	24.8	25.3	25.3	23.8	22.3
Domestic.....	8.0	7.1	6.2	5.3	5.0	5.0	5.0
Export.....	3.1	2.6	2.1	1.6	1.5	1.5	1.5
Consumption.....	11.1	9.7	8.3	6.9	6.5	6.5	6.5
Carryover July 31.....	11.3	14.1	16.5	18.4	18.8	17.3	15.8

Assume:

1. Beginning August 1, 1963, domestic consumption will decline steadily until it reaches 5 million bales on August 1, 1966, and remains constant after that.
2. Exports decline steadily until they reach 1.5 million bales on August 1, 1966, and remain constant after that (with help from Public Law 480, etc.).
3. Carryover in free stocks will never be more than 50 percent of estimated domestic consumption for the following year.

Then:

1. If production is reduced steadily until it reaches 5 million bales on August 1, 1967.
2. The Government's part of the carryover will increase steadily until it is 16.3 million bales on August 1, 1967.
3. It will take 8 years after August 1, 1967, to reduce the Government's part of the carryover back to approximately the August 1, 1962 figure of 4.7 million bales, and production cannot be increased from 5 to 6.5 million bales until 1975.

Results: 1. Economic chaos across the Cotton Belt, and the Nation.

CONCLUSION

This committee and its counterpart in the House of Representatives should act now to initiate a one-price system with a base price at least 1 cent lower than the present American export price. The cost will be far less expensive than the consequences. The result will restore cotton to a place of importance in increasing the productivity and prosperity of the Nation.

Mr. HOOVER. In order for the export portion to compete with the world price and the domestic portion to compete with synthetic fibers and be given equal treatment with world price, equal but gradually reducing subsidies should be paid for both domestic and export cotton.

In order to create a favorable climate with the taxpayers, cotton-growers should agree to a reduction in support price of some reasonable amount, say $2\frac{1}{2}$ cents over a 3-year period. It should pinch them a little bit and say this would be $2\frac{1}{2}$ cents over a 3-year period, which should bring the support back to 30 cents.

Chart B shows how full consumption might be accomplished through revision of the support price and the subsidy.

It can be conservatively estimated that a reduction of the export price from the present 24 cents to a basic 23 cents should regain our rightful share of the export market without the strong dependence we now have on the Public Law 480 program. It should also be conservatively estimated that making the price for American mills equal to the export price should give American cotton a chance to be consumed in domestic mills in competition with synthetic fibers and help our American mill friends to regain some share of the export market which they formerly enjoyed.

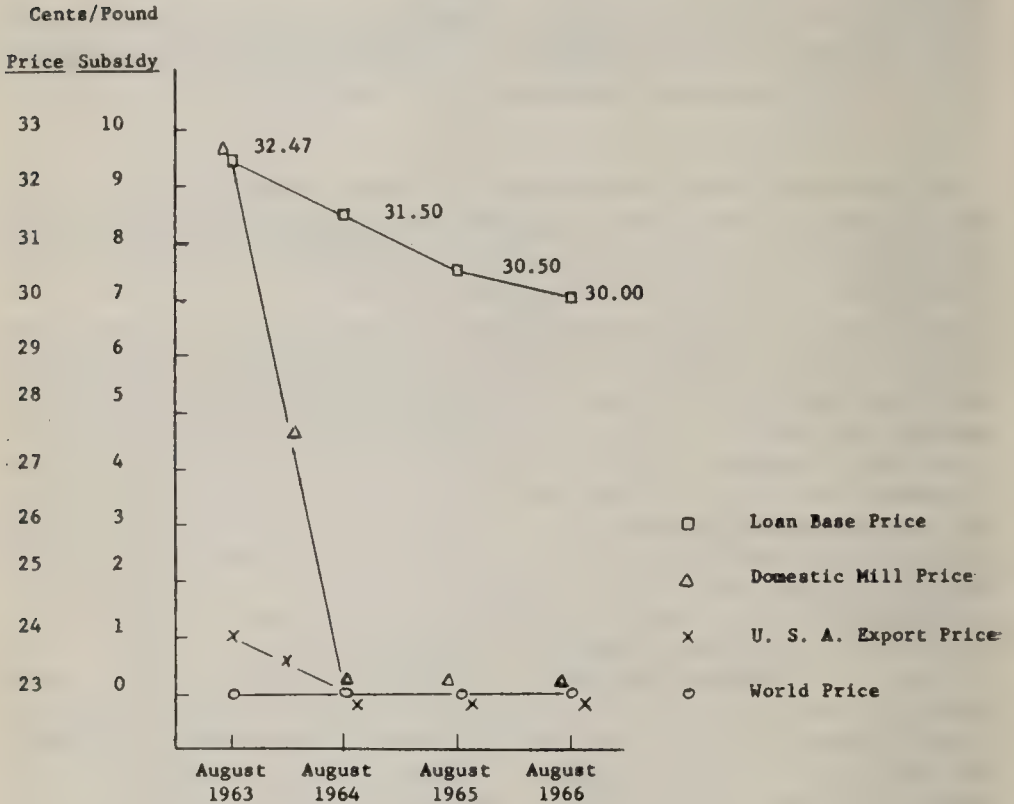
Chart C, which is on page 11, shows how the domestic price would be made competitive with the export price and the export price competitive with the world price along with a gradual reduction in the loan price over a 3-year period.

Now, because the Secretary of Agriculture announced the loan price of 32.47 even before people could get together to figure out what should be done, that is what we use. If we are going to export more than 3 million bales, $1\frac{1}{2}$ of which is with Government help, it seems to me we have to take the figure shown on chart C, the X, which is the export price, and reduce that immediately to 23 cents. If we are going to keep the American mills from going to synthetics as fast as the synthetic fiber producers can supply them, from going all the way to synthetics and never coming back, we are going to have to drop the domestic price to the same price, which can be done if it can be sold. Then if

we would reduce this loan price over a 3-year period we could finally get the subsidy down to 7 cents a pound at the end of 3 years, and hopeful this research that other people have talked about and some of the pressures that you might bring on them, might bring that difference even lower and the cost of this should not be any more than this: approximately \$460 million that we have had some reference to.

(The document referred to follows:)

CHART C



Proposed Handling During:	1963/64	1964/65	1965/66	1966/67
Loan Base	32.47	31.50	30.50	30.00
Export Price (Subsidy)	8½-9½	8½	7½	7
Domestic Mill Price (Subsidy)	0-9½	8½	7½	7

Mr. HOOVER. Premiums and discounts for computing loan prices should be based on a 3- or 5-year moving average of the quoted differences between August and April rather than on the present 1-year method. The larger number of years should average out peaks and valleys which result from over- or under-production, poor weather, and other unusual factors during any one year.

It is recommended that at the end of 2 years the results of this program be analyzed critically and fairly to determine what progress has been made and to lay plans for continuing a sound and stable

direction for American cotton beyond the third year. Although we cannot guarantee what the future holds, it seems conservative to say that after 3 years under this type of a program, we should be able to produce for full consumption approximately 14,500,000 bales, thereby, enabling us to maintain an adequate but not uncomfortable carry-over with a competitive price against both synthetic and foreign competition and a more stable cotton economy.

It is my feeling that unless we do something now, American mills will become full-time customers of synthetic fibers and foreign buyers will have little need for our cotton. It is within the realm of possibility that within 5 years, we could be producing an irreducible minimum of 5 million bales. The loss of tax revenue and the increase of welfare problems should be many times the cost of an immediate realistic and competition-provoking cotton program.

Thank you for allowing me the privilege of offering this testimony.

The CHAIRMAN. Thank you very much. You have given a good deal of thought to the problem. I hope the committee will look into it. The only thing, as I said, is that in the administration, some of your suggestions might present quite a few problems. It is bad enough as it is. And it might wind up in the long run in shifting the production of cotton from one area to another, and there would be a lot of opposition to that even in your own State.

Mr. HOOVER. Yes, sir, but there would also be the opportunity from the area from which the cotton was being shifted to improve and try to produce a more salable product.

The CHAIRMAN. It is an incentive to do that, I realize that, but all of that takes time and to put that into the law. I don't know that is necessary. I think it is up to the farmers to do that. Suggestions from the Department would maybe do that. Under the law, you know, the Secretary now has the right to fix the price of cotton. It may be that we can work something out under the present law to attain some of those things that you discussed.

Mr. HOOVER. Yes, sir. May I say one other thing. When we have a reduction, the reduction is on acres and that is where I think it should be. But if we have a 10-percent reduction in the belt, across the Cotton Belt, and the average production is, say, a bale to the acre, the man who is producing more than that has a greater reduction than the man who is producing less than that. And the man, in most cases, who is producing more than that, whether he is from the Mississippi Delta or from Louisiana, or from California, is producing a cotton that is desirable and is being sold. You could take as an example San Joaquin Valley of California where they have a production of about 1,600,000 bales. When you reduce them 10 percent in acres you are reducing them really 20 percent in bales, and they ran out of their cotton this year on about the 15th of February in spite of the fact there are 5 million bales in the Government loan, which this export program is now going to more or less lock into the loan. So, the mill people who are dependent upon that particular kind of cotton for the special qualities that it has, will have to turn to one of these eight or nine synthetic fiber producers who have been sitting back gleefully waiting for the day, and once the synthetics get them in they won't be very easy to get back to cotton. The results there in

California will reflect themselves all the way back to Georgia and South Carolina and North Carolina.

The CHAIRMAN. You say you plant cotton yourself?

Mr. HOOVER. Yes, sir.

The CHAIRMAN. Under your management?

Mr. HOOVER. Yes, sir.

The CHAIRMAN. How many acres do you have there?

Mr. HOOVER. My brother is the actual cotton planter. We will be farming this year too many acres based on the amount of water. It will be somewhere around 2,000 acres.

The CHAIRMAN. Of cotton?

Mr. HOOVER. Yes, sir.

The CHAIRMAN. Is any of yours under tenant system?

Mr. HOOVER. Yes, sir. We rent some land from other people; we have some land in partnership; and we own some land. So it is a combination, a crazy combination.

The CHAIRMAN. Thank you very much. Any further questions?

Senator JOHNSTON. No questions.

The CHAIRMAN. Thank you very much.

Mr. HOOVER. Thank you.

The CHAIRMAN. This concludes the hearings today, and the committee will stand in recess until 10 a.m. tomorrow.

(Whereupon, at 12:25 p.m., the committee recessed, to reconvene at 10 a.m., Friday, May 24, 1963.)

COTTON PROGRAMS

FRIDAY, MAY 24, 1963

U.S. SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D.C.

The committee met, pursuant to recess, at 10:05 a.m., in room 324, Old Senate Office Building, Senator Allen J. Ellender (chairman) presiding.

Present: Senators Ellender (chairman), Johnston, Eastland, Talmadge, Jordan of North Carolina, McGovern, Aiken, and Young of North Dakota.

The CHAIRMAN. The committee will come to order.

The committee will continue its hearings on the bills that are before us. We will hear today from, first, from Mr. William H. Ruffin. Have a seat, sir.

Do you have anybody helping you that you desire to sit with you?

Mr. RUFFIN. Yes, sir, Mr. Chairman. I have three gentlemen, with your permission, who will appear with me.

Mr. Libert Ehrman, Mr. Alonzo Bonsal, and Mr. Robert C. Jackson.

The CHAIRMAN. Mr. Ruffin, I notice you have a prepared statement.

Mr. RUFFIN. Yes, sir.

The CHAIRMAN. Do you mind being interrupted as you go along?

Mr. RUFFIN. No, sir; not at all.

The CHAIRMAN. All right. You may proceed.

STATEMENT OF WILLIAM H. RUFFIN, PRESIDENT, AMERICAN TEXTILE MANUFACTURERS INSTITUTE, DURHAM, N.C.

Mr. RUFFIN. Let me thank you, Mr. Chairman, and gentlemen of the committee for the privilege of appearing before you.

My name is W. H. Ruffin, I am president of Erwin Mills of Durham, N.C. Erwin Mills has been engaged in the spinning and weaving of cotton, exclusively, until a little more than a year ago. We employ 5,300 people, and on an average through the years have consumed about 180,000 bales of cotton annually.

Erwin Mills is a wholly owned subsidiary of Burlington Industries for which company I also speak. It consists of 125 plants with 60,000 employees operating in 100 communities and consuming some 600,000 bales of cotton annually.

I appear before you today as president of the American Textile Manufacturers Institute, the national trade organization of the basic textile manufacturing industry, exclusive of wool.

Mr. Chairman, the subject being considered by your committee is of enormous interest to the textile manufacturing industry of this coun-

try. The outcome of your deliberations will affect the future of hundreds of manufacturing establishments, and the jobs and earnings of tens of thousands of people. It may be of interest to note that the combined textile and apparel industries employ some 2 million men and women—1 out of every 8 persons employed in this Nation's manufacturing industries.

Numerous witnesses from our industry wanted to appear here and recount to you their experiences under the current two-price cotton marketing system. But in respect for your time, and in the interest of avoiding duplication, we have condensed our industry's case into a coordinated presentation.

With your permission I shall make some opening comments, to be followed by Mr. Libert Ehrman and Mr. Alonzo Bonsal. I shall then ask Mr. Robert Jackson to summarize our position.

COTTON IS IN TROUBLE

For the past 4 days, witnesses representing all segments of the cotton economy have told you the same story—cotton is in trouble. Markets are being lost at home and abroad. The trend of consumption is downward; acreage is being reduced; short time and job losses prevail throughout the textile industry; the income of more than 13 million people—dependent upon the crop—inevitably will suffer.

It is not our purpose to rehash here the volumes of facts, statistics, and information already in your hands. I am sure I can assume each member of the committee is completely aware of the crisis situation facing cotton. Consequently, we shall focus attention on the problem from the viewpoint of the industry through which cotton moves to market.

In the case of cotton—the problems, the consequences of action, or lack of it, and the hopes for the future of farmers and manufacturers, are inevitably intertwined. The reason is obvious. A bale of cotton—white gold to the farmer for 150 years—is virtually worthless until it is spun and then manufactured into a consumer item. It must go through industry spindles. And it is the textile industry that does the initial, and in many instances, the final processing. Thus, any way you look at it, the strength of cotton and its future cannot possibly be any greater than the strength of the industry through which the product moves to market.

To state it differently, when cotton is in trouble the textile industry suffers. When the textile industry is in trouble, cotton suffers.

For the most part, our industry was born and has been nurtured on the processing of cotton. We like it. It is a magnificent fiber—a truly miracle fiber. For many of us in our industry, cotton is as much a part of our heritage and background as it is for the oldest cotton producers in the country. We have the same attachment for it; we have the same desire—in fact, yearning—to see it used in ever-increasing quantities.

But, instead, we see all about us in our industry the signs of a cotton debacle. Markets are being lost rapidly to other fibers and to a variety of competing products largely because of price. Imports of cotton goods, manufactured from cotton purchased substantially below the price we must pay and involving wage rates far below the legal minimum in this country, are devastating our market structure and

replacing hundreds of millions of yards of our production, hundreds of thousands of bales of American cotton, and tens of thousands of American jobs. It is happening now, and the upward trend continues unabated.

The CHAIRMAN. Is that not the chief burden of your trouble?

Mr. RUFFIN. It certainly is one of the chief causes of our troubles today, although there are other factors involved.

The CHAIRMAN. The others are minor compared to this one.

Mr. RUFFIN. Well, sir, I think the biggest trouble about cotton today, sir, is its higher cost as compared to the improved rayon staple, which sells at so much a lower price.

Then, our foreign competitors are able to ship goods into this country at a terrific disadvantage to us since we have to pay the American support price for American-grown cotton while they enjoy lower cotton costs.

The CHAIRMAN. But, I would say that most of your trouble really stems from selling the cotton cheaper abroad and thereby permitting the manufacturers abroad to take over some of your markets at home.

Mr. RUFFIN. Yes, sir, as it relates to our own history. As it relates to cotton itself——

The CHAIRMAN. I am talking about your industry, I am talking about the textile industry.

Mr. RUFFIN. Yes, sir.

The CHAIRMAN. Because you don't have to close up. You can buy some of these other materials instead of cotton. You can do that if you want to.

Mr. RUFFIN. Yes, sir, and I would like to interpose into the testimony later the experiences in my own company which, as I say, used to run exclusively on cotton.

The CHAIRMAN. I understand.

Mr. RUFFIN. Until something a little more than a year ago.

The CHAIRMAN. I understand.

Mr. RUFFIN. Scores and scores of textile manufacturing establishments are in serious trouble and a huge segment of our Nation's economic structure—our total cotton economy—is imperiled.

Obviously, many factors are involved in the problem, and in any workable solution. But I believe every real student of the situation in this country acknowledges today that the overriding problem is price, or, from our point of view, raw material cost.

Let's look briefly at this raw material cost situation through the eyes of cotton's principal customer, the American textile manufacturers.

For many years the U.S. Department of Agriculture has kept records on cotton cost, as a percent of total manufacturing costs of our mills. This record shows that through the years cotton has averaged about 55 percent of total cost. As you will readily recognize, that is a very high level of raw material cost for any manufacturing industry. But it becomes a much more significant consideration when you pause and consider the extent to which this high cost factor is geared to governmental and political influences that are completely unrelated to the cold realities of the marketplace.

You know the facts very well, but just to keep the discussion in perspective, consider for a moment the combination of Government

policies having a direct bearing on this raw material that accounts for 55 percent of our cost structure:

1. Since the 1930's cotton has been supported at a price fixed by Government, but often subject to changes of regulations or policies of the Secretary of Agriculture.

2. Also, since the 1930's our Government has maintained a rigid system of import quotas on cotton, allowing the entry each year of less than 1 day's supply of the upland type cotton that accounts for 98 percent of our total consumption.

3. Since 1956 we have operated under a law which directs the Secretary of Agriculture to sell American grown cotton abroad at whatever price is necessary to achieve our historic share of the world market.

As you know, the current subsidy is 8½ cents per pound. But this isn't the whole story. Actually, foreign mills buy foreign cotton in heavy volume at a margin wider than the 8½ cents. Students of the situation tell us the figure is nearer 9½ or 10 cents. Also, under the recently announced competitive bid cotton sales for export program, cotton is made available for export without payment of carrying charges which American mills must pay.

The combined effect of these three policies of Government is to say to the American textile industry that you must use American cotton only; you must pay a price for it substantially above the world market; you must bear the burden of the competition created for you here at home, both from competing products and from imports manufactured from the lower priced cotton available abroad—both foreign and American grown. Foreign manufacturers consume about eight bales of foreign cotton for each bale of U.S. cotton exported.

World War II and the reconstruction period that followed, coupled with the Korean war and its influences, undoubtedly delayed the inevitable impact of this combination of policies. But events of the past few years, particularly the past 2, have brought the whole situation into sharp focus. The cotton industry as we have known it in the past, is deteriorating rapidly.

The cold, hard fact is that the textile manufacturing industry, the industry through which cotton moves to market, is being forced to turn away from cotton as a raw material.

For example in 1955, the last year before the two-price cotton system became operative, 92.5 percent of all active cotton-system spindles were used exclusively for spinning cotton.

In 1962, however, only 90.1 percent were devoted to that task. And in March of this year the comparative figure was 85.9 percent. In other words, more and more spindles are being used for synthetic or blended fibers and the trend is pronounced.

U.S. per capita consumption of cotton dropped from 26.5 pounds in 1955 to 22.5 pounds in 1962, and cotton's share of all U.S. fiber consumption decreased from 65.3 to 59.5 percent.

Mr. Chairman, we are going to file for the record, with your permission, numerous examples illustrating just what I have tried to point out here. Perhaps I can best talk about my own experience in the Erwin Mills which operates eight plants, eight cotton mills and finishing plants in North Carolina, and one in Mississippi. We were exclusively on cotton, we have always been cotton mills.

A little more than a year ago we had practically no synthetic fibers in our mills. A little over a year ago, we had about 5 percent of our looms that were making work clothing, sportswear, beachwear, and leisure fabrics with some blends in them. Now, 1 year later, 49½ percent of our looms that are making these fabrics are running on blends, most of them 50 percent cotton and 50 percent synthetic fiber, a dramatic change in the picture.

The CHAIRMAN. Why did you do that exactly? Is it because of the high price of cotton?

Mr. RUFFIN. That was largely the reason, sir. Cotton is so much higher——

The CHAIRMAN. To what extent did that affect your production and output?

Mr. RUFFIN. I would say, if anything, it helped it.

The CHAIRMAN. It helped it?

Mr. RUFFIN. Because these blends, these synthetic fibers blended with cotton, run just as good on our equipment—maybe even better—than cotton itself. They are uniform in staple, in quality, and they have very little waste in them.

The CHAIRMAN. What I am trying to do is develop all the facts possible here and I don't want you or anybody else to think for a moment that you are to judge me by the tenor of the questions I ask.

Mr. RUFFIN. No, sir, I am happy to have them.

The CHAIRMAN. So that with the purchase by you of substitutes, your mills have been able to manufacture about the same amount of cloth as they did before?

Mr. RUFFIN. Yes, sir; more, I would say, a little more.

The CHAIRMAN. A little more.

You say that it is better?

Mr. RUFFIN. Well, sir, the blends mixed with cotton, the new highly improved rayon staple mixed with cotton does make a very handsome fabric, and I would have to admit, sir, that had we stayed altogether on cotton, I think our production would have been very severely curtailed by now. We did not—I did not welcome it.

The CHAIRMAN. You mean because you couldn't have sold the goods?

Mr. RUFFIN. Because we couldn't have sold the goods, couldn't have sold the product.

The CHAIRMAN. So the reason why you have to turn to the purchase of these synthetics is to be in a better competitive position?

Mr. RUFFIN. Yes, sir, and it——

The CHAIRMAN. But it does not affect your output and it does not curtail employment at your mills?

Mr. RUFFIN. No, sir. Again, one of the principal reasons is the high cost of cotton compared with the new improved, greatly improved, rayon staple.

The CHAIRMAN. Well, you state, I mean you will mention in your statement, I presume, what you propose that Congress do?

Mr. RUFFIN. Yes, sir.

Senator YOUNG. May I ask this question? Is this blended fabric as easily exported as straight cotton fabric?

Mr. RUFFIN. Is easily exported as a fabric?

Senator YOUNG. As a straight cotton fabric.

Mr. RUFFIN. Yes, sir.

Senator YOUNG. Easier?

Mr. RUFFIN. I would say probably even more so, because I believe American mills are ahead of our foreign competition on blended fabrics.

Senator YOUNG. Thank you.

Mr. RUFFIN. Yes, sir.

The CHAIRMAN. Proceed, sir.

Mr. RUFFIN. Even more alarming than the domestic losses to competitive products is the relentless upward trend of imports. In 1955 imports of all cotton products, translated into square yard equivalents, were approximately 300 million square yards.

In 1956, the first year of the two-price cotton system, the figure jumped to 450 million square yards.

By 1960, it had reached more than a billion yards. The current rate is 1.3 billion and rising steadily.

The CHAIRMAN. You mean of blended material?

Mr. RUFFIN. No, sir, these are imports.

The CHAIRMAN. Imports, yes.

Mr. RUFFIN. Imports of cotton products.

The CHAIRMAN. As I remember, the imports reduced the bales of cotton that could have been used by us, it was about 675,000.

Mr. RUFFIN. That is approximately correct; yes, sir.

The CHAIRMAN. That is about the same figure, you have it in yardage.

Mr. RUFFIN. Yes, sir. I wish I had put it in terms of bales.

The CHAIRMAN. Well, we will have both, I just wanted to identify, to be sure that both were the same.

Mr. RUFFIN. Yes, sir.

The CHAIRMAN. Now, I again ask, in your opinion, is it not true that the fact that this foreign competition is striking you directly in the face, is one of your chief complaints?

Mr. RUFFIN. Yes, sir; that is one of the chief problems of our industry.

The CHAIRMAN. Yes.

Mr. RUFFIN. But again greatly accelerated and adding to this trend of imports by reason of the fact that we have got two-price cotton.

The CHAIRMAN. I can see that, too. But, as I say, what I am trying to do is to pinpoint what your troubles are.

Mr. RUFFIN. Yes, sir.

The CHAIRMAN. And the chief reasons for the trouble you are in now.

Mr. RUFFIN. Yes, sir. I would say we have two great problems, Mr. Chairman. The two-price cotton system with all of its unfairness and injustices, which I certainly won't go into at this moment, and the matter of imports and the controlling of those imports under our 5-year international agreements which seem to be badly out of hand.

The CHAIRMAN. Well, I don't want to anticipate you, but do you have in your statement the amount of losses of raw cotton consumption in the United States, that, say, from year to year that are due to substitution by using rayons and other fibers?

Mr. RUFFIN. I think that has been brought out in some of the statements made earlier, sir.

The CHAIRMAN. Well, there has been, of course, quite a loss.

Mr. RUFFIN. Oh, yes; there has been a tremendous loss in the use of cotton itself.

**STATEMENT OF ROBERT C. JACKSON, EXECUTIVE VICE PRESIDENT,
AMERICAN TEXTILE MANUFACTURERS INSTITUTE**

Mr. JACKSON. Mr. Chairman, I believe the National Cotton Council which has made careful estimates along this line indicate that losses currently are in the neighborhood of a million and a quarter bales annually as a result of imports and domestic market losses combined.

The CHAIRMAN. Well, do you add the substitution of rayon and other fibers?

Mr. JACKSON. Yes, sir; that would include losses from——

The CHAIRMAN. In other words, 675,000 bales would come from losses sustained because of imports.

Mr. JACKSON. Actually, the current rate is larger than 675,000 bales.

The CHAIRMAN. Well, those are the one we have so far in the record——

Mr. JACKSON. Yes.

The CHAIRMAN. To make the million and a half bales, wherein is the difference there, 675, assuming——

Mr. JACKSON. We, of course, experienced, as Mr. Ruffin has indicated, a very heavy loss in the domestic market to the synthetic fibers and to other materials as well.

The CHAIRMAN. Manufactured in this country?

Mr. JACKSON. Yes, sir.

The CHAIRMAN. That is to be expected, I presume?

Mr. JACKSON. Well, again it relates to this question, in many instances, of price.

The CHAIRMAN. Well, one question I would like you to bear in mind, and you might answer it when you come to it, is this: What, in your opinion, would be the additional amount of cotton that would be purchased by the U.S. mills if you had a one-price system?

Mr. JACKSON. Mr. Chairman, the Department of Agriculture has made the estimate that for each cent-a-pound decrease in the price of cotton, domestic consumption would likely increase anywhere from 100,000 to 200,000 bales annually. I think our own feeling is that given a one-price system, domestic consumption would move very quickly into the range of 9 million bales, and that in a very short time thereafter it would be substantially higher than that.

The CHAIRMAN. That is, notwithstanding the fact that, as Mr. Ruffin has just testified, that this blend makes a good material and he is doing a better business?

Mr. JACKSON. Well, Mr. Chairman, bear in mind——

The CHAIRMAN. Let him answer.

Mr. JACKSON. Excuse me. I don't want to misquote him.

Mr. RUFFIN. Yes, sir, it makes a very good fabric. I am loyal to cotton, but blends of cotton with this 24-cent rayon staple does make a very attractive fabric and it has an appeal to our customers.

The CHAIRMAN. Well, that indicates, of course, that you have sales for it.

Mr. RUFFIN. Yes, sir.

The CHAIRMAN. I presume you are going to continue?

Mr. RUFFIN. Well, I think that the lowering of the price of cotton would tend to and I would expect it to reclaim some of this market.

The CHAIRMAN. Well, in any event, from the fact of the statements just given by Mr. Jackson, you could anticipate the first year, at least, an additional sale of cotton to the extent of about 700,000 bales.

Mr. JACKSON. We think that would certainly be reasonably, yes, sir.

The CHAIRMAN. Proceed.

Mr. RUFFIN. Mr. Chairman, I neglected to add that the only reason that trend has not been faster is that the synthetic staple is not available beyond the quantities that we are now using, and those facilities, we are told, are being very rapidly increased. I think every pound of staple that is available is being used.

The CHAIRMAN. You mean of synthetic?

Mr. RUFFIN. Yes, sir.

The CHAIRMAN. And you would use more if you had it?

Mr. RUFFIN. We could use more and would use more, and there are many mills, like ours, which cannot get the amount of rayon staple they would like to have because it is just not available, and the synthetic fiber producers are increasing their facilities.

The CHAIRMAN. Well, is that one of the reasons why we want cotton lower?

Mr. RUFFIN. Yes, sir.

The CHAIRMAN. Proceed.

Mr. RUFFIN. Yes, sir.

Mr. Chairman, apropos your questions, these cotton textile imports are equivalent to a loss of nearly 1½ million acres of American cotton production.

The result of these hard facts is that cotton is losing its ability to compete in the textile industry as a raw material. This means, in turn, that the influences of the industry—its emphasis on research, styling, promotion, advertising, selling—is shifting rapidly from cotton to other fibers.

The mills' concern over the cost of cotton stems from the competitive ability of cotton products. We have found that at current cotton costs cotton products cannot compete successfully with products made from other materials. And the whole market structure of the cotton production and textile industries—both pricewise and volumewise—is being undermined by imports manufactured from lower priced cotton—either foreign grown or American grown.

Actually, a very substantial portion of the imports are able to enter the U.S. market purely and simply because American mills are required by law to pay one-third more for cotton, including American cotton than the foreign mills pay. I refer specifically to yarn and gray cloth where cotton cost is such a heavy portion of total costs.

The CHAIRMAN. Mr. Ruffin, since the main difficulty stems from imports to this country of foreign-made goods, would you advocate that a tariff be placed on the importations?

Mr. RUFFIN. Mr. Chairman, excuse me, sir; was that your complete question?

The CHAIRMAN. Yes.

Mr. RUFFIN. Mr. Chairman, I do not believe that tariffs, an increase in tariffs, is the answer. I doubt very much if American tariffs could be raised enough to take care of the problem, and we have felt for a

long time that the only solution, and the only answer, is in quotas, import quotas, category by category, and country by country.

The CHAIRMAN. Based on a historical, or their historical shipments here in the past?

Mr. RUFFIN. Well, we wish they were based on the historical——

The CHAIRMAN. I say but that is what you would advocate?

Mr. RUFFIN. Well, they inevitably come in with their increasing imports, and they inevitably parade into Washington and ask for the last month's shipments, which have been on a greatly upward trend, be used as a minimum, that they become the quota. We wish it could go back and be related historically which could bring lower quotas.

The CHAIRMAN. What I was trying to elicit from you was what the solution was to the problem insofar as importations are concerned because this committee is helpless in that direction.

Mr. RUFFIN. Yes, sir. We think the solution and the only one that we can see are import quotas by category of goods, and by country by country.

Senator YOUNG. Could I ask a question at this point? To what extent are substitutes such as rayon being used in imports? Are the imports mostly cotton goods or a mixture? What is the trend in the makeup of the imports?

Mr. RUFFIN. I think I could answer that question but Mr. Jackson has the information more at his fingertips, sir.

The CHAIRMAN. Proceed, Mr. Jackson.

Mr. JACKSON. Senator, as a result of the international cotton arrangements which are supposed to exert some controls on imports of cotton goods but which, as Mr. Ruffin indicated, are falling considerably short of their promise, primarily because of this cotton cost advantage, there is an increasing tendency on the part of the foreigners to ship into this country blends that do not qualify as cotton goods, and therefore are not subject to the terms of the arrangement.

We have seen in recent months a great deal of emphasis on finished goods and a movement toward blends that would involve just over 50 percent of some fiber besides cotton so they do not qualify as a cotton fabric and come under the arrangements.

Senator TALMADGE. May I ask a question at that point?

The CHAIRMAN. Senator Young, are you through?

Yes, Senator.

Senator TALMADGE. I was wanting to get into the failure of this 19-nation agreement that we made. Why is that not working now? Is that because our executive branch of government is not enforcing it as it should or is it because, as mentioned in your statement, when they substitute a blend it is not considered to be a textile import?

Where is the responsibility on that, Mr. Jackson? Why isn't it working and what can this committee or this Congress do to make it work?

Mr. JACKSON. Senator, I think there are two or three factors involved. In the first place, it is something that is entirely new, it is something that has never been done before by our Government and by these other governments. In fairness, it has involved an awful lot of new problems that our Government has had to deal with. But even so, we think that it has not been nearly as rigidly enforced as it should have been; that is point No. 1.

Senator TALMADGE. Is that because of finances, personnel, or will to enforce it?

Mr. JACKSON. I think it has to be in the final analysis the overriding considerations of international politics, things that the influences that the State Department would exert in a picture of this sort. They are always present, as we know.

Second, and I think unquestionably the most important single factor in the failure is the cotton cost advantage that the foreign manufacturer has. It creates such a windfall profit, both to the foreign exporter and to the domestic importer that they are finding every way on earth to circumvent that agreement. They are just getting—

Senator TALMADGE. As I understand it the agreement would relate to a specific country which should not exceed a given number of yards in imports to the United States, is that correct?

Mr. JACKSON. Well, it isn't an automatic thing. They exceed it only after a point is reached when our Government asks them to restrain their exports. Now, our Government in turn isn't supposed to ask them to restrain shipments to us until they reach a base level.

Senator TALMADGE. Now, was the agreement made with reference to cotton products or textile products?

Mr. JACKSON. It was with respect to cotton products. We tried very hard to get them to cover all textile products.

Senator TALMADGE. And they have been circumventing that by putting more than 50 percent synthetics into the cloth and saying it is not a cotton product, is that correct?

Mr. JACKSON. There is an increasing trend in that direction.

Senator TALMADGE. Has the industry complained to the enforcement officers about that?

Mr. JACKSON. Endlessly, and this was the subject of much of the testimony before Senator Pastore's committee.

Senator TALMADGE. What determination has the executive branch made of this utilization of synthetics instead of cotton?

Mr. JACKSON. Very little so far.

Senator TALMADGE. Have they made any?

Mr. JACKSON. I was trying to remember whether there are any specific instances. If you would permit me to ask one of my associates he can nod his head. He says "No."

Senator TALMADGE. Well then, if it is held to be not a cotton product, if it has more than 50 percent synthetic in it, the agreement would be absolutely worthless, wouldn't it?

Mr. JACKSON. So far as these blends are concerned, yes. And, of course, a fabric that is coming in that is a blended fabric in many instances is replacing a yard of cotton fabric just as surely as if it had been a 100-percent cotton item to start with, and we are told, Senator, that there is a great deal of interest on the part of foreign industries in doing exactly this now as a means of circumventing the agreement.

Senator TALMADGE. I know there are several gimmicks some of them use.

For instance, imports from the Virgin Islands can come in, as you are aware, free of duty. They are importing wool from Italy, putting some phony treatment on it, they call waterproofing, and then it comes in duty free.

Mr. JACKSON. That is right.

Senator TALMADGE. Thank you, Mr. Jackson.

Mr. JACKSON. Thank you, sir.

Mr. RUFFIN. Mr. Chairman, may I address one comment to Senator Talmadge's question?

The CHAIRMAN. Surely.

Mr. RUFFIN. Senator, not only is there evasion by means of these subterfuges of a blend slightly over half and then some little fringes may be tacked onto woolen goods or something that is meaningless. But as we will bring out later there has been simply an outrageous overshipment of goods under this agreement of cotton goods alone under the agreements themselves.

Senator JOHNSTON. But you do have to acknowledge when they are blending it with synthetics. That is a very dangerous thing because if they go to that extreme it puts cotton out of existence again.

Mr. RUFFIN. Yes, sir. Yes, sir.

May I proceed, Mr. Chairman?

The CHAIRMAN. Except before you go further, as I understood your testimony a while ago, this differential in cotton has not affected your production.

Mr. RUFFIN. Yes, sir, it has—it did very seriously affect our production until we were forced to go into blends and then we began to bring our production up more nearly to normal. Until that time we were running on considerably shorter time trying to stay on our normal cotton goods lines.

The CHAIRMAN. Was that because you could not obtain a substitute for cotton?

Mr. RUFFIN. Yes, sir, the synthetic staple at the time was scarce. The production of it, as you would expect, has been rapidly increased. But we could not sell our cotton goods, we could not market them at all profitably largely because of the high price of cotton at which these goods were made.

The CHAIRMAN. This 8½ cents made that difference?

Mr. RUFFIN. Yes, sir. I would say more than that because the foreign competitors were buying foreign-grown cotton first at 9½, or 10 cents a pound.

The CHAIRMAN. And then, of course, because of cheaper labor and all of that, they were able to ship it here for a lesser price and still make a profit.

Mr. RUFFIN. Yes, sir, with that sort of differential.

The CHAIRMAN. You gave to the committee the situation as to how all of this has affected your textile mills.

Mr. RUFFIN. Yes, sir.

The CHAIRMAN. Now, would you say that the same prevailed throughout the textile industry as a whole?

Mr. RUFFIN. Yes, sir, in varying degrees. I think our own experience is pretty typical of the textile industry.

The CHAIRMAN. So that if you are able to obtain sufficient synthetics you could run to full capacity?

Mr. RUFFIN. Yes, sir. And then, throughout the industry, production is affected by their inability as yet to get an adequate supply of synthetic fibers. They are just not available.

The CHAIRMAN. I understand.

Mr. RUFFIN. If they could get them they would be running full time.

The CHAIRMAN. In the meantime, with this high-priced cotton you find it more advantageous to wait until that development comes rather than buy the cotton at the prevailing price?

Mr. RUFFIN. Yes, sir, because it is difficult to sell the all-cotton goods now because of the high-priced cotton we have to put into them.

The CHAIRMAN. All right, you may proceed.

Senator JOHNSTON. Let me ask just another question bearing on that.

You are about the average of the manufacturers; you would say that, wouldn't you?

Mr. RUFFIN. Well, sir, I was explaining——

The CHAIRMAN. He is above average.

Senator JOHNSTON. In other words, there are some that use more synthetics than you and some that would use less?

Mr. RUFFIN. Yes, sir.

Senator JOHNSTON. But you would be about the average?

Mr. RUFFIN. Until a little over a year ago we were using almost exclusively, cotton on thousands of looms that manufacture work clothing, and sportswear, and beachwear and leisurewear. About a year ago, we had only 5 percent of those looms running on blends. Now, we have 49.5 percent of these looms running on blends.

Senator JOHNSTON. What I am driving at: you are being forced more or less into using synthetics to meet your competition?

Mr. RUFFIN. Yes, sir.

Senator JOHNSTON. That means that you——

Mr. RUFFIN. To meet the market, to sell our goods.

Senator JOHNSTON. That means you are—to meet your competition that you are selling your goods, synthetic and cotton?

Mr. RUFFIN. Yes, sir, and to meet the market demand.

The CHAIRMAN. Now, all the troubles you are complaining of prevail in other parts of the country, particularly in the Northeast, where you have a lot of cotton goods, and a lot of cloth manufacturing, and in addition to what you are suffering, I presume that the Northeast also suffers from competition they get from the Southeast and from the South, don't they?

Mr. RUFFIN. Well, sir, of course the Northeast, largely makes the fine goods which use less cotton per yard than our southern production which trends more to heavier weights. Of course, the heavier the weight, the more important becomes this big differential in the cost of cotton to us. And therein, Mr. Chairman, is where the foreigners have, as you would expect, concentrated their exports to this country, to take just as big advantage as possible in lower cotton costs.

In other words, they have a little more trouble exporting into the United States their finer goods with the less cotton content in them than they do with denims and twills and duck and so forth.

The CHAIRMAN. What, Mr. Ruffin, I was trying to develop for the record was the extent to which the textile industry, as such, is suffering from this cotton situation.

Mr. RUFFIN. Yes, sir; well, it is——

The CHAIRMAN. Not only in the Southeast but all over the country.

Mr. RUFFIN. Yes, sir.

The CHAIRMAN. And I am very hopeful we will be able to get more and more testimony that would be indicative of that.

Mr. RUFFIN. Yes. It is suffering, Mr. Chairman, generally, and

the trend is upward throughout the textile industry—South, Southeast, and Northeast, and it is becoming alarmingly more threatening all the time.

The CHAIRMAN. You say now, to go back, I want to be certain I understood you. You are suffering now, that is when you say “you,” you mean the industry as a whole, because you can’t obtain a sufficient amount of substitute for cotton and that for you to have to buy this high-priced cotton is where you would suffer the most, because of that fact.

Mr. RUFFIN. I think one of the biggest reasons for our present situation in the industry is two-price cotton. Now, my point, Mr. Chairman, is that if we were able to get more rayon staple the trend would be toward more production of blends than now is current in the industry, and as that production—

The CHAIRMAN. Increases.

Mr. RUFFIN. Increases, and, unless the two-price cotton situation is corrected, the trend will be rapidly upward as this rayon staple is available.

The CHAIRMAN. Wouldn’t it be natural, though, for you to keep on this blend if you can get a better sale for it, and if it makes a more salable product?

Mr. RUFFIN. Well, one reason we went to the blend and one reason we found it more marketable was because of the cost, the price.

The CHAIRMAN. Cheaper?

Mr. RUFFIN. Cheaper. We had some and still do have, in my own company, some very attractive all-cotton twills and cords that go into work pants and leisurewear, sportswear, but the price when compared with the price of the blended fabric, results in the customer saying, “Well, give me that—the blend.” And these blended fabrics have very fine qualities, such as breaking strength and wear.

The CHAIRMAN. To what extent would the price of a garment, let’s say a lady’s dress, be affected by the use of this mixture we are talking about in contrast to cotton? I mean in the cost of the raw material, not what goes into the making of it. We can take a shirt, or we can take any garment you desire.

Mr. RUFFIN. Yes, sir.

The CHAIRMAN. To what extent would the cost of it be affected by virtue of this high price of cotton that you say you must pay.

Mr. RUFFIN. I would like to ask Mr. Jackson if he won’t answer that and I think Dr. Ehrman is going to comment on it, too.

The CHAIRMAN. If you would.

Mr. JACKSON. We would like to comment on it.

The CHAIRMAN. I would like to get all the facts that we can to show the extent to which you are affected. Also we are trying to develop here something which we may be able to turn over to another committee on which my good friend Herman Talmadge sits. I think the Finance Committee could look into this quota business if that is necessary, because I really believe from what we hear now that this so-called agreement that everybody talks about with these 18 countries has not been working as it should.

Senator TALMADGE. I think that is quite true, Mr. Chairman.

The complaints have been continued and constant in the industry. We have taken it up with the executive branch of the Government time after time. The executive branch of Government assures us that it is

going to be enforced rigidly and positively and with determination. But apparently their statements thus far speak much louder than their actions.

The CHAIRMAN. Well, unfortunately it looks as though we are taking better care of foreigners than our own people.

Senator JOHNSTON. That has always been the case.

The CHAIRMAN. That has been the case for quite some time. I don't expect much fight.

Senator TALMADGE. Someone has very wisely made the statement that what we need in the American State Department is an American desk, Mr. Chairman. [Laughter.]

The CHAIRMAN. I will agree.

Senator JORDAN. Mr. Chairman, may I say a word here?

The CHAIRMAN. Surely.

Senator JORDAN. Are you through, Senator Talmadge?

First, I want to say I am sorry I didn't get here at the very beginning to introduce my friend Bill Ruffin.

The CHAIRMAN. We had just started.

Senator JORDAN. I got caught on the telephone as I went out of the door.

I have just done a little figuring here and maybe these experts could verify this. A cotton mill with a hundred thousand pounds per week production—that is not a big cotton mill by any means—would be sort of a peanut operation as compared to Mr. Ruffin's operation—could make about 5,500,000 pounds a year. In considering the payments on cotton at 8½ cents a pound, you should consider that when you buy a bale of cotton you buy the bagging and the steel ties at the same price you buy the cotton. Isn't that correct, Mr. Ruffin?

Mr. RUFFIN. Yes, sir.

Senator JORDAN. You pay the same price for the bagging and ties as the cotton. Cotton has a lot of waste in it, dirt and trash that has to be taken out. In your finished yarn which goes into making cloth, the 8½ cents actually amounts to about 11 cents a pound.

Figuring five and a half million pounds of yarn maximum a year at 11 cents a pound, any foreign mill with eight and a half cents a pound raw cotton cheaper than the American mill has got a \$550,000 advantage right off the bat. He can make that much profit before the American mill even breaks even, if he is real lucky.

The CHAIRMAN. That is merely on the cost of the cotton.

Senator JORDAN. Merely on the cost of cotton alone, \$55,000. That is very simple. Now, as long as they have that advantage, just in the material costs alone they are going to sneak this stuff in here every way in the world that can be figured out and they are now doing it in a big way. But the thing Mr. Ruffin is bringing out with respect to these synthetics is that you buy rayon at 25 cents, is that right?

Mr. RUFFIN. 24 cents.

Senator JORDAN. 24, 25, 26 cents, there is no waste in it. It comes to you net weight, isn't that correct?

Mr. RUFFIN. Yes, sir.

Senator JORDAN. You take no waste out of it, you spend a hundred percent of it.

The CHAIRMAN. You don't have to comb it either.

Senator JORDAN. No; you don't have to comb it because there is no trash in it. You card it to get it in a spinning form but that is all you do with it.

Well now, with price that they can bring cotton goods into the United States, these foreigners, leaving their wage costs out entirely, have about a 10-cent per pound advantage. In labor costs, their advantage can run three times that much or maybe a little less; it has been estimated that they have about a 6 cents a pound wage cost compared to about 27 cents for ours.

But with that cost price they can bring cotton goods into this country and still meet Mr. Ruffin or any other American mill using rayon at 24, 25 cents a pound. They still have got him beat. He has got to find something cheaper to break even as against foreign competition. He has got to be protected against trouble from foreign competition.

He has got to make something cheaper than is coming in here and taking his market and that 1,000,300,000 yards of cloth should have been made by American mills. We were making it a few years ago. The result is that there are over 700 mills which have gone out of business since the last war and the jobs of a lot of people went with them.

The CHAIRMAN. Proceed, Mr. Ruffin.

Senator YOUNG. I would like to ask one question.

The CHAIRMAN. Yes, sir.

Senator YOUNG. To what extent do we export textiles?

Mr. JACKSON. Our exports, Senator, have been declining very rapidly over a period of years and that is, of course, an added part of the problem.

Immediately, after the war, we were exporting in the neighborhood of 1.7 billion yards. That was an exceptionally high figure associated with the fact that most of the world had not recovered. But it was anticipated that our exports would settle down to in the neighborhood of 750 million, in that range.

Actually, they have been declining rapidly each year and are now at the level, I suppose, of approximately 450 million yards.

Senator YOUNG. We don't supply much of the South American market then?

Mr. JACKSON. Not so much. Our principal outlets are the ones that—Cuba used to be a big market. Our principal market is Canada, because that market is very much like the American market. The buyers come into the wholesale market in New York, buy there and get virtually overnight deliveries. Actually our export markets have been declining pretty steadily for a period of years.

Senator YOUNG. Thank you.

The CHAIRMAN. You may proceed, Mr. Ruffin.

Mr. RUFFIN. Mr. Chairman, Senator Jordan's comments, I think, bring out clearly, too, why it is and would be hard to have tariffs serve as an answer to the solution for the textile industry. It would be very difficult, I am sure.

The CHAIRMAN. I wasn't suggesting that but just exploring it.

Mr. RUFFIN. Yes, sir.

Senator JOHNSTON. You are not saying it doesn't help some, and if something is not done and it is continuing to increase it will hurt more and more?

Mr. RUFFIN. The tariffs?

Senator JOHNSTON. Yes, sir.

Mr. RUFFIN. Oh, yes, sir, they have a bearing on it.

Senator JOHNSTON. And quotas, too?

Mr. RUFFIN. Yes, sir.

Senator JOHNSTON. If you let quotas increase, the more they increase, the more it hurts you.

Mr. RUFFIN. Yes, sir. I am not saying that tariffs are out the window.

Senator JOHNSTON. Oh, no.

Mr. RUFFIN. I just am saying I don't think they are the complete answer or solution to our textile problem.

Mr. Chairman and gentlemen, as a contribution to a better understanding—

The CHAIRMAN. Bottom of page 7.

Mr. RUFFIN. Bottom of page 7, right—of the relationship between the cost of cotton and the selling price of cotton goods, we recently employed the recognized economic research firm of Surveys & Research Corp. of Washington to do a study on the subject. Because their findings have a direct bearing on the considerations of your committee, we would now like to ask Mr. Ehrman, vice president of the firm, to report on them.

The CHAIRMAN. Where is he?

STATEMENT OF LIBERT EHRMAN, VICE PRESIDENT, SURVEYS AND RESEARCH CORP., ON BEHALF OF THE AMERICAN TEXTILE MANUFACTURERS INSTITUTE

Mr. EHRMAN. Right here.

Mr. Chairman, my name is Libert Ehrman.

I am vice president and cofounder of Surveys & Research Corp. We were established in 1955 in Washington. We are a professional group, nonpartisan in character, working in the field of economics and statistics. We have undertaken projects for the legislative and executive branches of the Government of the United States. We have done work for foreign governments, for private organizations, trade associations, nonprofit organizations and the like, and for the information of the committee, I will supply a list of our clients to give you some idea of the work we have done.

We were requested by the American Textile Manufacturers Institute to examine the history of the relationship of the price of raw cotton and cotton textile prices to see what the trends were in these two items.

It seems to me that the institute asked itself a very appropriate question. That is, if there were a change in the price of cotton is it likely that there would be a change in the cost of textiles.

Of course, one cannot predict the future in any field with certainty. However, we, all of us, are guided by history to some extent, and for this reason, we went back into the record and examined information on raw cotton prices and gray cloth prices for approximately a 38-year period.

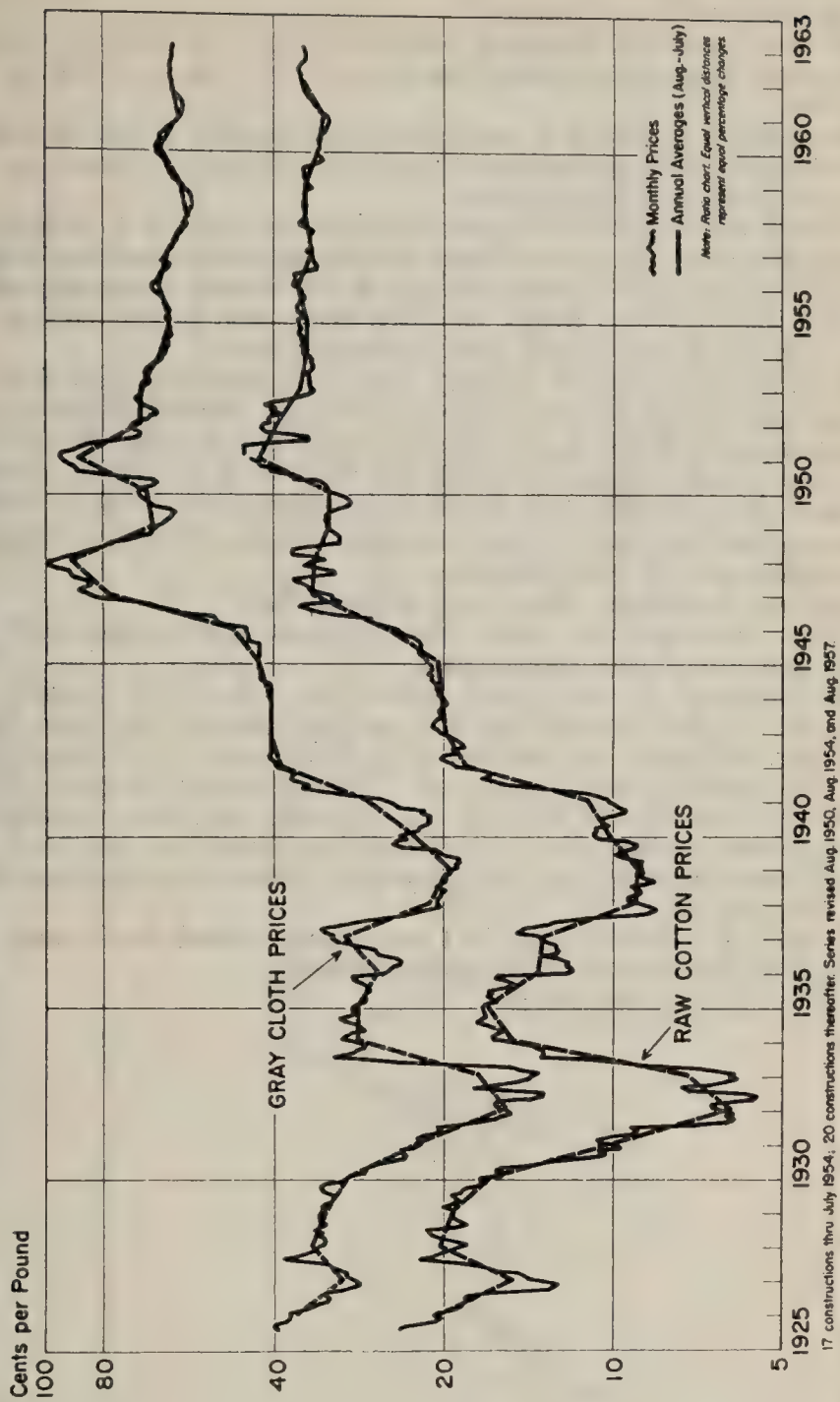
Our source of information was the U.S. Department of Agriculture publication entitled "Mill Margins."

Now, this publication contains these two elements to which I have just referred. I won't burden the committee with details, technical details, as to how the Department of Agriculture develops these two prices. There is adequate reference for that purpose.

However, what we did was as follows, and I think you may have copies of my material including this chart.

(The chart is as follows:)

PRICE COMPARISONS: COTTON AND CLOTH



Source: Agricultural Marketing Service, U.S. Department of Agriculture.

Mr. EHRMAN. We started with the period August 1925 and went up through February 1963 which was about as current as we could get at the time we did this research.

We took monthly data and annual averages of monthly data, and we plotted them on a chart in such a way that the relationship would be clear.

Actually, it is called a semilogarithmic chart. What we did then was to apply a recognized statistical test to these two curves to determine what the relationship was.

I think visually this chart tells us about as much as I could tell you technically; namely, you will find in looking at this chart that a decline in raw cotton prices seems always to have been accompanied by a decline in gray cloth prices and vice versa, and as raw cotton prices rose over this entire period, gray cloth prices rose.

Now, this includes, of course, a very, very extensive period of time. It includes periods of great economic change, of crisis in national and international affairs, and when we apply the test to which I have referred a moment ago, we come out with what is called a coefficient of correlation of 0.95. One would be a perfect correlation, so 0.95 is as close as you are likely to get in any statistical series concerning economic data as to this relationship.

Senator JOHNSTON. May I ask one question?

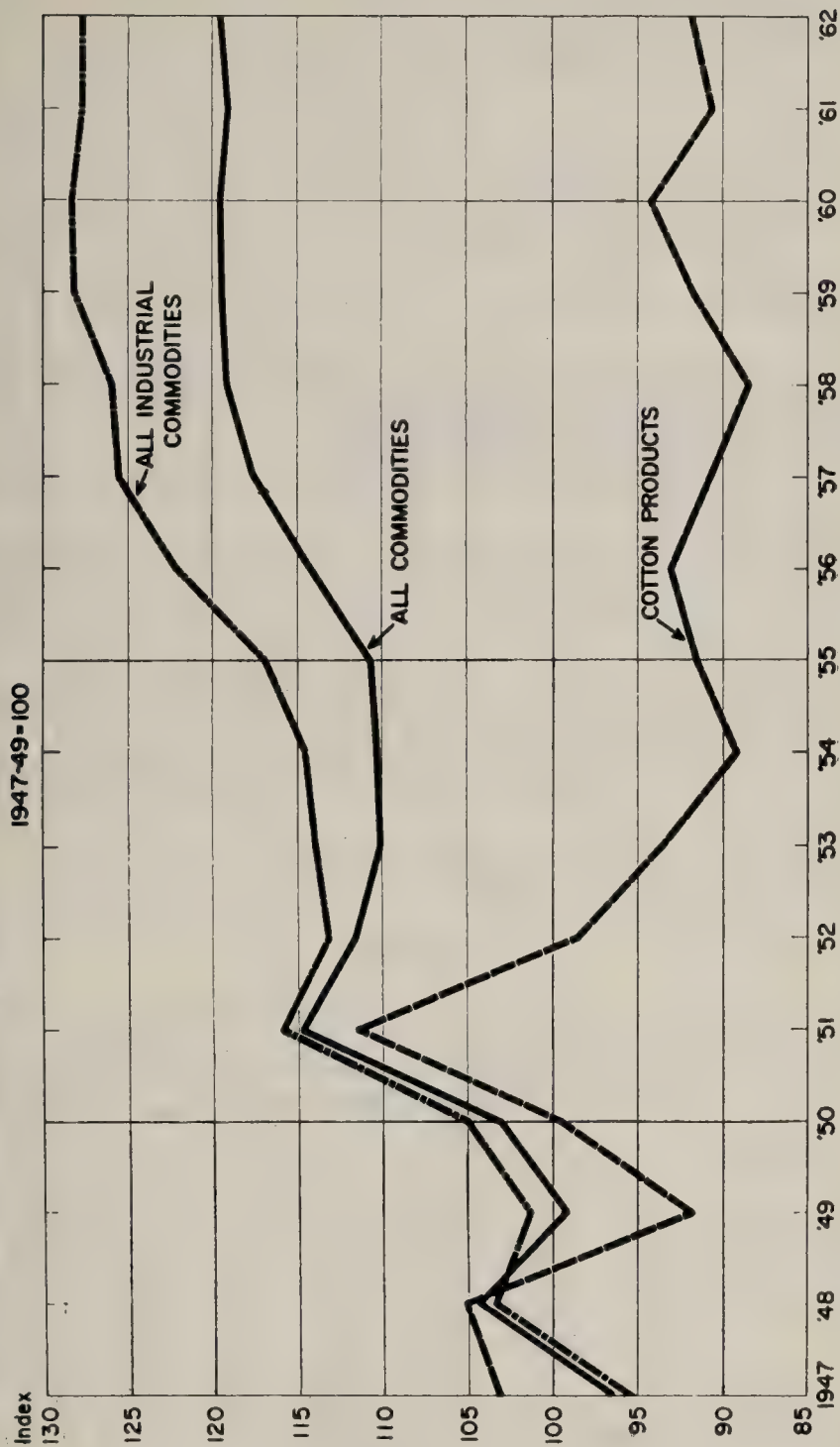
Won't this chart run pretty close to the national income, too? It is affected by it to a very large extent.

Mr. EHRMAN. No, sir, I don't believe that it would, if I might say so, Senator, in this respect, that our national income has been steadily growing, and what we are referring to here is the wholesale cotton and cloth price in cents per pound. That is, during a period, if I may illustrate, since World War II, for example, our gross national product has been climbing, but you will notice, looking at this that cotton prices, raw cotton prices, and gray cloth prices have declined during the same period.

In fact, I would like to, if I may, jump ahead to the next chart because it is relevant to your question, Senator.

(The chart is as follows:)

WHOLESALE PRICE INDEX



Source: Bureau of Labor Statistics, U.S. Department of Labor

Mr. EHRMAN. We also did another thing which was to compare the wholesale price index of cotton products with those of all commodities, and all industrial commodities. Now, the Bureau of Labor Statistics, using a base period of 1947 through 1949, as a base period of 100, has developed the basic data from which we took this. Visually again, looking at this chart, you find that all industrial commodities have shown a very steep rise since the end of 1947, I should say since the end of, following closely the World War period.

All commodities have shown not quite as great a rise but that cotton products as a whole have shown a very sharp decline.

The CHAIRMAN. Why should cotton have taken such a dip from 1951 to 1954?

Mr. EHRMAN. I am not sure that I can answer that question, Senator.

This is not a thing we have looked into, but to some extent this is explained by the decline in cotton prices which you have, raw cotton costs which you saw in the previous chart.

You will note here, for example, if you take it—

The CHAIRMAN. That is back in 1930 where it was low, it was apparently high in 1951.

Mr. EHRMAN. If we take the 1951 period, you must realize that the graph shows some great changes here in cents per pound on the left-hand side. If we take the post-Korean war period, you will find that although it doesn't look like a very sharp drop graphically, that in terms of cents per pound the price change is quite substantial.

We have the backup figures that we could provide to the committee on that to show the decline from 1951 onward.

The CHAIRMAN. There is something there I can't quite fathom that might need further explanation and the committee will ask you to supply it for the record.

Mr. EHRMAN. I would be happy to do that.

(The information is as follows:)

Cotton products

[Wholesale price index, 1951-62]

Year	1957-59=100				1947-49=100			
	Cotton products	Yarns	Broad-woven goods	House-furnishings	Cotton products	Yarns	Broad-woven goods	House-furnishings
1951	123.6	129.7	126.3	117.2	111.5	120.4	110.3	110.4
1952	109.2	112.0	110.5	106.5	98.5	104.0	96.4	100.3
1953	103.7	101.4	105.6	102.0	93.5	94.1	92.1	96.0
1954	98.8	95.5	99.7	99.9	89.2	88.6	87.0	94.1
1955	101.4	100.9	102.3	100.4	91.5	93.6	89.3	94.5
1956	103.0	103.2	103.9	101.5	93.0	95.8	90.7	95.6
1957	100.5	99.7	100.4	102.3	90.7	92.6	87.6	96.3
1958	97.9	99.2	97.3	98.3	88.4	92.1	85.0	92.5
1959	101.6	101.1	102.3	99.5	91.7	93.9	89.3	93.7
1960	104.4	101.0	105.9	102.0	94.2	93.8	92.4	96.0
1961	100.4	99.0	100.0	102.5	90.6	91.9	87.3	96.5
1962	101.7	100.3	101.3	104.3	91.8	93.1	88.4	98.2

Source: Bureau of Labor Statistics, U.S. Department of Labor.

Mr. EHRMAN. More specifically, with respect to the change in the wholesale price index of cotton products as compared with these other commodities, you will find on the material distributed that all com-

modities showed an increase, that is in the wholesale price index, over the period shown in this chart, of 24 percent.

All industrial commodities showed an increase of 34 percent, and cotton products showed a decline during the same period of 11 percent. I think that is all I have to say on those two points.

The CHAIRMAN. Any questions?

Proceed, Mr. Ruffin.

Mr. RUFFIN. Mr. Chairman, we believe that these facts, as presented by Mr. Ehrman demonstrate beyond any doubt that the competitive structure of this industry insures that any reduction in cotton costs is automatically reflected in the price of the industry's product.

Furthermore, these findings should dismiss from everyone's mind, now and for all time, any idea that a reduction in cotton costs would serve as a windfall profit to the textile mills.

The unpleasant facts are that if and when American mills are permitted to buy American cotton at the same price it is sold abroad, and assuming the differential would be the current 8½ cents a pound, careful estimates indicate that our industry will immediately assume a loss of approximately \$125 million. The reason is simple.

Our competitive structure is such that a cotton cost decrease is like an electric charge that extends into every nerve of our entire market system. Our mills will take an immediate loss, directly related to the 8½ cents a pound, on every pound of cotton goods in process and in inventory.

Many of our mills have pleaded with our organization, urging that we do everything possible to protect these yarn and cloth inventory losses which would result from a return to a one-price system.

Senator TALMADGE. Mr. Ruffin, will you yield at that point?

Mr. RUFFIN. Yes, sir.

Senator TALMADGE. It is true also that in addition to the loss the mills would receive if and when cotton became available at a one-price system, all the commission merchants and everyone else who had cotton in inventory would sustain loss at that same time, would they not?

Mr. RUFFIN. Yes, sir.

Senator TALMADGE. In other words, everyone who had purchased a bale of cotton from the farmer and owned it would take a loss at the time one-price cotton was made available in this country.

Mr. RUFFIN. Yes, sir.

Senator TALMADGE. Do you have any idea what the total loss would be in all areas?

Mr. RUFFIN. Senator Talmadge, I am sure you know, and I think your question implies that, that the legislation is designed to take care of the losses, I mean to take care of the price of cotton for all unopened cotton, and you very appropriately are asking what about other losses outside of our textile industry themselves.

Senator TALMADGE. That is correct.

Mr. RUFFIN. In the hands of wholesalers and cotton textile merchants and others. I am sorry, sir, I do not have that figure, I do not know whether—I don't believe anyone in our organization has made an estimate of that.

Mr. JACKSON. No, we haven't. We made that estimate for our own industry carefully.

Mr. RUFFIN. But it would be considerable.

The CHAIRMAN. To whom?

Mr. RUFFIN. To the—we will have this \$125 million loss which we have calculated in the textile mills, and there will be quite an additional loss which Senator Talmadge is bringing out, to others owning cotton goods beyond the textile mill inventories.

The CHAIRMAN. Well, assuming that this relief for which you are asking is obtained. How much less would you sell your cotton cloth at?

Mr. RUFFIN. I think it is very clear, based on Mr. Ehrman's testimony, that as cotton goes down—I understand, Mr. Ehrman, that it is probably the most remarkable direct correlation that economists and chartists have come into contact with, cotton goods follow the price of cotton down, I believe, more closely, than any other commodity.

Mr. EHRMAN. I have never personally come across a series which shows such a high correlation.

The CHAIRMAN. Well, your chart doesn't show that too well. Let's say in 1960, cotton price went down, raw cotton, and your cotton goods went up.

Mr. EHRMAN. In any given short term period, of course, you get a minor variation.

The CHAIRMAN. I understand that.

Mr. EHRMAN. But overall——

The CHAIRMAN. Here I am just wondering about the effect that it would have on the price of the goods now in the hands of merchants, that is of the raw material. As far as the finished product, I don't think it could affect that very much because the greatest cost there is labor, isn't it, to manufacture the cotton into a finished garment?

Mr. RUFFIN. No, sir; the goods themselves constitute a very high percentage of the cost to the garment manufacturer. Is that what you are asking, sir?

Senator JOHNSTON. He is asking about the cost of a shirt you have on. What would be the cost of the cotton in that shirt?

The CHAIRMAN. He is going to give me that after a while.

Mr. RUFFIN. Yes, sir.

The CHAIRMAN. That may be the answer to the question.

But assuming that a subsidy would be paid on cotton, say, of 6 cents or \$30 a bale, if you were to get that beginning on July 1, let's say, how much change in price would there be in the same kind of cloth that you manufacture in June in contrast to the one you manufactured in July?

Mr. RUFFIN. Mr. Chairman——

The CHAIRMAN. It would be very little, wouldn't it?

Mr. RUFFIN. Sir.

The CHAIRMAN. It would be very little, wouldn't it? It couldn't affect the cost of a shirt or a dress or——

Mr. RUFFIN. Let me preface this by saying this. For instance, in one line of goods that we manufacture to a very big extent, merely the prospect of an end to two-price cotton has reduced the price of those goods 4 and 5 and 6 cents a yard.

The CHAIRMAN. And the prospect of maybe a law being enacted has restrained a lot of people from buying cotton, too.

Mr. RUFFIN. Yes, sir, to a terrific extent.

The CHAIRMAN. Yes, sir. I know that.

Mr. RUFFIN. Yes, sir.

The CHAIRMAN. So, it goes both ways.

Mr. RUFFIN. I think we can be very sure, based on many years of history, that as the cotton cost goes down you are going to see cotton goods prices go down in directly the same proportion.

The CHAIRMAN. And that would, of course, affect immediately the cost of the shirt?

Mr. RUFFIN. Yes, sir.

The CHAIRMAN. I am waiting to find out whether that works with respect to wheat. You know, we have been talking about wheat here some time ago \$2, \$2.25 a bushel, and the farmers will now be able to grow all they want, all they desire, and they will get probably a dollar and a quarter for it. I want to see how much lower the bread is going to sell for.

My guess is it won't affect it.

Senator JOHNSTON. The point he is getting at is this: A yard of cloth that is made, a reduction in the price of cotton, how much would it affect the price of a yard of cloth sold?

The CHAIRMAN. I don't see how it can.

Senator JOHNSTON. Now, then, you would have to take into consideration the labor, you would have to take into consideration the cost of your mill and all the overhead. All those things would be taken into consideration along with the price of cotton.

Isn't that true?

Mr. RUFFIN. Bear in mind, Senator, that cotton, on the average, makes up 55 percent of the cost of manufacturing the goods, and a high official of the Department of Commerce testified to a congressional committee not too long ago, an estimate that the consumer, the buyer of cotton goods, would save from \$600 to \$800 million a year by reason of doing away with two-price cotton.

Senator JOHNSTON. What is the price of machinery and what is the price of labor that goes into making cloth?

Mr. RUFFIN. I believe the cost of labor roughly runs 26 percent. Raw material, cotton, makes up at least 55 percent and the remainder covers depreciation and other expenses, and so forth.

The CHAIRMAN. I think we are going far from our subject.

Mr. EHRLMAN. Mr. Chairman, may I add a point here in response to a question you asked earlier as to why it was that these two lines on this chart did not follow each other exactly.

The CHAIRMAN. Will you indicate for what years?

Mr. EHRLMAN. Well, for any given period of time, and I am referring to the chart as a whole, if I may.

First of all, there is a slight time delay in the production of cloth from the raw cotton, so that in looking at any portion of these two curves, for example, if you were to move them back just slightly, say to allow for the 2 months' production period, the correlation between these two would be even greater.

Another point which accounts for the fact that these two lines do not follow each other precisely is the fact that we are looking here as a composite in our gray cloth prices of different types of construction, and when we examine a detailed list of these constructions we find, for example, that 8-ounce army duck as one of the elements in the total gray cloth price list shows a correlation of 0.99, almost 100

percent, whereas something such as twill shows a correlation of 0.89 rather than 99, which is still extremely high.

But nonetheless, that accounts for the fact that these two curves do not move precisely with each other. They move very nearly precisely, but not identically.

The CHAIRMAN. As we have often stated on this committee, I have a nice Christmas shirt here that I got on the 25th of December last, made out of cotton, and the price tag on it was \$6.75, and I doubt that you have 30 cents of cotton in it or 35 cents, maybe 40 cents. The rest of it, labor, freight, and what have you. Let's go.

Mr. JACKSON. Senator, since we are in this subject perhaps we ought to comment on the relationship of the price of cotton to these.

The CHAIRMAN. You have it.

Mr. JACKSON. I was really proposing that we hold it until after—

The CHAIRMAN. If you have it now, proceed.

Mr. JACKSON. We have a market specialist who is going to participate in just a minute or two and perhaps we can hold it until after then.

The CHAIRMAN. All right; you may proceed.

Mr. RUFFIN. Mr. Chairman, I was just saying that we had considerable demand or requests from our membership in the American Textile Manufacturers Institute that we do everything possible to protect these yarn and cloth inventory losses which would result from a return to the one-price system. But after the most careful consideration we decided against making any such recommendations, deciding instead that as an industry we must accept this prospective \$125 million loss as a price for returning to a one-price system and that we should pay it gladly, believing that the long-range influence on the future of the whole American cotton industry would more than justify such a sacrifice.

Now, Mr. Chairman, in the interest of informing the committee concerning the market structure of our industry, and the impact of the present situation on cotton's markets, we call upon Mr. Alonzo F. Bonsal, chairman of the board of the Association of Cotton Textile Merchants of New York City. Mr. Bonsal is widely recognized throughout our industry as one of the ablest, most knowledgeable and most experienced cotton goods merchants in America.

With your permission, Mr. Chairman, Mr. Bonsal.

The CHAIRMAN. All right, Mr. Chairman.

STATEMENT OF ALONZO F. BONSAI, CHAIRMAN OF THE BOARD, ASSOCIATION OF COTTON TEXTILE MERCHANTS, NEW YORK, N.Y.

Mr. BONSAI. Senator, I merely want to express my appreciation for the opportunity to appear before you. Mr. Ruffin has given you my name, and I am chairman of the board of the Association of Cotton Textile Merchants of New York, and vice president of Joshua L. Baily & Co., Inc., 40 Worth Street, New York City.

Our association represents textile selling. Through its members in the New York City central marketplace is sold the bulk of this country's cotton cloth production, to customers throughout this Nation and overseas.

New York also is the chief distribution center for much of the billion

yard cotton products imports which now inundate us annually. We are on the firing line where domestic goods made from full-priced American cotton meet daily the unfair competition of like products shipped from more than 60 foreign countries. These imports are made either from American cotton which our Government has subsidized at 8½ cents a pound, or from still cheaper foreign cotton.

This "unique burden," to quote the President, is not new. We are now in the eighth year of two-price cotton, which began January 1, 1956. During this period imports of cotton products have risen astronomically.

In terms of bales of cotton, the Agriculture Department figures show a rise from 181,200 bales in 1955, the last year of one-price cotton, to

That is an increase of 463,400 bales, or 257 percent. In the same period, exports of cotton products from the United States have fallen 86,600 bales to a new low of 463,400. We have swung from an export surplus of 366,300 bales in 1955 to an import surplus of 183,600 in 1962.

The Nation thus is in an unfavorable position to the extent of 550,000 bales. This neither the cotton nor the textile industries can afford.

We will not here detail to you the penalty of imports in terms of spindles and looms dismantled, mills shut down, and jobs lost. Here we note that United States woven cotton goods production has fallen nearly 900 million yards in 1962 from 1955—over a billion yards from our 1956 production—during this same period in which billion yard imports have been forced upon us.

Need I suggest that it is not coincidence that this invasion has occurred during this same period of the two-price cotton system? Low raw material costs of foreign spinners are certainly not the only cause of rising imports. Low wage rates are also important. Even the most cursory review of the sources of imports, the greatest coming from areas of the world of the lowest wage and living standards, reveal this.

Likewise the whittling away over the years of tariffs, and the export of American know-how have contributed to this trend. But in cotton textiles where 50 or 60 percent of the sales value of key fabrics is represented by cost of fiber, this \$42.50 a bale bonus to the foreign spinner is a prime weapon in the arsenal of his conquests in our U.S. cotton goods market.

There is no escaping now from this import flood. Among the more than 60 countries supplying us it is possible to duplicate almost any item which this country, with the largest textile industry in the world, can make.

Where originally medium and lighter weight fabrics entered, the range today is from the finest yarns all the way into duck and industrial goods, in which cotton is the predominant cost factor. Where imports began in staple fabrics, they now extend all the way from yarns to finished garments ready for the consumer. The movement of goods has become all embracing, and has swollen to the point where it represents 7-8 percent of our whole production.

I invite your attention to the table showing the rise of imports of woven (or countable) cotton cloth alone, with its advance from 64 million yards in 1953, and 133 million in the last one-price cotton year 1955, to the 464 million yards total for 1962.

(The table referred to above is as follows:)

COTTON PROGRAMS

Cotton cloth: U.S. imports for consumption (unbleached, bleached, printed, dyed and colored)

[Thousands of square yards]

	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962
Japan.....	30,665.7	47,803.9	99,533.7	142,942.7	86,522.4	104,048.7	98,989.1	89,486.0	89,247.0	134,769.3
Hong Kong.....					2,969.2	2,219.7	30,741.8	81,716.5	69,665.0	110,206.9
Taiwan.....						1,327.1	8,553.4	17,347.1	10,856.3	44,053.5
India.....	2,429.8	362.3	988.3	5,762.9	1,098.3	1,329.0	25,995.9	49,530.2	10,461.8	32,775.3
Portugal.....		5.1	9	15.3	79.3	1,004.4	4,111.2	30,373.9	8,179.7	25,987.7
France.....	1,215.8	1,188.2	1,669.2	998.8	604.6	577.7	11,837.2	32,664.9	17,141.5	19,219.2
Egypt.....	63.0	118.2	255.6	823.3	984.1	583.8	835.5	44,714.5	4,854.5	17,171.8
Pakistan.....			19.1	46.0	13.5	27.8	8,055.2	15,980.3	7,906.5	15,097.2
Korea.....						4,702.4	8,678.4	13,685.1	4,966.1	8,316.3
Spain.....	9	61.1	41.8	90.3	24.3	33.8	9,416.8	44,268.3	6,485.7	7,911.7
West Germany.....	1,965.3	2,170.6	3,293.0	4,973.9	3,426.4	3,291.2	5,616.5	7,247.0	5,619.4	7,511.5
Belgium.....	5,240.9	4,223.9	5,478.8	7,292.9	8,899.1	5,215.6	6,483.7	3,165.8	1,603.8	5,035.4
Netherlands.....	2,905.0	2,015.8	3,274.0	4,164.1	2,953.8	3,152.8	2,988.0	2,242.8	4,193.3	4,430.3
United Kingdom.....	8,845.7	7,854.7	9,282.9	11,680.9	7,796.9	7,022.5	7,384.1	5,329.5	3,333.8	3,734.0
Switzerland.....	7,557.8	5,086.3	5,439.7	4,834.2	2,760.1	2,739.3	4,144.8	6,177.7	3,148.2	3,191.9
Italy.....	1,242.4	1,662.2	1,565.2	1,639.3	1,490.1	1,538.5	1,887.3	1,823.0	1,601.5	1,024.4
Canada.....	41.7	64.5	173.0	143.0	47.3	34.0	1,539.7	384.7	1,402.5	934.5
Mexico.....	548.2	12.6	140.3	88.4	165.7	1,122.9	3.6	1,778.8	2,055.7	487.5
Austria.....	908.6	656.7	1,471.4	2,355.8	1,939.9	2,024.4	2,088.8	2,232.1	420.2	2,299.3
Yugoslavia.....										13,767.2
Poland.....										2,421.4
Colombia.....										3,213.7
All other.....	612.4	189.9	516.7	397.0	671.6	652.6	720.4	1,474.8	1,141.0	607.0
Total.....	64,244.3	73,476.0	133,142.5	188,247.8	122,446.6	141,539.5	240,371.7	464,898.0	255,247.0	464,167.0

1 Included in "all other" for the year 1960 is Brazil. Imports from there amounted to 2,790,300 sq. yds. for 1960.

Source: Report FT-110, Bureau of the Census, U.S. Department of Commerce.

Mr. BONSAI. Note that new countries are appearing. Note Yugoslavia with nearly 14 million yards in 1962 and little or no prior record of doing business with us.

Also, for the first 3 months of 1963, imports of cloth alone have been at an annual rate of 450 million square yards.

The CHAIRMAN. Probably the cotton Yugoslavia used is under Public Law 480.

Mr. BONSAI. Probably so.

The CHAIRMAN. How about Korea?

Mr. BONSAI. Korea has been a very large factor.

The CHAIRMAN. In Korea to my own personal knowledge we helped to construct their 11 mills and we furnished the cotton under Public Law 480.

Mr. BONSAI. Right.

The CHAIRMAN. And they are now selling that cotton here in competition with our own people.

Senator JORDAN. Mr. Chairman, may I say something at this point that reminded me of it?

Our foreign aid people are building a cotton mill in Vietnam. Right now over \$1 million has already been spent on that and they will get Public Law 480 cotton and then they will set up a quota to get it back here.

Senator JOHNSTON. I foresaw all of this when it was given to Japan and spoke out then about it.

Senator JORDAN. Of course, we are not doing so well with our fight there. Maybe we can build it before they bomb us. That is what we are doing now. We have been building cotton mills in foreign countries with our taxpayer's money.

Mr. BONSAI. To answer your question about Korea. Korea last year sent this country 8,300,000 yards of textiles.

The CHAIRMAN. 8 million how much?

Mr. BONSAI. 8,300,000.

The CHAIRMAN. It is just a start.

Mr. BONSAI. Now the question—

Senator JOHNSTON. Is all that made with cotton or synthetic?

Mr. BONSAI. All cotton.

Senator JOHNSTON. All cotton.

Mr. BONSAI. Senator Talmadge brought up this question with regard to why the international cotton and textile trade agreement is not working. Well, as Mr. Jackson said, it is an entirely new area that we are entering upon. But, in my opinion, the Geneva agreement is not a definite quota at all. It is simply a backdoor arrangement, and the critical thing about it is that violations of the so-called quota are rewarded by higher quotas.

The CHAIRMAN. That is to keep our friends happy, of course.

Mr. BONSAI. Yes. But that is one of the few instances where I have seen violations rewarded. They are in this so-called quota system.

Senator JOHNSTON. You haven't looked at the State Department's action all along. They have been doing that for other countries all the time.

Mr. BONSAI. This figure on Korea, a little more on that. The long-term quota was started in October of 1962. Up to March 1963, Korea

shipped us 11 million yards of goods, which was unheard of so far as their previous record. They have no historical position like that at all. (Discussion off the record.)

The CHAIRMAN. Proceed.

Mr. BONSALE. Individual fabric groups are hard hit. Mills with limited fabric ranges are suffering heavy concentrations of import competition, for which they lack offsets in other goods. In 1962 cotton gingham imports amounted to 92 million yards in cloth and garments, 36.4 percent of U.S. production, which is a pretty big gain.

Carded gingham imports in March averaged 23 cents a yard declared value and combed 25½ cents. With duty and ocean freight added these prices would still be far under production costs here. Mills are being undersold by at least 15 percent.

Unbleached carded sheeting is another key area of concentration. Witness the expansion of imports here:

For 1958, 17 million square yards; 1959, 82 million; 1960, 179 million; 1961 a setback to 60 million; 1962, 164 million; and in the first quarter of 1963, 50 million square yards entered, or an annual rate of 200 million yards.

Thirteen countries in the Far and Near East and southern Europe are the important sources of imports today. If we restrain imports from one country the goods pour in from others.

That is the reason this quota is not working at all. Because if you stop it one place, you then catch it from the other.

Senator JORDAN. Mr. Chairman, may I interrupt there again? I think it has been definitely proved where you shut off imports from one country they just move it to another country for export; it is the same production and it is brought in through another country.

Mr. BONSALE. Yes, sir.

Senator JORDAN. For instance, if you shut Japan off, they ship it to Hong Kong and Hong Kong ships it to us. If Hong Kong is cut off they ship it to South America or the Virgin Islands and into Puerto Rico.

Mr. BONSALE. In 1955, there were 34,000 looms operating in this country on ABC and soft filled sheetings. Today there are only 26,000 looms on that fabric.

The 12 million yards of soft filled sheeting that entered in March, just think of the one month, had a declared value of 11.7 cents a yard. That would come to perhaps 14 or 14½ cents duty paid landed, against 22½ cents quoted for domestic 40½ inch 3.00 yard soft filled.

That in effect is our so-called final end business. That is going to run us out.

Imports of twills and sateens—fabrics which are of prime importance in peace and war, and the Government built a lot of mills to get those, might be cited. In carded twill and sateen in fiscal 1961 there were 19 million yards imports. In the short-term Geneva arrangement year, which ended September 30, 1962, the so-called quota of 19 million yards was exceeded with 27 million yards of imports. For the long-term year, 20 million square yards have entered in 6 months ended March 1963, or a 40 million yard annual rate.

We have had a great deal of confusion in the market as you can imagine with all this talking about two-price cotton off again and on again.

The recurring newspaper and radio reports since September concerning one-price cotton have been confusing to customers of the industry. Impingement of imports on popular fabrics has diverted output to other fabrics where the mill is less qualified to compete with domestic or imported goods. Customers heretofore were cognizant of potential sources of supply and could proceed with a measure of confidence to make forward commitments.

Today the uncertainties created by offerings of imports at prices cents below per yard domestic products have caused buyers to keep their inventories and commitments at a minimum.

Yarn and loom changes in a mill are expensive and disruptive. They can be minimized when a good order backlog position is established. The on-again, off-again publicity on one-price cotton has brought about a deterioration in mill order files. The cotton farmer and Government have been the loser as evidenced by the buildup of CCC stocks.

We might cite other items, but it would just be a guided tour of the whole market, for no fabric is immune to import competition.

One of the tasks of New York market firms is to advise and guide the mills from market knowledge in determining products each plant may best make with prospects of profitable operation. With imports inexorably driving into every type of fabric to which Americans are accustomed, no more frustrating task was ever assigned. How do we as sellers and manufacturers meet the situation?

In earlier stages, the first step was to get the mill, if possible, off the import item and onto something else within the range of the mill's equipment. This hasn't done much good. Other mills already in the selected field were quite capable of meeting the demand. Loom diversions here just added an excess production, compounding the original market disruption from imports. The selected area also would soon be threatened with imports. Many mills, lacking the necessary flexibility, have had to be liquidated.

A current market tendency is to go from standard constructions to which Americans are accustomed, and which importers adopt, to different constructions. This too is risky. The new item must be sold to a buyer accustomed to the old. And the mill, which in quiet periods could run standard goods for stock, dares not face such risks in non-standard goods. Curtailments result.

The chief resort is to diversify into manmade fibers, or blends of manmade fibers with cotton. In this the mill at least does not have his Government subsidizing the foreign competitor with cheap rayon, nylon, or dacron, as he has in cotton. More and more mills are taking this road.

A year or two ago it would have been possible to name any number of cotton mills large and small that had never run a pound of man-made fiber. Few of consequence could be named today, just as Mr. Ruffin outlined.

Man-made fiber fabrics and blends with cotton are making rapid gains in more and more of cotton's large volume outlets today, not on a merit but on a cost basis. Last year use of man-made fibers jumped 17 percent to a new record against a 2½-percent cotton gain from the low year 1961. Well financed promotion efforts of man-made fiber producers support the trend. Cotton is losing markets, and markets once lost are most difficult to regain.

These synthetic fiber people have wonderful advertising, promotion programs. If you put some of the fiber in they will pay for full-page ads, and so on. It is a very difficult thing for mills to resist.

In preparation for this hearing, we have obtained views and information from people in the market and at the mills on their experiences with cheap imports, the trend away from cotton to other fibers, and the effects which they see from continuing or removing the burden of two-price cotton.

We have a large number of replies. Rather than burden you with summations from each of the reports, we have incorporated them in a written statement. I ask permission to offer this summation for the record.

The detail will be here. They are on the way.

The CHAIRMAN. Very well, sir, they will be put in the record.

(The information referred to follows:)

MILL AND SELLING HOUSE COMMENTS ON IMPORTS, LOSS OF MARKETS TO SYNTHETICS, AND THE EFFECTS OF TWO-PRICE COTTON

Following is a summation of comments of cotton mills and selling houses covering the effects of imports, the loss of markets to man-made fibers, the results of the two-price cotton system, and the possibilities of recovery of markets for cotton if one-price cotton is achieved.

These reports have been jointly assembled by the American Textile Manufacturers Institute and the Association of Cotton Textile Merchants of New York from 25 firms, large and small, covering a wide range of cotton products.

They are respectfully submitted to the Senate Committee on Agriculture and Forestry as part of the statement to the committee by Mr. Alonzo F. Bonsal, May 24, 1963.

From a South Carolina manufacturer

We know of several areas where 100-percent synthetics have completely displaced our 100-percent cotton fabrics. This is true in some household fabrics using large volume of fiber. Our losses have been principally to blends of Dacron and other polyester fibers with cotton in lighter weight apparel fabrics, and to blends of super rayons with cotton in sportswear-weight fabrics.

Loss of cotton markets to imports has reached alarming proportions. For 3 years we have been shifting production away from 40 inches and narrower sheeting group fabrics, moving to different yarns, fabric widths, qualities. In the last 2 years we have begun use of five synthetic fibers we had never used before.

Continuation of two-price cotton will further replace cotton with synthetics and speed inroads of foreign goods. But one-price cotton, the world price, will stimulate substantial investment on the part of our company in this fiber.

Under recent date we note 40 inches, 44 by 40 4.25 yard sheeting from Yugoslavia landed duty paid at 13½ cents versus domestic price of 15 cents. Also 36 inches 48 by 48 2.85 yard sheeting at 16¾ cents against a domestic price of 18½ to 19 cents. We have not operated on full schedule as the market is being supplied more and more with foreign fabrics.

From a duck manufacturer

Imports have hurt. In these heavier fabrics the advantage of lower cotton cost under the two-price system is greater due to the larger proportionate raw material cost in the fabric.

Double filled flat duck is the outstanding example. The 38 inch 2 yard and pro rata production has dropped from 18,780,000 yards in 1956 to 11,370,000 in 1962, a loss of 7,410,000.

Total of all double filled flat duck shows 1956 production of 46,676,000 yards; 1962, 41,837,000; a loss of 4,839,000.

Separate import data on these goods have been available only since October 1962. In the 6 months, October 1962 to March 1963, double filled flat duck imports were 16,226,000 square yards. Compared with U.S. 1962 production, imports are running thus at 64.5 percent.

The 38 inch 2 yard enameling duck, popular for uniforms for waiters, hospital employees, etc., is coming in from Hong Kong and Korea at 25 to 26 cents a yard

landed cost against 31 cents for domestic goods. Our company is running at a level of less than 20 percent of 5 years ago on this construction.

In the past year Japan has exported 2 by 2 ply army duck and number duck here. Actual imports so far are small, but the rate of growth is alarming and the price differential is at least 5 cents a pound.

From a towel and toweling manufacturer

Industrial wiping cloths and massage towels have been virtually taken over by Far East imports. In the past 18 months continuous cabinet toweling has been feeling the squeeze. The price differential here is upward of $1\frac{1}{2}$ cents a yard on 1.9 ounce 12 inch goods (5.7 ounce per square yard) or more than 12 cents a pound. The cotton price differential, we are convinced, is the basic advantage of exporters in these goods.

From a New York selling house

Bark cloth was an enormous number which we sold in wide and narrow widths to the drapery trade. We lost the entire market to imports, chiefly Asiatic. Our mill was obliged to run on a curtailed basis for some time; then rather than arrange financing to convert the plant to other fabrics, the mill was sold.

On soft-filled sheetings we saw an excellent business almost entirely lost to imports, which are selling at 3 to 4 cents under our costs.

Other items on which we have been forced to cut back are: 2.65 corded napkin sheeting, U.S. price 23 cents, imports DPL $16\frac{1}{2}$ cents; 2.65 plain sheeting, U.S. price $23\frac{1}{2}$, imports DPL $17\frac{1}{2}$ cents; 38 inch, 2 yard DF duck, U.S. price 30 cents, imports DPL 26 cents; 38 inch, 2.28 drill, U.S. price $26\frac{1}{2}$ cents, imports DPL $22\frac{1}{2}$ cents.

Our interest in cotton is great, but recently divided with synthetic fibers. One mill has converted one-fourth of production from cotton to rayon. Two others are experimenting with synthetic staple solely because of the big price difference. In recent years our cotton mills have had to curtail drastically, from 5-day operation down to 3 or 4 days, or by shutting down part of looms.

If the two-price cotton system continues I believe that domestic consumption will go down to 5 or 6 million bales a year.

From a large New York sales organization

The cotton dobby drapery fabric market using heavy fabrics, has been completely absorbed by imports. U.S. production is noncompetitive mainly due to the $8\frac{1}{2}$ -cents-a-pound cotton cost disadvantage.

Corduroys, also heavy goods, have been hit by large corduroy apparel imports. Cheaper cotton contributes to loss of business here. We have cut our own corduroy production from a normal 5 days a week to 4 days as have many other corduroy mills.

Cotton ducks, again heavy goods, are disrupted by the completely intolerable difference in cost of raw material. Most mills here are on short time; some have gone entirely out of the duck business.

Price disruption from soft-filled sheeting imports has been disastrous to those of us engaged in the flannel business.

If the trend of mills to other fibers continues, it will harm cottongrowers as, once a pattern of market acceptance of fabrics is established, it seems to become more or less permanent.

With one-price cotton the U.S. industry would be more competitive, despite wage differentials, and cotton's position in the battle of the fibers greatly improved. We might not be able to recapture some markets lost through the two-price system, but it would help stop this erosion.

A New York selling agent for textile mills

In the week of May 13 we learned of purchase of 1 million yards of 36-inch, 48 by 48, 2.85 yard sheeting at $16\frac{3}{4}$ cents or 47.74 cents a pound from overseas. The fabric is used by Government agencies for flour, sugar, etc., and not one used by the general converting trade. Our price is $21\frac{1}{2}$ cents a yard, or 61.28 cents a pound.

Also in early May a buyer known to us received 75,000 yards of 40-inch, 72 by 60, 1.96 drill, 14s warp and filling, from abroad at cost of 27 cents a yard, where the domestic market is $30\frac{3}{4}$ cents, with some trading based delivery date down to 30 cents. The buyer stated quality is comparable to standard U.S. goods.

From a New York sales organization

In 2 years' time a complete loss of low end goods sales for the cotton plant market has occurred. Previously this was among the most thriving and interesting profitwise to mills of our type. The only all-cotton fabrics now going into men's slacks are being sold at several cents a yard under cost because of foreign competition. If two-price cotton continues, the cotton industry will shrink and synthetics move more rapidly to prominence.

Our corduroy operations have been hit as have those of other mills by corduroy garment imports equal to 33 million square yards for 1962, where the consumption capacity of this market is about 150 to 160 million yards a year. Suggesting the degree of competition, Japanese two-piece knit top children's corduroy longies cost \$7.50 a dozen landed here; our manufacturers barely squeeze by at \$11 a dozen for the same garment.

To compete better with cheap cotton fabrics from abroad many of our mills have gone over to blends. By promoting something that is not a football, cotton is shunted aside.

From a gingham mill

Combed gingham imports in March 1963 showed an average declared value of 25½ cents. Duty would be about 5.6 cents and the landed duty paid price around 32 cents. Our costs on combed ginghams of quality comparable with these imports are 43 to 50 cents a yard. The imported product is sold our customers at about 15 percent less than the domestic price.

From a large southern mill group

Until January 1, 1963, this company's mills ran almost exclusively on cotton. Its whole position is now changed as imports and loss of markets to manmade fibers domestically have forced it into a major blended fabrics program. The initial switch this year will result in 35 million yards blended goods output against little in 1962.

Three plants with 1,500 looms exclusively on cotton last year are now down to 625 on cotton, the balance on goods 50- to 100-percent noncotton content. A print cloth plant will produce 8 million yards of blends. In a staple work clothing item several million yards will be 30 percent other fibers. Certain household and nightwear goods are also part synthetic now. Another plant with 1,899 looms and 1,251 employees in 1962 is in desperate shape due to sheeting imports, with a price advantage of 3 cents a yard. This large mill, successfully operated for more than six decades, and only a few years ago using 3,500 bales of cotton a month is now down to 2,800 bales a month. There are no alternative fabrics, cotton or synthetic, it can make. The firm also estimates its loss of corduroy business at 5 million yards a year due to corduroy garment imports. A decision has to be made whether to continue.

In total this company estimates that domestic consumption of cotton in the United States could easily drop from the recent 9-million-bale annual rate to 7 million, possibly in a matter of months, unless there is a legislative solution of the cotton problem. This company is not willingly in synthetics; it is forced into them by foreign interests getting their cotton at 20 to 30 percent under cost to mills here and the competition of synthetics. Continuation of the present situation will force managements to consider liquidation of mills, discharge of employees, and transfer of manufacturing facilities to foreign nations where more favorable operating conditions exist.

A Georgia manufacturer

The tufted carpet business around 1950 was virtually 100 percent cotton with this firm. Now other fibers have practically taken this market away from cotton. The other fibers have merit, but cotton has lost, and sorely needs to regain, its former price consideration to compete.

In recent years synthetic fibers have made substantial inroads in scatter rugs due to price advantage. Producers of terry towels show a growing desire to use rayon, simply because of price. This barn door needs to be locked before the horse is gone.

In industrial wiping towels imports have captured at least 25 percent of the market here, solely due to price. To compete, mills here are putting more and more rayon into these goods, one manufacturer going to more than 50 percent rayon.

The company feels 25 percent of the market has been lost to synthetics on a whole range of industrial fabrics and also on drapery fabrics.

This company states that its interest in using cotton would do "a direct right-about-face should a one-price system for cotton be achieved." Cotton would reverse its downhill course and strongly rebuild its markets.

A large southeastern mill organization

One of this company's plants which used to use about 750 bales of cotton a week, due to price and price only has swung to rayon filling yarns which replace 250 bales of cotton a week. The company estimates it makes about 25 percent of the country's output in the particular area and believes this cotton loss to rayon can at least be multiplied by four.

Rayon is not the only cheap fiber. In combed goods blends it finds cotton costs roughly 44½ cents a pound whereas the new synthetics blended with it cost 40 cents. Dacron, Kodel, Avril, Zantrell, others are mentioned.

The shift to synthetics would be faster except that synthetic yarn producers are running full blast and unable to take on new customers currently, but they are reported expanding their facilities.

The current cotton program, if continued, "can only mean the complete loss of its market." This is happening at a rapid rate, will accelerate "unless there is legislation immediately."

One of the firm's plants on tablecloths and napkins due to imports is down to 4 days a week and even on this curtailed schedule is building an inventory. Taiwan is the source of this competition, where 2 years ago it is doubtful "anybody in the linen supply business ever head of Taiwan."

The cotton business in the United States within 10 years will be "negligible" and surviving mills "100 percent on synthetic fibers, unless something is done soon to make cotton available to American mills at the world price and at a price competitive with synthetics," this company believes.

An osnaburg and sheeting manufacturer

Soft filled sheeting imports have virtually eliminated this firm from the market with sales down from 11½ million yards in 1959 to 2¾ million in 1962. Osnaburg imports are rising and the firm's sales of domestic goods off from 14 million in 1961 to 6½ million in 1962.

If the 8½ cent cotton differential were eliminated the mill could definitely compete with imports on these heavy goods. The company is set up for cotton, but present cotton prices have altered its earlier expansion programs. Curtailments threaten unless the cotton situation is immediately corrected.

Position of a spinner

The oldest and largest plant of this firm, on 100 percent cotton for 40 years until 1963, is now 10 percent on synthetics, will of necessity steadily increase this percentage unless the two-price cotton system is abandoned. The firm reports that in yarns for the tufting industry 40 percent were cotton in 1961, but only 10 percent in 1962. Since January 1, 1963, cotton has been discontinued completely here with the entire production on synthetics. Finer cotton yarns are suffering in both volume and price from imports.

Another spinner

A continual and steadily increasing loss of customers to foreign imports of carded yarn since the export subsidy went into effect is cited. The company employs 1,200 and several plants are running as little as 3 days a week since January 1, due to imports, two-price cotton, and customer switching to manmade fibers. The company has stayed 100 percent on cotton on last autumn's promise of legislative relief; as nothing has been done it is now in process of changing 2 of 6 plants to manmade fibers as soon as they are available. The 2 plants consume over 25,000 bales of cotton a year. With an immediate remedy in cotton, the company would drop its program to switch to rayon.

Yarns, sheeting, decorative fabrics

This manufacturing firm reports that for the first 6 months of its present fiscal year it has operated at 80 percent of capacity, all short time being in equipment capable of producing cotton products. With the achievement of one-price cotton it predicts 10 percent better running time and utilization of facilities, or about 12 million pounds a year potential increase. On the other hand if two-price cotton continues, the swing to rayon will accelerate.

The firm observes there is no market today for coarse count cotton yarns as sales at best can be made only at cost, and expects to increase its consumption of rayon 50 percent this year from last, barring relief. It cites heavy volume

of cotton yarn business passed up due to price competition, estimates a loss of 2½ million pounds of yarn business to Portugal for tufting, upholstery, and webbing and trimming business, and notes loss of 5 million pounds of narrow sheeting, converting and decorative fabric business to Portuguese imports. The company gave up 2.90 yard bark cloth to import competition where it formerly ran 500,000 yards a year. It cites a significant rise in imports of Japanese sheets under recent date.

Shoe drills, shoe twills, other goods

Imports of shoe drills and shoe twills have made it necessary for this company to discontinue a substantial part of its production of these goods, shifting looms to other fabrics. As in the case of other firms, the other fabrics are also affected by price competition and imports, and the shift is not from a nonprofit item to a profitable one; just a matter of losing less rather than idling the plant.

In certain other lines of finished goods handled by the company there is pressure, to which the firm has not yet acceded, to itself import fabrics in order to stay competitive in the market. The imports can be had at about 90 percent of the price of comparable American goods.

The company has had to close one plant, the closing attributed to Government cotton policy. It fears continued decline in cotton and increase in manmade fiber use if the two-price system in cotton is not corrected.

Twenty-five percent cotton use cut in 1963-64

A Georgia firm estimates that its own consumption of cotton will be cut 25 percent in the 1963-64 cotton season if the two-price system continues, but that it will increase 10 percent if one-price cotton is achieved. Such action will help "tremendously" against competition both of imports and of manmade fiber fabrics. The firm, which has run only on cotton to date, plans to use rayon and synthetics "as promptly as possible" if a realistic price in cotton is not attained. It cites loss of business to imports in a wide variety of industrial, household, and apparel goods lines.

New competition in bag fabrics

A producer of A, B, C sheetings, osnaburgs and print cloths for bag manufacture reports that, to the competition of burlap and paper with cotton goods in the bag trade, has been added competition of cheap cotton fabric from overseas. These imports come in at 2 cents or more below the domestic price. It believes that with lower cotton and fabric costs the bag trade would enjoy more favorable differentials with burlap and paper and would be encouraged to institute programs to recapture markets.

In cotton goods lines for the apparel trade the company reports an increasing number of inquiries for synthetic and blended fabrics, and is giving serious consideration to a costly changeover. This has been delayed in the hope of one-price cotton, with the belief that were this attained the demand for synthetic might "vanish into thin air."

Combed goods

A large organization predominantly on combed yarn fabric finds that blends today are so near the price of all-cotton goods that "demand is swinging rather rapidly away from the all-cotton," and the firm is now in the process of changing over two plants to all-synthetic and synthetic blends with cotton. It recognizes a double problem—low cost foreign imports and exports, and the competition of manmade fibers. If cotton could be bought at the world market price it would stimulate use of cotton in a number of areas. "It seems to be a matter of economics."

"Out of business overnight"

When a market is lost to imports, it usually happens with "devastating suddenness," this firm states. It cites the pillowcase business where it was a substantial supplier some years ago when Japan entered this market, and landed pillowcases in New York at 20 percent below cost of production here. "We were literally out of business on pillowcases overnight and have never attempted to reenter this field."

Now in 1962 losses of low-priced sheet business have been serious, and in 1963 Spain is selling handkerchief goods here below U.S. costs with the likelihood of considerable loss of business here this year. The firm also notes that rayon is cutting deeply into apparel, curtain, and drapery trade business.

If two-price cotton continues this firm with others will increase "significantly" its use of rayon staple selling in the 26- to 27-cent range. If a one-price system is achieved, then the firm's interest in cotton will be stimulated by eliminating to a large extent use of low priced rayon.

Zipper tape

A maker of zipper tape reports 3 million pounds a year consumed in the United States with Japan allowed to ship 815,000 pounds here, 27 percent of the market. Japan is shipping tape "freight prepaid and duty free at 25 percent less than American tape manufacturers' cost."

Yarns

Still another spinner, after expensive renovation of plants, finds knitting yarns unprofitable due to the flood of imports. A third of production has been shifted away from cotton. In other plants of the company production is being rapidly changed over from cotton to manmade fibers. One is 50 percent off cotton and the balance of cotton will be out in another 6 months.

Customers lost to imports

A yarn spinner quotes reports of his salesmen on customer contacts. Customer A is using 40,000 pounds a month of Portuguese yarn, "spun evenly, wound extremely well." Customer B is "buying nothing but Portuguese yarn, placed no business with us." Customer C could buy foreign yarn at "10 to 15 cents per pound less than we were quoting." Customer D has "switched 100 percent to foreign yarns, no longer considers us a source of supply." Customer E had bought 300,000 pounds of carded Egyptian yarn, foreign yarns were playing a big part in his operations, and would continue to do so. The spinner reports his cotton consumption down 15 percent, but he has substituted synthetics. He buys clean rayon at 10 cents a pound less than the price of the grade of cotton normally used.

Sheetings selling at loss levels

An important maker of sheeting cites 92 million yards of sheeting imports in 6 months ended March 1963, and states the market has deteriorated to the point where the mill has cut from 4 days' to 3 days' operations. This has occurred despite acceptance of all orders even at a loss. If such imports continue "it can only result in the enforced liquidation of most of the sheeting mills and many other cotton mills in this country." The plant is shifting to synthetic blends, but the low price of cottons is a drag on values even here. The situation will be much brighter if cotton can be bought at world prices.

Reduced cotton use seen

This spinner estimates 1963-64 cotton consumption in the United States at 1 to 2 million bales lower than in the 1962-63 season unless one-price cotton is promptly achieved. In the past several years the company has run about 50 percent on cotton. Its sales in 12 months ended March 1963, were only 20-percent cotton, with imports and the price difference between cotton and rayon both factors in the decline.

Mr. BONSALE. Yes.

I assure you they contain ample evidence of just how dangerous the trends are. You will find citations from mills that ran hardly any synthetics before, who this year will produce them to the tune of millions of yards and the equivalent of thousands of bales of cotton. And remember, each thousand bales of cotton so displaced is a thousand acres of cotton which will not be going to market, but just into the Government loan, if this \$42.50-a-bale penalty upon its use is continued this year.

You may also get some idea of the diversions going on, the kind of competition we face, the imported goods that come in here several cents a yard, or in the case of garments, dollars per yard below the cost of production here. We are a competitive business. With our own goods often sold with one-quarter of a cent or even one-eighth of a cent a yard winning or losing an order, a sizable order, our vulner-

ability to these cheap products dumped upon our shores by virtue of two-price cotton must be apparent to all.

The present composition of the industry creates added exposure to raw cotton.

1. Large integrated units manufacturing cloth, finishing plants, and marketing organizations have the research, technical staffs, staffs, and capital to convert cotton-producing plants to handle manmade fibers.

Now, that is a very serious trend. Before many mills, individual mills, would not be willing to risk the capital, would not have the staff or know-how to do it. But today, most of the large companies already have one or more plants on manmade fibers with products that have trade acceptance.

Now there is shortage of a special type of rayon and deliveries are tight or unobtainable on regular rayon which had been reduced in price. Cotton mills who want to test the market for blended fabrics find the rayon is unobtainable. Naturally the large units receive first consideration from the synthetic people and others are unable to gain a position with a source of supply. The result is curtailment or adding to the oversupply of cotton fabrics with added price deterioration.

We believe the time is running out for raw cotton.

I am basically a cotton man. Like Mr. Ruffin, I have always wanted to be in cotton and I have a great deal of regret in being forced to go over into this other situation.

Much has been said of the cost of corrective action. Government at the end of this cotton season will have about 9 million bales in stock with \$1.4 billion tied up in it. Government clearly has no expectancy of recovering this outlay in full. In fact, it has already determined, by having an export subsidy, that it is prepared to take a loss of \$42.5 million for every million bales exported, and it would like to export just as much as it can. The facts of textile imports and diversion of looms in U.S. mills to other fibers should suggest that while it has not so far determined what loss it will take on the balance of the Government stock, loss there will be.

Of course, a prime reason for accepting this loss now would be the same as in exports—to sell more cotton and increase consumption. Experience shows that when a loss is faced the first is perhaps the best one, and the full equalization of cotton cost between domestic and foreign mills is urged.

The U.S. cotton manufacturing industry buys more than \$1.5 billion worth of cotton a year. It doubles this value in the manufacturing process, and sees this more than doubled again in end products for the consumer. This \$6 billion industry is being eroded away, its markets given to workers and plants overseas, its mills pushed into other fibers in the effort to survive.

So, I suggest that the costs of rectifying an old and acknowledged injustice are not to be reckoned in terms of an inventory markdown granting equality to domestic consumption by American mills. Rather, any cost should be considered in the light of the returns which will flow from one-price cotton in less costly goods to consumers, just as Mr. Ehrman has shown it follows right along.

The CHAIRMAN. Thank you very much, Mr. Bonsal.

Any questions?

All right, Mr. Ruffin.

Mr. RUFFIN. Mr. Chairman, the experiences in the marketplace leave little room for doubt that American cotton is in trouble and that the trend away from cotton is hard and steady. To summarize the situation and to point up our thinking on a solution permit me to present Mr. Jackson.

Mr. JACKSON. Mr. Chairman, could we have your permission to file some additional information about the Public Law 480 cotton programs as they relate to some of the goods coming into this country?

The CHAIRMAN. Any information you have that would throw light on the subject we ought to have because the Lord only knows we need it.

(The information is as follows:)

SUPPLEMENTAL STATEMENT ON PUBLIC LAW 480 COTTON PROGRAMS

We would particularly like to point out the inaccuracy of some figures as compiled by the Department of Agriculture and presented to your committee by Under Secretary Murphy as a part of his testimony.

The Department of Agriculture, in comparing S. 1190 and S. 1511 shows exports of 4.5 million bales and 5 million bales, respectively. Therefore, it is impossible to make an accurate and fair comparison of the costs of the two bills with a difference of \$60 million in the export estimates.

With reference to exports under Public Law 480 as shown by the Department for S. 1511, we wish to point out that since the beginning of the program in fiscal year 1954-55, and through the 8 years ending with fiscal year 1961-62, that the exports under Public Law 480 have only averaged 804,250 bales per year. Exports under this program have never amounted to 1.5 million bales in any year. However, in spite of this past record, the Department figures indicate that they expect 1.5 million to go out under Public Law 480 during 1964-65. We conclude that the 1.5 million bales is apparently to be given away at a cost of \$180 million.

Since the beginning of Public Law 480 and through the end of fiscal year 1961-62, there has been a total of 6,434,000 bales exported under title I. A total of \$1,053,709,571 in funds has been authorized to finance this amount of cotton. To date, in fiscal year 1962-63, an additional \$115 million in funds has been authorized, sales registered for 581,060 bales and 498,987 bales have been exported or booked for export.

An analysis of the funds authorized to date in fiscal year 1962-63 reveals the following: Funds authorized for Indonesia total \$23,084,498 for 156,639 bales. All of this amount is under agreement with Indonesia and a large portion of it is for transshipment to Japan, Hong Kong, and Yugoslavia.

In addition, there is Poland, \$7,302,000 for 49,000 bales; Taiwan, \$12,064,000 for 86,000 bales; and Vietnam, \$8,700,000 for 64,500 bales.

The entire record of Public Law 480, title I shows that since the beginning of the program in fiscal year 1954-55 through May 3, 1963, funds have been authorized totaling \$1,231,022,475 and 7,427,151 bales sold, with 7,264,821 bales exported or booked for export.

Although the law provides that American mills may submit bids to manufacture cotton into cotton products for shipment to foreign countries under Public Law 480, title I, and by so doing, improve considerably the employment situation in our own textile industry, the actual fact is that goods requiring only 950 bales of cotton have been authorized under this program. This agreement was with the Congo and was issued April 17, 1963.

In summation, it appears that the tremendous amounts used under Public Law 480 is simply a means whereby foreign aid over and above foreign-aid appropriations is channeled, in disguise, through the USDA and their CCC operations. In fact, Mr. Freeman, in testimony on February 21, 1963, before a subcommittee of the Committee on Appropriations stated with reference to Public Law 480, "It certainly is foreign aid."

Mr. JACKSON. From the testimony you have heard all week and more specifically from testimony of the industry witnesses here this morning, two clear facts emerge:

1. The industry, through which cotton moves to market, cannot and will not maintain even the current low levels of cotton consumption under the present price system. In fact, the downward trend in domestic usage is bound to continue.

2. The devastating and completely unfair import situation that is killing off cotton consumption, acreage, jobs, and income will not be corrected under present price policies.

Mr. Chairman, this is a two-pronged problem. First, we have the import problem directly related to price. In the second place we have the domestic situation where cotton is losing markets to other fibers and to a variety of other products where a price factor is directly involved.

With all the sincerity and all the force we know how to convey we say to you this morning that nothing short of a complete return to a one-price system—under which American mills, employing American workers, can buy American cotton at the same price it is sold abroad—will halt present trends, turn them around, and head our whole cotton economy toward expanding consumption, increased acreage, improved farm income, and a dynamic, confident, cotton textile manufacturing industry.

There are those who have testified before your committee that the situation can be corrected by something less than a clear-cut one-price system. As the industry processing and marketing cotton, we are completely convinced they are wrong. There are many reasons involved, but essentially it is a matter of confidence.

Confidence will not be restored so long as this industry feels that an agency of Government, a President, or a Secretary of Agriculture, or anyone can juggle the export price of cotton without regard to domestic competitive price situation. We are speaking of a principle and mean no disrespect to anyone in office currently.

Our experience under the two-price system for the past 7 years indicates beyond question that the essential ingredient—confidence—is now inevitably tied to a one-price system. We come back to the fact, Mr. Chairman, that the textile industry is the industry through which this raw material moves to market, and when the industry begins to lose confidence in it, when it begins to find itself being forced away from it, it loses confidence in that fiber's future and it shifts all of its emphasis elsewhere and that is what is happening now and we have got to restore confidence and we are completely convinced that is directly tied to a return to a one-price system.

When the two-price system became law in 1956 it was recognized that it would create two disastrous impacts on the domestic textile-producing industry, both of which would require immediate corrective action:

- (1) It would destroy the textile export market, and
- (2) It would stimulate a marked rise in imports.

The Department of Agriculture dealt with the first of these points by providing for an equalization fee on cotton textile exports, payable on the same per-pound basis as the raw cotton subsidy. However, efforts made at that time, and repeated through every available legal recourse, have failed to provide an offset for the far more serious elements of the problem—the imports.

As a result of a Presidential directive issued on May 2, 1961, the Department of State set about to seek international agreements for some regulation of trade in cotton textiles.

Since then these arrangements have been negotiated and just to get them in the record I will review them very briefly, Mr. Chairman.

1. A short-term arrangement involving 19 nations, but excluding Japan, which ran from October 1, 1961, until September 30, 1962.

This arrangement was made to hold imports into the United States at the level of an equivalent 567 million square yards. Exclusive of Japan. During its term actual imports reached 754 million square yards, an excess of 33 percent.

2. A bi-lateral arrangement with Japan for calendar year 1962, under which textile exports to the United States were set for a level of 275 million square yards. Actually imports from Japan amounted to 338 million square yards, and excess of 23 percent.

It may be noted that Japan, in adopting a program in 1957 to control cotton textile exports to the United States agreed to hold their shipments to an equivalent of 235 million square yards. In other words, such Japanese imports in 1962 were 44 percent above their original goal.

3. A long-term agreement, which began on October 1, 1962, involving 23 countries. Under this arrangement, and we are 6 months into it now, total imports into the United States including Japan, are at a level of approximately 1.3 billion yards, or 60 percent in excess of the fiscal 1961 base of 812 million yards which was promised to the industry.

These excesses are occurring in spite of the fact that many individuals in Government are devoting strenuous efforts to make the arrangements work as promised. However, the experience of the past 1½ years demonstrates beyond doubt to the administrators that the cotton cost advantage enjoyed by foreign competitors is creating havoc with the enforcement of the arrangements.

The windfall profit accruing to foreign exporters and domestic importers, based on the cotton cost advantage, is so great that it is placing enormous pressures on the effective functioning of these arrangements. In fact, one foreign delegation after another is parading in and out of Washington seeking ways and means to circumvent the original intent of the arrangements.

We understand two such delegations are in the city right now.

As indicated earlier, it is our firm conclusion that nothing short of the complete elimination of the two-price system will produce the desired results. With few exceptions, there seems to be general agreement on this subject among all segments of the raw cotton industry.

In September 1962, after the Tariff Commission rejected an offset import fee on the cotton content of textile imports, and President Kennedy announced that he would seek elimination of the inequity of the two-price system, our industry, along with all other segments of the raw cotton industry, began considering courses of procedure.

Every other recourse having failed, the industry leadership concluded that some sort of payments program offers the only possibility of achieving a one-price system in the foreseeable future, maintaining at the same time a price to domestic producers substantially in excess of the world market.

Historically, our industry has opposed the idea of any additional subsidy. Certainly the textile industry never has and does not now seek any Government subsidy for itself. We do not want it; the cotton-cloth price study that was demonstrated here a few minutes ago, we think clearly indicates that the industry couldn't retain it if it had it.

Our decision to support a payments program is made somewhat easier by these three factors:

(1) The virtually unanimous decision among all segments of the industry that there are no other workable alternatives or don't seem to be.

(2) The fact that the added cost would at least be offset, insofar as the American public is concerned, through consumer savings in the range of \$600 to \$800 million annually. Such a statement was made by a Department of Commerce spokesman during the course of hearings in the House.

Mr. Chairman, before leaving that point, let me come back now and comment on this price relationship that you inquired about earlier.

(Discussion off the record.)

Mr. RUFFIN. May I file this pamphlet with the committee?

(The pamphlet referred to will be found in the files of the committee.)

The CHAIRMAN. Proceed, Mr. Jackson.

Mr. JACKSON. Mr. Chairman, for the most part, the textile mills that buy cotton from the farmers don't make finished products. They don't make shirts and dresses. Essentially, the main consumer products they make are sheets or towels and pillow slips and draperies and bedspreads but for the most part the cotton textile mills that buy cotton from the farmer make yarn or gray cloth and this product is sold in what is undoubtedly the most competitive big industry in America.

Although these textile mills are scattered from Maine down through the Southeast and on to Texas, virtually the entire product of the industry is sold through a few square blocks in the wholesale market in New York City.

The result is that any change in price or the price structure is just like an electric charge in those few square blocks. Any change in the cotton market is reflected immediately in the textile price structure.

The CHAIRMAN. Even though it doesn't affect it very much?

Mr. JACKSON. Yes, sir. This relationship shows that it affects it very directly.

The CHAIRMAN. I know, that is what burns me up.

Senator JOHNSTON. It is almost confined to one building, isn't it?

Mr. JACKSON. Well, yes, just a few of them.

The CHAIRMAN. You have their expert here, Mr. Bonsal, I understand.

Mr. JACKSON. The point is, though, that the mills sell on a very small profit margin. Obviously, as Mr. Bonsal indicated the matter of one-eighth of 1 cent or one-fourth of 1 cent of a yard gets the business and in many instances a one-half a cent the yard is the profit margin.

There is no assurance necessarily that a price variation in gray cloth reflected in a shirt or a dress. Such apparel are style items and

the retail price reflects considerations other than the cost of cotton. On the great bulk of the goods produced by and sold by the textile mills the margin of cotton costs becomes an all-important factor; 8 cents a pound for yard goods is 2 cents a yard on goods, and that is probably four times the profit margin that is involved.

As you see from the statistics the profit in the industry last year was 1.9 percent on sales although it generally averages around 2½ percent on sales. So you can easily see the impact cotton costs have on such thin margins on goods.

Senator JOHNSTON. But another thing, sometimes you are faced with this: When your foreign competitors center upon a certain type of goods in their manufacturing and dump it over here on the market then you, in order to sell that type of cloth sometimes have to sell it under cost; isn't that true?

Mr. JACKSON. That is exactly right. It is happening all the time. For virtually every sale made in the New York wholesale market, there is a foreign offer hanging right over the market. It is crucifying the price structure of the industry which already is highly competitive.

Senator JOHNSTON. They pick out different goods and it looks like they are centering on that.

Mr. JACKSON. That is right. That is the way they have done it right along.

Mr. Chairman, the third fact that made it somewhat easier for the textile mills to take a position in favor of a payment program to achieve a one-price system was that a payment-in-kind approach could be utilized for a period of time, involving payments in Government-held cotton rather than in cash from the Federal Treasury.

There has been a good deal of discussion about the payment-in-kind approach and about the buildup of Commodity Credit stocks and I am going to pass quickly over this but want to make this point.

When the Commodity Credit Corporation takes title to existing loan stocks on August 1, it is expected to take title to between 8½ and 9 million bales. This cotton is available for domestic consumption only at 115 percent of the level it went into the loan, plus carrying charges, so it will immediately become not 32½-cent cotton, but nearly 38- or 39-cent cotton to the domestic industry.

Unless we have a crop failure this year, it means that virtually none of this cotton is likely ever to enter domestic consumption. It will sell only for export, and that means it will be reduced in value automatically from the 32½-cent level at which it went into the loan, down to the 24-cent world price figure.

Furthermore, a lot of it, as we know from experience, will go out under Public Law 480 and perhaps other aid programs where it will return nothing to the CCC treasury.

In other words the CCC cannot be expected to realize more than the world price for virtually all of these burdensome stocks. Thus, the question immediately arises as to how the stocks, on which CCC will take heavy losses anyway, can be utilized to achieve the objective of a one-price system for American cotton, and, at the same time, create maximum dollar returns to CCC's treasury.

A very broad cross section of the entire American cotton economy strongly recommends the immediate utilization of these CCC stocks

for a payment-in-kind program to make cotton available to domestic mills at the same price it is sold for export.

Now, Mr. Chairman, in conclusion, last September President Kennedy urged the Department of Agriculture to take early action on the cotton price system.

The board of directors of our organization met in October of last year shortly after the President's announcement. During the interval between his announcement and our meeting, representatives of our industry had been invited by the administration to work with the executive branch, the Department of Agriculture, and with all segments of the raw cotton industry—particularly the producer groups—in the interest of developing a legislative proposal that would achieve the stated objective.

In fact, we were told it was the hope of the administration that by Thanksgiving they could have ready a draft proposal for consideration by the Cotton Subcommittee of the House Agriculture Committee early in December.

After giving the whole matter most careful consideration, it was the decision of our board that our organization's cotton policy committee and staff should work with the designated groups in the interest of developing a proposal.

Beginning last fall, various of our industry representatives started participating in a long series of conferences, meetings and discussions here in Washington and throughout the entire cotton producing and manufacturing areas of the country. In a special farm message to the Congress on January 31, 1963, President Kennedy recognized the urgent need for new cotton legislation along the line indicated, and stated:

Ideally it should be signed into law before the end of February and made applicable to the planting of the 1963 crop.

As a result of all the activity on the subject, and following hearings last fall and early this year before the Cotton Subcommittee of the House Agriculture Committee, a coordinated plan of action finally emerged in the form of H.R. 6196 which you just advised us has been reported by the House Agriculture Committee.

The CHAIRMAN. That is not the one, that is another one.

Mr. JACKSON. Is that right?

The CHAIRMAN. The first one was defeated, the bill that was presented by Congressman——

Mr. JACKSON. Gathings.

The CHAIRMAN. Was sidetracked and the Cooley bill which provided for an 8½-cent direct subsidy never saw the light of the committee. I mean it was voted back and I understand today they have recommended a bill wherein the payments would be in kind.

Mr. JACKSON. Yes. That was our understanding of what they would consider today.

The CHAIRMAN. To anyone other than the producer. The vote was 20 to 15.

Senator JORDAN. That is this S. 1511 with a provision in it that was acceptable——

The CHAIRMAN. If they don't attach the wheat bill to that it might have easy sailing in the House. But I fear that is what is going to happen. And if they do, don't expect cotton legislation this year.

Proceed.

Mr. JACKSON. As we understand it, Senator, this bill that was acted on this morning is the same that you and Senator Jordan introduced over here, you having said you were doing it by request.

The CHAIRMAN. Right.

Mr. JACKSON. Although the proposal still contains some provisions that are not completely acceptable to everyone concerned it does involve compromises resulting from 6 months of intensive effort, participated in by the executive branch, the Department of Agriculture, the House committee and by practically all elements of the cotton industry, particularly the producer groups.

Starting in November and December, our organization has followed the development of this proposed legislation in great detail, and has participated in numerous conferences regarding it at every level of Government and among all segments of the industry.

We have given, and continue to give this measure our complete support in the House and, of course, endorse and recommend your most careful consideration of S. 1511 here in the Senate Agricultural Committee.

In addition to S. 1511, this committee has before it three additional proposals. Our comments on them are as follows:

S. 1458, by Senator Ellender, also introduced by request. As we understand this proposal, it would not provide for a return to a one-price system in the foreseeable future and, in our firm conviction, would have no important effect in reversing the current crisis, either the domestic situation or the import situation.

S. 608, by Senator Sparkman, as we understand this proposal, it is the same as the one considered some weeks ago by the House Agriculture Committee, the Gathings proposal, Senator, that you mentioned.

The CHAIRMAN. Right.

Mr. JACKSON. It does not provide for a clear-cut return to a one-price system; rather, it gives discretion to the Secretary of Agriculture to determine the level of the inequity created by the two-price system. After long and careful consideration, extending over a period of weeks, the Department of Agriculture, the House committee, our industry and many producer groups reached agreement that the discretion should be given to the Secretary until August 1, 1964; that thereafter the price for domestic and export sales would be the same.

Accordingly, the present version of S. 608 is in conflict with the agreement that has been reached among all interested groups, including the Department of Agriculture, and apparently in conflict with the bill approved by the committee this morning.

S. 1190, by Senator Talmadge. As we understand this proposal, it would return cotton to a one-price system, and in that respect seems to meet this most important objective.

Actually, S. 1190 was introduced after the annual meeting of our organization, which took place in mid-March, and there has been no later meeting of any policymaking body of our group.

For this reason, and, because we have been operating under instructions from our board along the lines already described, and consequently have been deeply involved with the Department of Agriculture, producer groups, and the House committee in the de-

velopment and support of H.R. 6196, we have taken no formal position with respect to S. 1190. In fact, it has not yet been up for consideration before any policymaking body of our organization.

We have confidence that when this Senate Agriculture Committee has had an opportunity to review the record of the hearings this week, and otherwise to examine all pertinent information relating to the present crisis, you will come forward with a proposal to eliminate the two-price system in its entirety and thereby reverse the devastating trend that is now in motion. We are hopeful and confident that the measure you decide upon will have the support of all of you who have sponsored cotton legislation, and that it will generate immediate support from all groups so vitally interested in the subject.

We are most appreciative, Mr. Chairman, for your individual and collective efforts to find a solution to the pressing problem of America's total cotton economy.

The CHAIRMAN. Thank you very much. Is that it?

Mr. RUFFIN. Thank you very much, Mr. Chairman.

The CHAIRMAN. We are glad to have had you.

Senator JORDAN. Are you through?

Mr. RUFFIN. Yes.

Senator JORDAN. I just want to get a few comments for the record at this point and I want to be certain that my information is correct, because I don't want anything to go into the record coming from me that is not correct.

Up until a few years ago rayon was not a very good fiber. It had no wet strength whatsoever or practically none. When you bought a rayon garment, it had on it several instructions: Don't ever use a hot iron, and don't wash in hot water, and a great many other things. In the last year or two, they have been producing a rayon that is stronger wet than it is dry; is that right, Mr. Ruffin?

Mr. RUFFIN. Yes, sir.

Senator JORDAN. And so rayon is today a good acceptable fiber and it wears well and you don't have to have all these washing instructions and problems that formerly went with rayon. Within just the last year or two, it has become a good acceptable fiber and it is being handled well.

As I see it, another thing about rayon is that it is made out of wood; is that right? It is a cellulose fiber coming from wood which is mostly imported from Canada, Sweden, and Norway, and those countries. That is my information on it so the American farmer is not getting much from the rayon business, anyway; is that the case, Mr. Jackson?

Mr. JACKSON. I think that is so.

Senator JORDAN. That is substantially correct, anyway.

The CHAIRMAN. But it isn't made out of cotton. We know that.

Senator JORDAN. It isn't made out of cotton. As I see it, the loser in this whole business is not going to be the textile mill. You can spin rayon or nylon or Orlon or Dacron just as easy as you can spin cotton, or easier.

The cotton farmer is the man who is going to lose out completely if this trend is not reversed. Because, as Mr. Ruffin pointed out a while ago, his looms are running but they are just not running on a 100-percent cotton but 50-percent cotton. So the cotton farmer is

the man who is going to lose and that is where a great many of our people are going to be out of work and our acres are going to be idle. Also, the gins and all the handlers and the railroads will be affected. There are thousands and thousands of people involved other than the cottonmill workers and cotton farmers, and it is a pity to let this item be destroyed by the type of legislation which we now have on the books and which has got to be corrected or the cotton farmer is gone.

There is no limit to trees, I will tell you that, in Canada. I have been up there lately and they can keep on making woodpulp and very cheaply, with plenty of cheap power.

There is one other thing; a lot of people get confused about this yardage business. We think of cloth as yardage as a yard wide. Senator Johnston and I just had in our office last week a group of people making zipper tape.

Now, you don't think of zipper tape as being a big factor, but it is a tremendous factor in our market, one-third of the entire consumption of tape in the United States now is being imported from Japan.

Zipper tape is about three quarters of an inch wide, but there are millions of yards of it, and it takes a great many people to produce it because it is not a fast-producing item like a yard of duck or something like that.

So this problem is a very serious problem.

The CHAIRMAN. All right.

Mr. RUFFIN. Mr. Chairman, may I make a one sentence comment on that?

The CHAIRMAN. One sentence, please.

Mr. RUFFIN. Apropos Senator Jordan's remarks, as cotton goes—as acreage goes off of cotton, I am sure this committee is very much aware of the fact that it is going to, it will probably have to go even to other commodities that are already in greatly excess supply.

Senator JORDAN. That is correct.

The CHAIRMAN. That has been brought out many times.

Senator JORDAN. Absolutely.

The CHAIRMAN. All right.

We thank you gentlemen. We are glad to have had you.

Mr. RUFFIN. Thank you very much.

The CHAIRMAN. All right, next witness is Mr. Sheely.

Step forward, Mr. Sheely. Have a seat, sir. You may proceed, sir.

Senator JORDAN. Mr. Chairman, I hate to hold you up because I am getting just as hungry as you are.

The CHAIRMAN. I have an appointment at 1 o'clock. I would like to make it. If you want to preside——

Senator JORDAN. I don't. I want to introduce Mr. Sheely and Mr. Francis, I have known Mr. Francis a good long while. He lives in Phoenix, Ariz., and I visited with him out there and he is with the Supima group which is doing a very good job with Supima.

And Mr. Sheely is president of the Arizona Cotton Growers Association and it is my pleasure to introduce them to you. I am not sponsoring their bill that they are talking about here, but they are fine gentlemen anyway.

STATEMENT OF JOE A. SHEELY, PRESIDENT, ARIZONA COTTON
GROWERS ASSOCIATION, PEORIA, ARIZ.

Mr. SHEELY. Thank you.

Mr. Chairman and members of this committee, my name is Joe Sheely. I live at Route 1, Box 495, Peoria, Ariz., where I engage in farming, including the production of cotton. I am appearing here as president of the Arizona Cotton Growers Association to present the position of our association in regard to proposed legislation affecting cotton.

We all know that cotton is in a desperate situation. There is no need my reviewing that for you.

The solution to this problem seems to have escaped the best minds in the industry. Or at least they have not been able to reach agreement. I do not think that I have the final answer either, but our growers and the directors of our association feel that we should express our views.

Within the past 6 or 7 months there have been many meetings held in an attempt to work out of this distressing situation. Mr. Gathings, as chairman of the Cotton Subcommittee of the House Committee on Agriculture, held hearings early in the winter. There have been innumerable meetings of growers since then.

We in Arizona believe that the most essential step is to get cotton to American mills at a competitive price; a price that will do away with the present differential between domestic and export prices.

We believe that we must face up to the fact that a one-price system for cotton is our goal, though how quickly it can be reached I am not prepared to say.

Our people believe it would be desirable to lower the support level immediately. Perhaps to the level of 31 cents per pound. Farmers are not yet ready nor able to bear the full burden of dropping the support level to 26 cents per pound or thereabouts. For that reason we advocate, as a temporary measure, an incentive payment to American mills in order that the disparity between domestic and export prices may be overcome.

Arizona would like to see the increased consumption the foregoing steps can be expected to generate rewarded by an increase in acreage allotments as soon as possible. We do not in any way object to or oppose a choice plan permitting growers to exceed their basic allotment if willing to accept a lower price, but there does not appear to be any general demand for such a program in our State.

We strongly support the proposal made that additional funds be provided for research designed to lower the cost of production. It appears to us to be self-evident that in the near future cotton is going to have to fight for its markets on a basis of price and quality.

Under present conditions U.S. farmers just cannot produce at a competitive price, but there is good reason to believe that a greatly stepped up research program would make this possible. Preliminary results of chemical weed control and square retention work are very encouraging.

Our directors believe so strongly in the potential in research that they have recently donated \$15,000 of association funds to the University of Arizona and to Arizona State University.

There has been included in some of the legislation proposed a provision to make premium payments on a specified number of bales of a grower's production. I believe the one most seriously considered would pay 10 percent above the basic loan rate on the first 15 bales of production.

We are flatly opposed to such proposals. We fail to see what they hope to accomplish that will be of value to the cotton industry and after all, helping the cotton industry out of its present predicament is the goal here. A farmer producing 15 bales of cotton would, under this proposal receive somewhere between \$150 and \$225 additional income. If this amount of money is significant in his scheme of living, he is a welfare case and the cotton industry should not be charged with trying to help him through the economic problems of life.

There is before this committee S. 1190, sponsored by Senator Talmadge, which has the support of the Department of Agriculture. We are opposed to this legislation. Our objections are that the legislation as now written would require rather substantial payments to farmers; it creates inequality between farmers, putting a premium on being a small operator and through the bale allotment feature would tend to move us all toward the lower level of the production scale.

In summing up, it is our overall view that cotton must be put in the American mill at a competitive price. To accomplish this without destroying the raw cotton industry, we recommend that the committee adopt the proposal of a moderate reduction in the support level combined with an incentive payment to the mills to enable us to span the transition period until research results enable us to accept still further reductions in the support level.

The CHAIRMAN. That is along the House line, the House bill?

Mr. SHEELY. That is right.

The CHAIRMAN. I think you are a little in error there in your statement about the Department supports the Talmadge bill. I doubt that it does, as written.

Mr. SHEELY. I think you are right. Our information when I prepared my statement was that that was so.

The CHAIRMAN. We will find out later because we expect to get their reaction to all of the bills before us.

Mr. SHEELY. Thank you.

The CHAIRMAN. Thank you very much.

All right.

Mr. Dohogne.

STATEMENT OF LINUS E. DOHOGNE, PRESIDENT, NATIONAL COTTON COMPRESS & COTTON WAREHOUSE ASSOCIATION, ARBYRD, MO.

Mr. DOHOGNE. Yes, sir, Senator.

The CHAIRMAN. All right, sir.

Mr. DOHOGNE. Mr. Chairman, and members of the committee, my name is Linus E. Dohogne. I am president of Arbyrd Compress Co. which is engaged in the public storage, compression and other physical handling and servicing of raw cotton in the city of Arbyrd, located in the boot heel of Missouri.

In recent years my company each year has received, weighed, sampled, stored, compressed and shipped from 57,000 to 71,000 bales of cotton.

I appear before you as president of the National Cotton Compress and Cotton Warehouse Association, whose members own and operate cotton warehouse and compress-warehouse facilities throughout the 14 major cotton-growing States from California to North Carolina.

Throughout the 16 cotton-growing States (including Florida and Virginia) there are approximately 1,200 public cotton warehouse and compress-warehouse establishments regularly engaged in storing or compressing and storing cotton for the public, and which are approved by Commodity Credit Corporation for the storage and handling of CCC loan and acquired cotton.

Those warehouse and compress-warehouse plants, can store at one time approximately 22,900,000 bales. The value of those warehouse and compress-warehouse plants is approximately \$385 million.

The position of the members of our association with regard to proposed cotton legislation is embodied in a resolution proposed by our legislation and public affairs committee, approved by our board of directors, and on April 5, 1963, in our annual membership meeting, unanimously adopted by the entire membership of our association. That resolution places this association and its members on record as favoring and supporting a long-range price and production program for cotton which will:

(a) Expand production and consumption of U.S. cotton;

(b) Move as rapidly as possible toward competitive prices for U.S. cotton, both at home and abroad—including action to make U.S. cotton available to domestic spinners at the same price as it is available to foreign spinners under present law; and

(c) Provide, through Federal legislation, a substantial research program to reduce the cost of producing cotton.

Your committee has doubtless received ample testimony to document the very serious plight of the U.S. cotton industry. Without repeating what other witnesses have said, I wish to emphasize that the problem is not confined to cotton farmers or cotton merchants, but affects the entire raw cotton industry, including warehousemen.

As warehousemen, we have a truly vital stake in the solution of that problem. Cotton warehousemen have a long and I believe excellent record of service to the U.S. cotton farmer, cotton trade, and Commodity Credit Corporation. It is our earnest desire always to maintain, and in every way feasible improve that service. This will be possible only under the conditions of a strong and healthy cotton industry.

We recognize that cotton cannot and must not be produced for storage in excess of reasonable reserves necessary to provide an adequate supply in each new cotton year until the newly harvested crop is freely available, and provide a reasonable measure of protection against the possibility of crop failure and other national emergency.

With prompt enactment of the provisions urged in our resolution quoted above, we have every confidence in the future health and growth of the U.S. cotton industry. However, each month of delay in the enactment of such provisions is reflected in the increased loss of markets for U.S. cotton, markets which will be difficult if not almost impossible to regain.

We take no position on what we regard as the relatively minor points which are the subject of controversy between different elements of the cotton industry. Rather we emphasize the compelling

necessity of prompt adoption of the provisions which are vital to the recovery and future health of the entire raw cotton industry.

In behalf of the warehousemen I represent, I wish to urge that these fundamental principles be embodied in whatever legislation you may approve:

1. The price of U.S. cotton must be competitive, both at home and in our vital export markets.

2. There must be an end to the two-price system which discriminates against our domestic mills and permits foreign manufacturers to capture an ever larger share of our domestic market.

3. The cost of growing cotton in the United States can and must be reduced through research, in order that producers may grow and sell cotton at a reasonable profit, with decreasing dependence on Government price subsidies, and the prospect that such subsidies ultimately can be eliminated.

Cotton warehousemen, and I believe all other segments of the raw cotton industry, are convinced that these are the cardinal principles on which new legislation should and must be based. We feel that the Congress should be guided by these principles in working out a program which will not only permit U.S. cotton to survive the present crisis but also provide a truly sound basis for its future growth and prosperity.

We appreciate the opportunity of being represented before your committee.

The CHAIRMAN. Thank you very much, sir.

Your line of reasoning is along the same as we have had here from other segments of the cotton industry.

Mr. DOHOOGNE. Yes, sir.

The CHAIRMAN. Thank you very much.

All right, Mr. Susie.

Mr. SUSIE. Yes, sir; Mr. Chairman, I have another warehouse statement.

The CHAIRMAN. Do you have anything to add to what he said or is it different?

Mr. SUSIE. It covers a specific area.

The CHAIRMAN. Very well, proceed.

STATEMENT OF PAUL J. SUSIE, PRESIDENT, SOUTH ATLANTIC COTTON WAREHOUSE ASSOCIATION, COLUMBIA, S.C.

Mr. SUSIE. I am Paul J. Susie, treasurer of Palmetto Compress & Warehouse Co., of Columbia, S.C. I am also president, and appear in behalf, of South Atlantic Cotton Warehouse Association, which is composed of the owners and operators of public cotton warehouse and compress-warehouse plants located throughout the cotton-growing areas of Alabama, Georgia, North Carolina and South Carolina.

The South Atlantic Association is one of the five regional associations which comprise the federated membership of National Cotton Compress & Cotton Warehouse Association.

In Georgia, Alabama, North Carolina, and South Carolina there are approximately 769 cotton warehouse plants which regularly engage in the storing of cotton for the public, and which are approved by Commodity Credit Corporation for the storage of cotton held as

collateral security for price-support loans or acquired by CCC in the cotton price-support program.

Those warehouses have an aggregate storage capacity of slightly more than 5 million bales and a plant value of approximately \$85 million.

The cotton warehouse industry in the Southeastern States is distinguished from the warehousing industry in the remainder of the Cotton Belt in two ways:

First, it is characterized by a relatively large number of warehouses of relatively small capacity.

Second, only 13 of the 769 warehouse plants in these States are equipped with compress machinery. Even those which are so equipped normally compress only the bales moving to the ports for export and to New England and Canada because the distance to the nearby southeastern spinning mills is not great enough to warrant the expense of compression.

Our members are in wholehearted agreement with the resolution adopted on April 5 of this year by a unanimous vote of the membership of National Cotton Compress & Cotton Warehouse Association.

We support and join the national association in urging enactment of a long-range price and production program for cotton that will:

- (a) Expand production and consumption of U.S. cotton;
- (b) Move as rapidly as possible toward competitive prices for U.S. cotton, both at home and abroad—including action to make U.S. cotton available to U.S. spinners at the same price at which it is made available to foreign spinners under present law; and
- (c) Provide, through Federal legislation, a substantial research program to reduce the cost of producing cotton.

In the Southeast, as in the Nation generally, the entire cotton economy has been and is suffering grave and increasing injury because of our existing two-price system for cotton.

Despite a substantial degree of mechanization, and application of modern, efficient production practices, this situation is aggravated by the high cost of cotton production.

The interest and welfare of the southeastern cotton warehouse industry, especially in the long-range view, are inevitably bound up with the interest and welfare of the cotton farmers, merchants, and spinners. If there is general prosperity in the southeastern cotton economy, the warehousemen may expect to participate in that prosperity and continue to uphold and further improve their high standards of service.

If the cotton economy of our area continues to languish under the two-price system, it will be increasingly difficult to the point of impossibility for the warehousemen to maintain, much less improve, the economy and efficiency of the services they render to the farmers, ginners, merchants, and spinners.

We deliberately refrain from taking a position as to who should receive the price-support payment, how many of the farmer's first bales will receive how much additional price support, and similar issues on which there is still some disagreement among various elements of the cotton industry. While such issues are, of course, substantial, they pale into relative insignificance when compared with the compelling necessity for equalizing the price of U.S. cotton to domestic spinners with the price at which it is sold to foreign spinners, and the

equally imperative need for intensive research for practical means of reducing the cost of growing cotton.

If our cotton economy is to survive with any hope of prosperity, the price of U.S. cotton and cotton products must be made competitive with synthetic fibers, foreign-grown cotton, and their products, in both domestic and foreign markets.

Unless these primary principles are applied decisively, vigorously, and very soon, the U.S. cotton economy, as we have known it, is destined for virtual extinction. We urge your committee and the Congress to let no consideration of secondary issues prevent, impede, or delay the prompt enactment of legislation to accomplish these basic and indispensable objectives.

If this is done and done quickly, we are confident that U.S. cotton can regain its strength and restore its contribution to the national economy. If it is not done and done quickly, we risk the almost certain, and perhaps irretrievable, loss of one of our country's greatest economic and commercial assets.

Thank you for your attention and the opportunity to be heard.

The CHAIRMAN. Thank you very much, Mr. Susie.

Mr. Mellen.

STATEMENT OF GRENVILLE MELLEN, PRESIDENT, AMERICAN COTTON COMPRESS & WAREHOUSE ASSOCIATION, GULFPORT, MISS.

Mr. MELLEN. Senator.

The CHAIRMAN. Good to see you.

Mr. MELLEN. Mr. Chairman and gentlemen of the committee, my name is Grenville Mellen. I am president of and direct the Mississippi-Gulfport Compress-Warehouse, Inc., at Gulfport, Miss., which company serves as a bailee-for-hire in the storing and compressing of baled cotton. I am appearing here in behalf of the members of the American Cotton Compress & Warehouse Association, of which association I am president. (American Cotton Compress & Warehouse Association is the amended name of the American Ports Cotton Compress & Warehouse Association, which recently amended its charter to expand membership eligibility not limited to port locations.)

Our association is one of the five regional federated member associations of the National Cotton Compress & Warehouse Association. All members of the American association operate as bailees-for-hire in the storage, compression, and other physical servicing of baled cotton.

While the major operations of our present members are conducted primarily at the ports of Brownsville, Galveston, and Houston, Tex.; New Orleans, La.; and Gulfport, Miss.; we now have one member plant in Memphis, Tenn., one in Birmingham and one in Montgomery, Ala., one in Athens, one in Atlanta, and one in Augusta, Ga., one in Greenville, S.C., and one in Charlotte, N.C.

At the ports named there are 35 cotton warehouse establishments regularly engaged in storing, or storing and compressing cotton for hire. The storage capacity of our member plants indicated is estimated to be in excess of 3 million bales. The estimated value of those 43 cotton warehouse plants is in excess of \$65 million.

The members of our association on April 5 of this year participated in unanimous adoption by the National Cotton Compress & Cotton Warehouse Association of a resolution which had then, and has now, our unqualified endorsement and support.

That resolution urges the Congress to enact legislation providing for a long-range program for cotton which will:

- (a) Expand production and consumption of U.S. cotton;
- (b) Move as rapidly as possible toward competitive prices for U.S. cotton both at home and abroad—including action to make U.S. cotton available to our American spinners at the same price that cotton is made available to foreign spinners under present law; and
- (c) Provide for a substantial research program having for its primary objective the development of ways and means to reduce the costs of producing cotton.

I am sure that preceding witnesses made clear to you that the solution of many other cotton problems are frustrated by the deplorable effects of the present two-price system for cotton. The longer the folly of the two-price system is permitted to throttle cotton consumption by the U.S. textile industry, the more will the markets for U.S. cotton continue to shrink, while the consumption of synthetic fibers is expanded.

As time marches on, it will be increasingly difficult to regain the lost markets. These obviously frustrating and unwise conditions should be corrected promptly.

We most respectfully submit that it is absolutely imperative that the price of our cotton be made competitive with synthetic fibers and foreign-grown cotton, both at home and abroad; that domestic spinners must be enabled to purchase U.S. cotton at a price level no higher than that at which cotton is made available to foreign spinners.

If the adequate fundamental steps are taken promptly, the U.S. cotton industry can and will recover, and the industry will face the future with increasing confidence. It is my understanding that every element of every segment of the U.S. cotton industry is in complete agreement on the fundamentals recited here.

We most earnestly urge your committee and the Congress to drive for enactment of these basic essentials into appropriate legislation.

Thank you for your attention.

The CHAIRMAN. All right, Mr. Mellen.

Good to see you again.

Mr. MELLEN. Thank you, Senator.

The CHAIRMAN. Mr. Miller.

STATEMENT OF RUDOLPH MILLER, EXECUTIVE SECRETARY, IMPERIAL COUNTY GROWERS ASSOCIATION, EL CENTRO, CALIF.

Mr. MILLER. Thank you, Mr. Chairman.

Mr. Chairman, and gentlemen, my name is Rudolph Miller. I have farmed in the Imperial Valley, Calif., since 1919. I am the executive secretary of the Imperial County Growers Association in El Centro, Calif.

You have received an enormous amount of statistics and evidence concerning the cotton legislation before you.

Allow me, therefore, to be very brief. We support:

1. Establishing authorization to make domestic equalization payments to reconcile the difference between domestic and foreign cotton prices. This payment to be made to others than the producer.

2. A producer's choice plan which would allow producers a 30-percent increase in their allotment, this increase to be sold at world prices of cotton.

Many farmers receive additions to their cotton allotments through the release and reapportionment provision and enjoy also a high price support for these additional acres.

A producer's choice plan would allow those farmers who so wish to plant additional acres, and these farmers would pay for this privilege thus actually helping to reduce the cost of the cotton program.

This committee received in the past 3 days evidence that the cotton surplus is mounting, and it must seem strange to you that we come before you and ask for still more acres.

We live immediately adjacent to the Republic of Mexico. In fact the Imperial Valley is half in the United States and half in Mexico. In this area there are about 1,200,000 acres of rich, all irrigated farmland. All we have to do is to look across the border and see new expansions of cotton acres each year.

We curtail on our side and see the increase below the border. We feel that a farmer's choice plan will at least slow down this expansion. It looks to us that we either give an American producer a chance or let the expansion go to foreign lands.

Often we hear that a choice plan acreage increase would go to high-producing areas. Very true, but please keep in mind that those acres south of the border are also high-producing acres. Because we are a high-producing area, we have each year about 300 foreign visitors who come from every cotton producing land in the free world. Some stay for 2 to 3 weeks and others that many months. Some have come back for several visits. All are young people with drive and ambition and anxious to learn our know-how.

These are two reasons why we think we should be allowed to grow extra cotton at world price. We do not have release and reallocation. Our farmers plant their allotment, but we should also have some of the privilege other areas enjoy, and, gentlemen, we are willing to pay for this privilege.

We believe that these two legislative changes would indeed help the cotton industry.

Mr. Chairman, and gentlemen, we thank you for your kind attention and consideration.

The CHAIRMAN. Thank you very much, Mr. Miller.

Is it a fact or not that quite a few Americans engage in production of cotton in Mexico?

Mr. MILLER. I would say it is more American capital that is down there. The cotton is grown by the Mexican farmer but it is American capital.

The CHAIRMAN. That is what I mean. How does the product compare with what is produced by you?

Mr. MILLER. Very closely.

The CHAIRMAN. Closely. Under the same conditions, same soil?

Mr. MILLER. That is right.

The CHAIRMAN. And the same machinery?

Mr. MILLER. That is right.

The CHAIRMAN. Thank you very much, Mr. Miller.

Mr. MILLER. Thank you.

The CHAIRMAN. I understand Mr. Reuben L. Johnson, director of the Division of Legislative Services, National Farmers Union, cannot be here Monday, and he has requested that his statement be filed for the record.

Without objection that will be done.

(The statement referred to follows:)

Mr. Chairman and members of the committee, I am Reuben Johnson, director of Legislative Services, National Farmers Union.

It is my intention to summarize briefly both the objectives and the major provisions of the kind of cotton program National Farmers Union would like to have Congress enact.

Members of the Cotton Subcommittee of National Farmers Union met earlier this year and discussed recommendations of the Cotton Advisory Committee and the following objectives and discussion is based upon the decisions of our cotton subcommittee. The subcommittee has not been able to meet for the purpose of discussing specific details of some of the cotton legislation recently introduced. In spite of this, Mr. Chairman, the objectives on which this subcommittee agreed should prove to express adequately the views of National Farmers Union on the bills before the committee.

We seek the following objectives:

1. A one-price system applicable to all producers with a price support level set at not less than 100 percent of parity.

2. Any transfer of allotments or quotas from one producer to another producer, allotments or quotas available due to condemnation of land, et cetera, increments in allotments or quotas resulting from increases in utilization, and the national acreage reserve established under the Agricultural Adjustment Act to be allocated consistent with the objective of preserving and strengthening the family farm structure of agriculture. In such allocations, priority should be given to families entering farming and so-called hardship cases where additional allotments or quotas are needed to make a fully sufficient family farm unit. Such allotments or quotas should be managed in such a way as to assure that they are not subject to becoming part and parcel of large, corporate-type farming operations.

3. Statutory authority to provide for direct payments or so-called trade incentives to enable our domestic cotton industry to compete on equitable basis with the cotton industry of other nations.

In our testimony before the House Agriculture Committee, December 1962, we supported trade incentive payments to domestic cotton mills or to some other point in the marketing chain. However, at that time there was no legislation such as S. 1190, introduced by Senator Herman Talmadge, which provides for payments directly to growers. Senator Talmadge has made an excellent case for his bill and we understand that the administration has asked the committee to give it careful consideration.

Farmers Union has long supported unit quotas such as S. 1190 provides for cotton. It is also apparent that Senator Talmadge's bill would enable the small growers to realize greater returns for their labor. As we understand his legislation, a direct payment of 12 cents per pound would be paid on the first 15 bales of production, 10 cents on the second 15 bales and 8 cents on the balance. This means of enabling small growers to compete is fully consistent with our long-time objectives of strengthening our family farm structure in agriculture. The effect of the differential in payments based on the quantity of production of individual farm units is again fully consistent with the program adopted by delegates to our national convention in New York City in March 1963.

The Talmadge bill would permit cotton to move freely through trade channels at the same time protecting the cotton producers who grow and market their quota from the disastrously low world market price. In this connection, Mr. Chairman, we anticipate that very few, if any cotton producers can afford to grow cotton in excess of their quota at the world market price which is approximately 24 cents.

We understand that Under Secretary of Agriculture Charles Murphy said, "It (the Talmadge bill) would be the lowest cost way of achieving a one-price system for cotton." Like Mr. Murphy, we urge that this committee give the bill careful consideration. We view the Senator Talmadge cotton program as much simpler to administer as compared to the programs set forth in other bills before the committee.

From an analysis made by the Department of Agriculture it appears that the program provided by S. 1190 would cost \$5.1 million more than the program provided by S. 608. It is conceivable, however, that under the Talmadge plan substantially greater savings would accrue to the Government from the reduction of carryover, inasmuch as existing cotton stocks could move freely into the world market.

In summary, Mr. Chairman, we believe that S. 1190, introduced by Senator Herman Talmadge, offers an intelligent alternative in solving some of the problems facing growers of cotton. We urge that the committee adopt the desirable features listed above. We are firmly of the opinion that the bills before the committee offer either individually or in combination, a workable solution to the problems that face both growers and domestic cotton processors.

However, S. 1458 is not acceptable to us inasmuch as it would reduce the current price support level. In this connection, a statement made by Under Secretary of Agriculture Charles Murphy is worth repeating:

"* * * I wish to refer briefly to the effect of reduced cotton prices on farm income. Many people have suggested a reduction of about $2\frac{1}{2}$ cents a pound in the support price from its present level of 31.88 cents a pound. We believe that the average cost of producing cotton in the United States is not less than 24 cents a pound, leaving a margin of profit—or net income—of less than 8 cents. A reduction of $2\frac{1}{2}$ cents in price then is a cut of more than 30 percent. To some extent, the reduction in price would be offset by increased consumption resulting from the lower price, but even after allowing for this increased consumption, we believe the loss in net income to cotton producers would exceed 25 percent. This is not a consequence to be accepted lightly, and it is the plain and simple reason we have been so reluctant to reduce the support price, especially for small producers.

"For the United States as a whole in 1959, there were 188,000 small farms that received over half their income from cotton. Almost half these farms had no off-farm income at all. In addition, there were 173,000 other small farms that produced cotton but received less than half of their farm income from this enterprise.

"This means that some 70 percent of all farms producing cotton are small farms whose operators are dependent upon cotton to a significant extent for their total income. Their gross farm sales are less than \$10,000 per farm. Since cotton production costs for these small farmers run well above 27 cents a pound, their margin of profit is narrow, even at present cotton prices. Obviously, their net income from cotton is very meager; but when it is all they have, it is important. Some people may feel that since these small farmers produce only a relatively small part of the total cotton crop, their interests should be disregarded. We cannot accept that view. We feel that any new cotton legislation must make adequate provision for protecting their income. * * *

We fully endorse the concern that Under Secretary Murphy expressed for a program to help the smaller grower.

In closing, we appreciate your courtesy and attention. We want to assure the committee that we in Farmers Union would like to be as helpful as we can to determine the type of long-range cotton program under which farmers will operate.

The CHAIRMAN. I wish to say that the hearings will be extended until Monday to hear four more witnesses, and thereafter the record will remain open, until the following Friday at 12 noon, for the purpose of permitting others to file statements if they desire, provided they are not duplications, and thereafter the record will be printed in the regular fashion, and the hearings will be closed.

The committee will stand in recess until Monday at 10 o'clock and Senator Johnston from South Carolina will preside.

(Whereupon, at 12:55 p.m., the committee stood in recess, to reconvene at 10 a.m., Monday, May 27, 1963.)

COTTON PROGRAMS

MONDAY, MAY 27, 1963

U.S. SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D.C.

The committee met, pursuant to recess, at 10:05 a.m., in room 324, Old Senate Office Building, Senator Olin D. Johnston presiding.

Present: Senators Johnston (presiding), Jordan of North Carolina, and Young of North Dakota.

Senator JOHNSTON (presiding). The committee will come to order. We will call the first witness who, according to this schedule, is Dr. Charles R. Sayre, president and general manager of the Staple Cotton Cooperative Association and the Staple Cotton Discount Corp., of Greenwood, Miss.

I note that we have here a telegram addressed to the committee which states:

Sorry cannot be present May 27 for hearing on cotton bill. Have collaborated with Charles R. Sayre and want to associate with him on his statement.

It is signed "J. Russell Kennedy, vice president and general manager, Calcot, Ltd."

Mr. SAYRE. Calcot is a cotton marketing cooperative operating in Bakersfield, Calif., very similar to our operation in Mississippi.

Senator JOHNSTON. You may proceed and identify yourself for the record.

STATEMENT OF CHARLES R. SAYRE, PRESIDENT AND GENERAL MANAGER, STAPLE COTTON COOPERATIVE ASSOCIATION AND THE STAPLE COTTON DISCOUNT CORP., GREENWOOD, MISS.

Mr. SAYRE. Mr. Chairman and members of the committee, my name is Charles R. Sayre. I am president and general manager of the Staple Cotton Cooperative Association, and the Staple Cotton Discount Corp., with general offices at Greenwood, Miss.

Our organization markets, around the world, 500,000 to 600,000 bales of the cotton produced annually by 2,254 members.

Senator JOHNSTON. Will you give us a breakdown of that?

Mr. SAYRE. Our membership is made up of 1,124 members who produce from 1 to 50 bales; 371 members who produce from 50 to 100 bales—an average of 24.8 bales per member.

Our yields are usually between 525 pounds to 575 pounds of lint.

Senator JOHNSTON. That is right close to a bale per acre.

Mr. SAYRE. Yes, pretty close to it.

Senator JOHNSTON. I wanted to get that for the record.

Mr. SAYRE. Thank you.

Additionally, we finance the production of more than 150,000 acres of cotton annually. The amounts of credit we advance is determined by budgets of costs and the financial statements of our individual grower-members. Most of our members farm in the delta areas of Mississippi, Louisiana, and Arkansas.

The record established at these hearings indicates clearly that the difficulties confronting cotton in these United States warrant major changes in existing legislation. Such modifications would be needed in the national interest, as well as in the best interest of the cotton industry.

I urge this committee to provide bipartisan support for S. 1511, as introduced by Senators Ellender and Jordan, with the addition of the following provision:

Whenever the Secretary of Agriculture finds that a national acreage allotment of more than 17 million acres will not add to the cotton carryover in the United States, then the number of acres exceeding 17 million would be divided 50-50 between original allotment holders and those who want to overplant their allotments up to 20 percent and export the cotton produced on the acres planted in excess of their allotments for whatever price they can obtain for it in world markets. Planting history would not be credited for acreages in excess of the farm allotment.

Senator JOHNSTON. Let me ask a question there. Suppose that we have a large surplus already. Would you want to plant under that?

Mr. SAYRE. No, sir. We propose, Mr. Chairman, that the overplant provision not be authorized in any condition that would increase the carryover of cotton in this country.

Senator JOHNSTON. Say that the carryover was already large.

Mr. SAYRE. That would mean under the recommendations of our provision that you would not, or the Secretary of Agriculture would not, be authorized to put in the overplant provision until such time as the demand and likely offtake was such that it could be done without adding more to our accumulated stocks.

Senator JOHNSTON. Say that the surplus was already large. That is another question that might enter into it, would it not?

Mr. SAYRE. I believe I am using the term "carryover"—

Senator JOHNSTON. In the same relationship as I am?

Mr. SAYRE (continuing). The same as you are using the term "surplus."

Senator JORDAN. This provision that the House accepted in the Cooley bill, that is the same as this?

Mr. SAYRE. That is right.

Senator JORDAN. It is the same thing?

Mr. SAYRE. Yes.

Senator JORDAN. As I understand it, Mr. Chairman, the Secretary would not be authorized to increase the acreage to 17 million until the market could absorb the stock and the surplus was reduced.

That is correct, is it not?

Mr. SAYRE. That is correct.

Senator JORDAN. It is fixed at 16 million this year?

Mr. SAYRE. Yes.

Senator JORDAN. He could not go to 17 million until the market could absorb it and they needed it and the surplus came down?

Mr. SAYRE. Yes.

Senator JORDAN. Then the overplant would take place above the 17 million?

Mr. SAYRE. Yes, sir.

Senator JORDAN. Do you think there is any chance of reaching that?

Mr. SAYRE. Mr. Chairman, I do for two reasons: If Congress sees fit to enact this shift in the competitive position of cotton to where we will have it competitive in our domestic framework, in the domestic setup, I think that we will have a fine increase in our offtake and then also, as you know, there is a cyclical movement in the whole of the domestic and the world textile picture. I think the Senator will agree that we have been in one of those troughs in this cyclical picture, and if we can get a reshape of our competitive position, I believe that our takeoff will be surprisingly good.

That in turn will reduce our carryover to where we will find the opportunity for the overplant authorization.

As to this overplant provision, I would like to mention here:

We favor the inclusion of the export acreage provision for these reasons:

1. Trial planting could be made on a voluntary basis anywhere in cotton-growing areas to test the profitability for the individual cotton-grower with direct competition in world markets without risk of our moving so far in that direction as to push world prices drastically downward.

Senator YOUNG. Does the American Farm Bureau Federation approve of this overplant provision?

Mr. SAYRE. Senator, I am sorry that I was not present when they testified. I have not chatted with them about it.

Senator YOUNG. Do they support the Ellender-Jordan bill?

Senator JORDAN. It is my understanding that all segments of the farm economy that deal in cotton have arrived at what was finally known as the Cooley bill; that is, as the Arizona people testified Friday, the only objection they had to the bill was the same thing, that they do not like the 15-acre provision, for the 15-bale people.

Senator YOUNG. That is part of the Cooley bill?

Senator JOHNSTON. They support the S. 1458 bill introduced by Senator Ellender by request, I think that is true.

Senator YOUNG. Would they oppose this approach? The reason I am asking is that there is a question whether you could get it through the Congress, and too, whether you would get the approval of the farmers in a referendum with this opposition.

Senator JOHNSTON. I am glad you stated that. We voted for wheat, if you will recall.

Senator YOUNG. They did in your area; yes.

Senator JOHNSTON. Eighty-four percent were for it, in opposition to the Farm Bureau.

Mr. SAYRE. I think that it should be recognized that cottongrowers have never voted less, I believe, than 92 percent for any provision relating to acreage allotments and price supports.

Senator JOHNSTON. Off the record.

(Discussion off the record.)

Senator JOHNSTON. On the record.

Senator YOUNG. With reference to the wheat referendum, acreage controls have been approved by big majorities in the past years.

Senator JOHNSTON. You are right.

Senator YOUNG. From 80 to 90 percent, and as I recall, up to 95 percent in 1 year. This year it dropped way below 50 percent. This is the first time that the American Farm Bureau Federation took an active position in opposition to it.

Right along that line, if they took the same position with respect to the cotton bill, if they disapproved of it, I think that you would find that the cotton producers would probably disapprove of it.

The reason I am asking the question is that I think you have a real problem. I want to support you, but unless you get some unity, I think that it is just a waste of time.

Mr. SAYRE. Mr. Chairman, during the past 12 months I have spent many, many hours with many, many cottongrowers, and I would say that this particular approach here that is represented by the Cooley bill, plus the export acreage provision, does have the vast majority of support of the growers, stretching all the way from Virginia to California. Some of the State Farm Bureau units, I can assure you, have been represented at these meetings and do support this sort of a provision. Whether or not the American Farm Bureau Federation would actually put on a campaign against it, I would not be able to say, but I would rather doubt it.

Senator JOHNSTON. I doubt whether my State would. That is the only thing I could speak for at the present time.

Senator YOUNG. It does have this production payment feature which I think you have to have, but this was a big issue in the wheat referendum.

Mr. SAYRE. Yes, sir.

Senator YOUNG. It was with respect to the feed grain bill that passed a short while ago.

Senator JORDAN. Mr. Chairman, if you will yield there——

Senator YOUNG. Yes.

Senator JORDAN. The reason they have not gotten a cotton bill out, I would say, months ago was because of the overplant provision which California particularly insisted upon.

Mr. SAYRE. Yes.

Senator JORDAN. Is that not true?

Mr. SAYRE. Yes.

Senator JORDAN. California is a big State. They grow a lot of cotton. This provision was finally worked out so the cotton planters in California and the administration agreed on this provision which, in my opinion, cannot hurt anything at all, because if our consumption gets good enough to go back to 17 million acres everybody will be happy. It will not cost the Government any money because it will sell in the market.

Senator JOHNSTON. The only question that comes to my mind is this, are they going to use this for making up the acreage in the future?

Mr. SAYRE. No, sir.

Senator JORDAN. It does not permit that.

Senator JOHNSTON. I know that they say that they will not. But will they not come back and say that we have been planting so many acres and they ought to be counted? Is that not just the way to get the head under the tent?

Senator JORDAN. You mean the cotton producers?

Senator JOHNSTON. The cotton producers; yes.

Senator JORDAN. Under the present law the Secretary of Agriculture has the power to set the acreage; is that not correct?

Mr. SAYRE. Yes.

Senator JORDAN. He moved it back to 16 million this year.

Senator JOHNSTON. What I have reference to is to how many acres each individual farmer will have. If he gets additional acreage will he request that that be made up in his allotment that he will get in the future or will he at least try for that?

Mr. SAYRE. Mr. Chairman, of course, no one can say categorically that would not be the case.

Senator JOHNSTON. If that is the case you will find that it will be moving all of the cotton from the southeast to the west. And we might as well face facts.

Mr. SAYRE. Through the years, beginning as you know, back in 1948, we have through that area developed a breakdown of the national acreage allotment which plus the release and reapportionment provisions that are a part of the basic law do provide for areas in my State, eastward into your State, sir, a very good distribution of the acreage allotments. We have found in working with the western grower representatives that they have been willing that the release and reapportionment provision stay in. And having worked with them, a great deal, I feel that you will not see a grower trying to make history out of this.

Senator JOHNSTON. You can see what I am driving at.

Mr. SAYRE. I do, sir.

Senator JOHNSTON. In this—and if you did that, there would be quite additional acreage that would come into the growing of the crop in the future.

Senator JORDAN. I believe that Mr. Sayre's explanation of that is enough safeguard, because under the release and reapportionment bill, which I sponsored as you remember, North Carolina planted 90,000 acres more last year than we had in previous years, but the allotments cannot be moved out of the county nor out of the State under that program. That holds our acreage right where it is unless we just fail to plant it and do not do anything about it. It does not cost anybody anything to release it. There has been some feeling that the man who released the acreage ought to be paid for it, but there has been very little of that. If he does release it he does not have to leave that land fallow, so he is not hurt on it. I am not afraid of overplanting going to the west with that provision which, incidentally, as you all know, we had a hard time getting. That was our problem, trying to get it passed. California had been gaining acreage and the Southeast had been losing it all of the time.

Senator JOHNSTON. Yes. You may proceed.

Mr. SAYRE. 2. The provision for export acreage plantings could not be used unless conditions were such that plantings above a national allotment level of 17 million acres would not increase the carryover in this country and, in turn, the costs to the Government.

3. A reasonable volume of production for export would reduce program costs to the Government and add to our dollar earnings abroad.

We support the provisions of S. 1511 which will equalize the costs of cotton to domestic and foreign mills while maintaining U.S. cotton at reasonable levels.

It should be pointed out that, if the nonrecourse loan for the bulk of the crop is established at 30 cents per pound for the 1964 crop, growers will be giving up approximately \$172,900,000 in loan values and income, compared with loan values for a 14-million-bale crop using price support levels for the 1963 crop.

The provision for a price support up to 10 percent higher than the base loan for the first 15 bales will provide the greatest degree of assistance to the small producer. Special provisions for small producers are included in the structure of existing cotton programs. Such a policy should be continued.

Most cottongrowers realize that continued losses of markets at home and around the world will ruin the industry. Getting just a little bit more competitive would not expand markets materially. But, getting cotton costs to domestic mills reduced, say, 6 cents immediately after the effective date of this recommended legislation and by the full amount of the export subsidy beginning August 1, 1964, will stem both the market losses to textile imports and the market losses to artificial fibers.

To provide the minimum of disruption in sales of textiles and cotton the payment in kind should be related to the bales opened by a domestic mill after the effective date of the proposed new law. Otherwise, buying would be further stymied by the prospects of big losses on raw cotton inventories held by mills and in the channels of trade.

S. 1511 provides that payment in kind will be made to other than producers. Commercial growers fear direct payments for two main reasons. First, they do not want to have a significant part of their gross income dependent directly upon Government actions. With S. 1511 grower incomes would reflect spot market values obtainable relative to nonrecourse loans at about 74 percent of parity. Secondly, producers fear limitations on the amount that could be paid to any one farmer. Form legislation history provides numerous examples of such limitations; for example, the \$1,500 lid currently on the amount of agricultural conservation payment per farm.

We propose, further, that the payment in kind under S. 1511 should be made to the last handler or last seller of the cotton, as is currently done successfully in the operations of the export program.

Senator JORDAN. If I may interrupt there; Is that not exactly the way the export cotton is handler now?

Mr. SAYRE. Yes, sir.

Senator JORDAN. In other words, cotton for the domestic mills would be handled just exactly as for export?

Mr. SAYRE. Correct.

Senator JORDAN. So there would be no change in the regulations or the procedure or anything about it?

Mr. SAYRE. Yes, sir.

Senator JORDAN. Thank you.

Senator YOUNG. The mills would have to pay the producer a specified amount. He would be paid for the difference between the actual cash price and what the support price was by a payment in kind—is that the way it works?

Senator JORDAN. Will you explain that, Mr. Sayre?

Mr. SAYRE. May I explain that?

Senator JOHNSTON. Yes.

Mr. SAYRE. Senator, the payment-in-kind provision would provide PIK certificates for cotton equivalent of the difference between the loan level and the world price of cotton. A mill could establish its history of consumption, we will say, for the preceding month or the preceding quarter. They would be eligible for such PIK certificates based upon their consumption. This is a bill to increase consumption, of course. Those PIK certificates could then go to the seller, who sells them the cotton that they would be using at world prices. They would give him the PIK certificates which he would then, in turn, use to purchase more cotton from the Commodity Credit Corporation. After delay of a specified period of time they could be redeemed in cash.

Senator YOUNG. Would the farmer have to take out a loan in order to get the advantage of the price?

Mr. SAYRE. No, sir. We have found that the operation of the competitive forces provided by the PIK certificates in the export program have worked quite satisfactory. They have remained very close to their face value. Some discount has occurred from time to time when they have been in large volume relative to demand, but we think that this sort of a PIK operation can function very satisfactorily.

Senator YOUNG. You believe then that the market price would be equal to the loan value?

Mr. SAYRE. The market price, the spot market price should be above the loan value in periods where there is a reasonable demand for cotton.

Senator YOUNG. So that the farmer would not necessarily have to take out a loan in order to get the difference in the price?

Mr. SAYRE. No. As I will say later in my testimony, in many years roughly a third of our cotton production goes into the loan, and under this sort of a provision I am of the view that very little more would go into the loan than has been happening for the past several years.

Senator JORDAN. Incidentally, I think the biggest part of the cotton that went into the loan was the low grades that nobody wanted to buy except the Government. Is that not correct?

Mr. SAYRE. It has varied some years. We have a large supply of particular qualities in relation to demand and we have seen it fluctuate at times. We get a high proportion of low-grade, short-staple cotton in the loan, and in other periods we get the reverse, the higher grades, depending on the weather conditions and the demand structure for this cotton.

Such an incidence of the payment ties it to the final step in normal marketing operations just prior to consumption. It is a proven, practical, and administratively sound method. Most cotton as it proceeds through market channels is identifiable only by grade and staple, based upon the universal standards and the area of production. We do not recommend that the Congress specify the recipient of the payment. That should be left up to decisions of the program administrators.

Growers are highly sensitive, relative to criticisms of large amounts of Government expenditures on cotton. This is reflected (about \$112 million of loan values worth) in a willingness for loan levels to go to around 30 cents beginning with the 1964 crop, even with the authorization for up to a 10-percent higher level of support for the first 15 bales. It is evidenced, further, by our recommendation that price

supports be reduced in 1965 and 1966 to reflect reductions in the costs of producing cotton.

S. 1511 would direct the Secretary of Agriculture to use up to \$10 million annually from Commodity Credit Corporation funds for a massive research program to reduce production costs. This would be the wisest possible investment. It is a reasonable expectation that the loan level could be cut 3 to 4 cents per pound for the 1966 crop, compared with the 1963 levels. This would bring the savings in Government expenditures up to a magnitude of \$225 million and \$300 million against an investment of about \$30 million for research during a 3-year period. At the same time the lowering of costs of production would continue cotton as a profitable enterprise with little or no reduction in net incomes for growers. This is the kind of Government saving to which the chairman of this committee has frequently referred. Here lies the real hope in getting cotton profitably and effectively competitive while maintaining reasonable levels of net farm income.

As a seller of our growers' cotton in world markets, we must question seriously the approach to U.S. cotton problems outlined in S. 1190.

Price supports, presumably nonrecourse loans, would be available on the entire crop at a level between 50 and 60 percent of parity to be determined by the Secretary of Agriculture approximating world prices. Current parity for cotton is 40.31 cents per pound (April 30, 1963) and it is slowly trending upward. The base loan for the 1964 crop would be somewhere between 20.50 and 24.50 cents per pound.

Each grower could grow and market as much cotton for the world market at world prices as he saw fit to produce. This has three real pitfalls in it for a host of growers in this country.

First, it could destroy the semblance of stability that has persisted in world cotton prices.

Second, world prices received for export cotton may be driven even further below costs of producing cotton in the United States, since prices paid by farmers in this country reflect policies of the manufacturers of farm supplies to produce about what they can sell profitably and a rigid wage structure in processing and distribution of farm production items.

Third, production financing would be withheld in many cases for production above the domestic allotment baleage, or for the export production unless the producer had a very substantial net worth to use for collateral in financing.

The role which U.S. cotton plays in the world cotton price structure must be thoroughly understood if a sound solution is to be found for the problems confronting the cotton industry and U.S. growers at this time.

May I place before you a chart, exhibit A, which shows the interrelationships between the disappearance of free stocks outside the United States and the total stocks in the United States during the recent past. That is the unbroken bar at the base.

Please note that the amounts of free world stocks outside our country are very stable year after year. That is the unbroken line at the base. This reflects the fact that cotton produced in those countries is sold promptly after it is produced.

Senator JOHNSTON. Is that not due to the fact that they have had plenty of requests for it in that particular country and nearby areas?

Mr. SAYRE. It is more due to the fact that the growers there and the governments themselves have not had the financial depth, sir, to hold their cotton and to market it in an orderly way. Once they get it produced they have got to sell it for about whatever they can get for it.

Senator JOHNSTON. Another reason is because manufacturing has increased very rapidly?

Mr. SAYRE. Yes, sir.

Senator JOHNSTON. In these foreign countries which take up the slack.

Mr. SAYRE. That has been a factor. With the general increase in world consumption of cotton there has been, as you know, as you just said, a buildup in their local production in many growing countries.

Growers in those countries do not, nor do the governments in those countries, have the financial depth to hold their cotton and market it in an orderly way. They simply must sell at whatever price they can get.

U.S. stocks have fluctuated because we have been the stabilizer of world prices with our sales actions. The United States functions as a price leader for cotton in international trade. We provide the residual amount needed to make up the difference between free world consumption minus free world production plus or minus changes in carryover and the quantities which Communist countries push into world markets in any one marketing year.

In fact, the U.S. Government has become the carrier of cotton inventories for the free world, as well as for mills in this country. It is to be expected that this will either be reflected in some added costs to our Government or result in widely fluctuating world prices if there is to be free selling on the part of all producing countries, including our own.

As you know, the Congress in 1956 amended the Agricultural Act with section 203 requiring the Commodity Credit Corporation to sell accumulated stocks in world markets at prices that will maintain a fair historical share of these markets for U.S. cottons. Through the use of export subsidies and sales for export programing, restraints have been placed upon the upward trend of foreign production and have improved the outlook for exports of our cottons. Experience has demonstrated, however, that the volume of our exports in any single market year is closely alined to the textile cycle and to general economic conditions in free world countries. This relationship is just as fundamental as any other economic law.

We must continue to offer our cottons at prices which will restrain production buildups abroad, but it does not follow that we can force large volumes of U.S. cottons into world markets in the short run without destroying that desirable stability in world cotton prices.

If an extra 2 or 3 million bales of cotton become available in excess of demand from sources outside the United States, the highly inelastic demand makes the situation such that we cannot sell our cotton unless we are willing to push world prices down and down.

The 1962 picture was one in which production in the United States was roughly 3 million bales more than we could use here at home or, apparently could export with a combination of a 32.47 cents per pound Middling Inch loan value, average location, and an 8½-cent export subsidy.

Under the provisions of S. 1190 once the cotton is produced for export it would have to sell or stay in the loan between 20.50 and 24.50 cents per pound. Cotton ineligible for the loan, after it has left growers' hands, would have to be offered by shipping firms for whatever they could get for it. Let's keep in mind that only 34 percent of the 1961 crop and 46 percent of the 1962 crop actually went into the CCC loan, even with 32.47 and 33.01 cents per pound loan levels. Loan entries seldom exceed half of the crop volume. Obviously, large amounts of cotton would have to sell in world markets for whatever could be gotten for it.

These supply-price-loan relationships would, in my view, result in driving world prices still further below production costs and delay even more the time at which U.S. growers can profitably compete under the sought-after single-price system.

Would U.S. growers produce much cotton for export at world prices above their domestic baleage allotment? The answer is "Yes," they would for a while. Growers are tooled up to produce between 16 and 20 million bales of cotton in this country. If the domestic baleage allotment is to be geared to home consumption, even as high as 10 million bales, it would amount, roughly, to 60 percent of the capacity to produce. The costs structure now on mechanized farms are rigid. Overhead is narrowly fixed. With domestic allotments at only 60 percent of production capacity, many cotton farmers would be pushed into production for export to try to reduce their losses so long as their equipment and production organizations could be held together.

The turndown in volume for export would come when more and more growers could not get the capital to reequip and when they could find alternative production opportunities with a real profit potential.

As noted above, one of the pitfalls for commercial growers under S. 1190 would be an unsound position to obtain financing for production above their domestic allotment, except in instances in which the grower had a sizable net worth established.

Gentlemen, may I submit for the record exhibit B, which is attached to the statement, a comparison of the incomes and costs for a medium-sized Mississippi Delta cotton and soybean farm, with current cotton price supports, and with the multiple price supports outlined in S. 1190, and also comparisons with the provisions of S. 1511. These comparisons reflect 1962 production costs, experienced in our production financing section, I really mean living expenses, although the statement reads, with a salary to the operator-manager assumed to be \$400 per month and with land values at \$300 per acre.

You will see readily from the exhibit that the returns above costs would be pushed into the red with S. 1190. The operator-manager would have \$1,541 loss instead of \$2,130 profit, with the current price-support structure and with machine picking at custom rates in each instance.

In fact, this grower would experience a loss of \$3,259 under S. 1190, under these assumptions, if he was handpicking his crop. If he was using the latest model of machines, on the customary basis his loss would be \$1,451.

In this example, approximately 18 percent of the gross cotton incomes, \$3,862, would come to this grower as direct Government payments under S. 1190. I must repeat, our growers are scared of such Government dependency.

It is fair to ask if he would do any better with the price-support provisions of S. 1511 which we recommend. I have assumed that the first 15 bales would be supported at 33 cents per pound and the balance of the production on this medium-sized delta farm at 30 cents per pound. With machine picking at custom rates his profit would be \$573.50, compared with a loss of \$1,451 estimated under S. 1190.

In the above comparisons grower income estimates reflect only Government payments and loan values.

There is a fundamental difference in the two approaches, S. 1190 and S. 1511, which significantly affects the income potential for cotton producers. Under S. 1190 the multiple payments allocate by Government action the maximum amount of income which the grower can realize from production within his domestic baleage allotment—in these comparisons that amounts to about 60 percent of his total. For the other 40 percent his income would have to come from the loan level to be established by the Secretary of Agriculture at approximately world prices—between 20.50 and 24.50 cents—or from direct sales at world prices.

Senator JORDAN. May I interrupt?

Mr. SAYRE. Yes.

Senator JORDAN. Very, very few, if any, farmers produce cotton at that price, so he would have a loss on every bale in that area, would he not?

Mr. SAYRE. In my view; yes, sir.

Senator JORDAN. Under present conditions with what it costs today.

Mr. SAYRE. Yes.

Senator JORDAN. I am talking about today's conditions, this year's production.

Mr. SAYRE. Yes. On the other hand, there would be a sizable volume produced under this provision for a while, because the people are tooled up, they have the equipment—they are in gear to grow cotton, and what they would be doing would be trying to minimize their losses. They would be trying to push the volume of their production up to spread their narrowly fixed overhead.

Senator JORDAN. But if his picking machine was out and his cultivators and equipment were gone, he could not replace them.

Mr. SAYRE. Exactly; that would be the situation.

Senator JOHNSTON. Unless the farm is in poor condition, he would be forced out, then.

Mr. SAYRE. Actually we would not finance, Mr. Chairman, growers who did not have a sizable net worth established that could be used for collateral over and above his cotton production under the provisions of S. 1190.

Senator JOHNSTON. What would become of those people who are forced out?

Mr. SAYRE. Well, Senator, that has been a very complex pattern as we have seen happen in the farm areas of this country over, well, more than a generation now since the early thirties. And this, in my judgment, would further compound that.

Senator JOHNSTON. Yes; that is right. It has slowly been going on for many years and it would just be compounded.

Mr. SAYRE. Yes, sir.

As indicated above, the prospects are not favorable to obtain an equity above the world-price loan level during many marketing years with everyone selling free cotton for whatever they could get in world markets.

Under S. 1511, the loan supports the spot market values with the impounding of limited quantities making it possible for growers to realize equities often ranging from \$2 to \$10 a bale above loan values and carrying charges with orderly marketing of the cotton throughout the marketing year. A still further source of equities above loan for informed growers stems from market price variations above loan levels for grades and staples for which there is a good demand relative to their supplies.

This grower-income potential would be eliminated for the domestic allotment portion of a grower's crop under S. 1190. In the example of our medium-sized cotton-soybean farm an equity of \$5 per bale on 151 bales would add \$755 to his net income of \$573, when the latter reflects loan values only. This would be a very important addition to such a grower's net income. It is our view that the grower is entitled to an opportunity to obtain an added profit through informed, orderly, and efficient marketing of his crop. Such opportunities would be provided under S. 1511.

Farmers adjust their production plans and operations in keeping with the profit possibilities by shifting acreages from one crop to another. Exhibit C, which is the last exhibit that I will present, and also is attached to the statement, shows income and costs comparisons for the medium-sized cotton-soybean farm in the delta shifting acreage which might have been used for cotton above the domestic allotment under S. 1190 to soybeans. With a change of 50 acres above the domestic allotment to soybeans our medium-sized delta producer would lose about the same amount of loss with soybeans at \$2.25 per bushel. He would have less risk, however, with soybeans since preharvest, out-of-pocket costs per acre average \$80 to \$110 for cotton, compared with \$14 to \$21 per acre for soybeans in our area.

Neither production combination—one, using the multiple-income payments of S. 1190 for domestic allotment production, coupled with 40 percent of the cotton production at world prices of 22.50 cents per pound; nor, two, the domestic cotton allotment and the multiple-income payments coupled with increased soybeans at \$2.25 per bushel—would maintain farm incomes and the values of farm assets in the delta areas of the mid-South.

I might say that this would be true of most areas of the Cotton Belt. S. 1190 will not support or maintain farm incomes nor the value of farm assets in very many of our cotton-producing areas.

Time does not permit a presentation of the effects upon incomes for other sizes of farms. But it is abundantly clear to those of us who depend upon cotton in the delta areas that the approach of cotton's problems under S. 1190 would disrupt the economy of much of the mid-South in a very serious way.

Gentleman, farm programs have usually provided an economic climate in which growers could obtain reasonable levels of income through assisted interplay of market influences. In turn, this has provided profit incentives spurring technical progress and quality gains that have provided low-cost fiber and food to the American public and a security margin for the Nation.

Passage of S. 1511 would provide for a partnership between Government, farmers, and the industry to deal with the problems now confronting U.S. cotton.

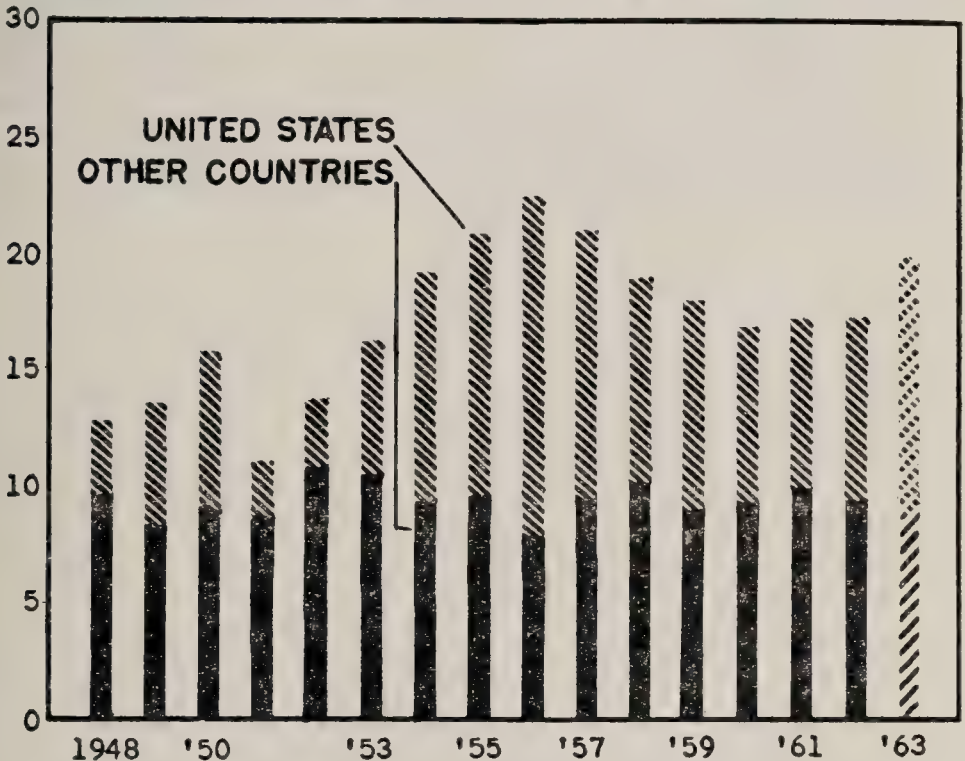
May I again urge your favorable consideration of this proposed approach.

(Exhibits A, B, and C follow :)

EXHIBIT A

FREE WORLD STOCKS OF RAW COTTON (AUG. 1)

MILLIONS
OF BALES



Source: International Cotton Advisory Committee

EXHIBIT B

Income comparisons—Estimated income, medium sized cotton-soybean farm under I, existing cotton program, II under S. 1190, and III under S. 1511, with 125 acres cotton, the 1963 allotment—175 acres soybean, Mississippi Delta

	Hand-picked operation	Custom machine- picked operation
I. Under existing program:		
125 A. cotton—151 bales ¹	\$24, 431. 80	\$24, 431. 80
175 A. soybeans ²	8, 268. 75	8, 268. 75
Less production cost ³	32, 377. 75	30, 570. 25
Profit.....	322. 80	2, 130. 30
II. Under S. 1190 (midpoint payment schedule):		
125 A. cotton:		
15 bales at 34 cents.....	2, 550. 00	2, 550. 00
15 bales at 32 cents.....	2, 400. 00	2, 400. 00
61 bales at 30 cents.....	9, 150. 00	9, 150. 00
60 bales at 22.5 cents.....	6, 750. 00	6, 750. 00
151 bales total.....	20, 850. 00	20, 850. 00
175 A. soybeans ²	8, 268. 75	8, 268. 75
Less production costs.....	32, 377. 75	30, 570. 25
Loss.....	3, 259. 00	1, 451. 50
III. Under S. 1511:		
125 A. cotton:		
15 bales at 33 cents.....	2, 475. 00	2, 475. 00
136 bales at 30 cents.....	20, 400. 00	20, 400. 00
151 bales total.....	22, 875. 00	22, 875. 00
175 A. soybeans ²	8, 268. 75	8, 268. 75
Less production costs.....	32, 377. 75	30, 570. 25
Loss.....	1, 234. 00	
Profit.....		573. 50

¹ Priced at 32.36 cents for Strict Low Middling grade, 1½ inch staple.

² Yield 21 bushels per acre—priced at \$2.25 per bushel.

³ See exhibit B—cost approximations.

Cost approximations—Estimated production costs, medium sized cotton-soybean farm operation with 1963 cotton allotment basis of 125 acres and 175 acres of soybeans, Mississippi Delta

Item	Cost per acre	Hand-picked operation	Custom machine- picked operation
Cotton costs:			
Planting seed.....	\$5. 25	\$656. 25	\$656. 25
Fertilizer ¹	11. 12	1, 390. 00	1, 390. 00
Insect control.....	14. 00	1, 750. 00	1, 750. 00
Chemical weed control.....	10. 00	1, 250. 00	1, 250. 00
Hoeing hand-picked operation.....	4. 00	500. 00	-----
Hoeing machine-picked operation.....	10. 00	-----	1, 250. 00
Equipment operating costs.....	14. 00	1, 750. 00	1, 750. 00
Skilled labor.....	12. 00	1, 500. 00	1, 500. 00
Defoliation.....	3. 70	-----	462. 50
Harvesting 151 bales of cotton at \$45.....	-----	6, 795. 00	-----
Harvesting 151 bales of cotton at \$25.....	-----	-----	3, 775. 00
Total cotton cost.....	-----	15, 591. 25	13, 783. 75
Soybean costs:			
Planting seed.....	4. 00	700. 00	700. 00
Equipment operating cost.....	6. 00	1, 050. 00	1, 050. 00
Chemical weed control.....	4. 00	700. 00	700. 00
Harvesting.....	6. 40	1, 120. 00	1, 120. 00
Total soybean cost.....	-----	3, 570. 00	3, 570. 00
Overhead costs:			
Interest, land investment ²	-----	4, 500. 00	4, 500. 00
Interest, equipment investment ³	-----	1, 305. 50	1, 305. 50
Depreciation equipment 10 percent.....	-----	2, 611. 00	2, 611. 00
Operator's salary.....	-----	4, 800. 00	4, 800. 00
Total overhead cost.....	-----	13, 216. 50	13, 216. 50
Total cost.....	-----	32, 377. 75	30, 570. 25

¹ 100 units of ammonia nitrate.

² 300 acres at \$300 per acre at 5 percent rate.

³ \$26,110 equipment value at 5 percent rate.

EXHIBIT C

Income comparisons—Estimated income of a medium-sized cotton-soybean farm under: I, existing cotton program, II under S. 1190, and III under S. 1511, with 75 acres cotton—225 acres soybean program, Mississippi Delta

	Hand-picked operation	Custom machine- picked operation
I. Under existing program:		
75A. cotton 91 bales ¹	\$14,723.80	\$14,723.80
225 A. soybeans ²	10,631.25	10,631.25
Less production cost ³	27,179.25	26,086.75
Loss.....	1,824.20	731.70
II. Under S. 1190 (midpoint payment schedule):		
75 A. cotton:		
15 bales at 34 cents.....	2,550.00	2,550.00
15 bales at 32 cents.....	2,400.00	2,400.00
61 bales at 30 cents.....	9,150.00	9,150.00
91 bales total.....	14,100.00	14,100.00
225 A. soybeans ²	10,631.25	10,631.25
Less production costs ³	27,179.25	26,086.75
Loss.....	2,448.00	1,355.00
III. 75 A. S. 1511:		
15 bales at 33 cents.....	2,475.00	2,475.00
76 bales at 30 cents.....	11,400.00	11,400.00
91 bales total.....	13,875.00	13,875.00
225 A. soybeans ²	10,631.25	10,631.25
Less production costs ³	27,179.25	26,086.75
Loss.....	2,673.00	1,580.00

¹ Priced at 32.36 for Strict Low Middling grade, 1 $\frac{1}{8}$ inch staple.

² Yield 21 bushels per acre—priced at \$2.25 per bushel.

³ See exhibit C—cost approximations.

Cost approximations—Estimated production costs of a medium-sized cotton-soybean farm operation with 75 acres cotton and 225 acres of soybean program, Mississippi Delta

Item	Cost per acre	Handpicked operation	Custom machine- picked operation
Cotton costs:			
Planting seed.....	\$5. 25	\$393. 75	\$393. 75
Fertilizer ¹	11. 12	834. 00	834. 00
Insect control.....	14. 00	1, 050. 00	1, 050. 00
Chemical weed control.....	10. 00	750. 00	750. 00
Hoeing handpicked operation.....	4. 00	300. 00	-----
Hoeing machine-picked operation.....	10. 00	-----	750. 00
Equipment operating costs.....	14. 00	1, 050. 00	1, 050. 00
Skilled labor.....	12. 00	900. 00	900. 00
Defoliation.....	3. 70	-----	277. 50
Harvesting 91 bales of cotton, at \$45.....	-----	4, 095. 00	-----
Harvesting 91 bales of cotton, at \$25.....	-----	-----	2, 275. 00
Total cotton cost.....	-----	9, 372. 75	8, 280. 25
Soybean costs:			
Planting seed.....	4. 00	900. 00	900. 00
Equipment operating cost.....	6. 00	1, 350. 00	1, 350. 00
Chemical weed control.....	4. 00	900. 00	900. 00
Harvesting.....	6. 40	1, 440. 00	1, 440. 00
Total soybean cost.....	-----	4, 590. 00	4, 590. 00
Overhead costs:			
Interest, land investment ²	-----	4, 500. 00	4, 500. 00
Interest, equipment investment ³	-----	1, 305. 50	1, 305. 50
Depreciation, equipment 10 percent.....	-----	2, 611. 00	2, 611. 00
Operator's salary.....	-----	4, 800. 00	4, 800. 00
Total overhead cost.....	-----	13, 216. 50	13, 216. 50
Total cost.....	-----	27, 179. 25	26, 086. 75

¹ 100 units of ammonium nitrate.

² 300 acres valued at \$300 per acre—at 5 percent rate.

³ \$26,110 equipment value at 5 percent rate.

Senator JOHNSTON. I noticed that you did not have very much to say about these other bills that are pending in the committee.

Mr. SAYRE. Mr. Chairman, time being as it was, I felt that there were serious limitations in S. 1190 in relation to its effect upon farm income potentials, that they were such that I should limit my discussion primarily to the pitfalls of that proposal and then to S. 1511 which I do feel is a workable, sound solution to the problem.

Senator JOHNSTON. Does that mean that you do not oppose these other bills?

Mr. SAYRE. I oppose the other bills in part.

For example, the bill that was introduced, I believe by Senator Sparkman—I do not recall its number—does not provide for full equalization of the cost of cotton to the domestic mills with that of world prices. I think that is an error in that if we are going to get cotton competitive—and I think that we must take as many steps as we can toward getting it fully competitive and put our domestic mills on the same raw material cost basis as the mills in Canada or the mills in Mexico or in England or elsewhere, that is my basic question with reference to the bill introduced by Senator Sparkman.

Senator JOHNSTON. What about S. 1458 presented by Senator Ellen-der by request? Do you have anything to say about that?

Mr. SAYRE. Yes, sir.

It is my view that S. 1458 adds nothing basic to what could be done under the existing law. It simply provides for a modification in the price support, lowering it from what it is now. We have concurred in that approach. We think the grower should bear a real important part in getting cotton more competitive, but I cannot find in the bill that was presented, I believe by Mr. Lovell, the president of the Louisiana Farm Bureau, much that is of consequence in it. It does not add much to our legislative picture.

Senator JOHNSTON. Thank you.

Senator JORDAN. I think that one of the things to keep in mind, as the chairman knows, who comes from a very large cotton-consuming State as well as a large producing State, is that something should be done pretty quickly to equalize this price or we will lose the American market, which we are losing very rapidly right now to synthetics.

As somebody pointed out in their testimony on Friday, once these markets have gone, they are gone for good—they just do not come back.

Since American mills consume 60 or better percent of the entire cotton produced in this country, it is important that they be kept competitive with the foreign mills in order that the farmers can still sell 60 percent of their production, and to increase that 60 percent, to include more bales each year, because the world market may go up and probably it will go up with a cheaper fiber which I am satisfied can be produced by some research that this bill calls for, that is, S. 1511, in doing away with the boll weevil and the dropping off of the squares and the other things that are proposed to be done under this research program.

The thing we have got to keep in mind in this bill, in my opinion, and that is the reason I cosponsored S. 1511, is because I think it does everything that is needed to be done to take care of the American manufacturer and still maintain our world market and have an orderly cotton program.

Mr. SAYRE. I subscribe to that.

Senator JORDAN. I have no objection to the addition to S. 1511 of this overplant provision.

Senator JOHNSTON. That is the reason I was asking the question.

Senator JORDAN. It ties it down to where our farmers, the farmers that I have talked to, feel that this will take care of it and will take care of the expansion, if we can produce it.

Mr. SAYRE. This is a sort of proposition in the export business. If it is found that it will not increase the carryover, then you will have the authority in the basic cotton legislation to permit the Secretary of Agriculture to authorize such export acreage plantings above their basic allotment acreage and the farmer could voluntarily make up his mind if he wanted to see how far he could go in direct competition with the world market, in comparison to the bill proposed by Senator Talmadge where you cut him off after 60 percent of that domestic baleage allotment is had and he is on his own—he is involuntarily in the world market. He has no place else to go. He is there at a price level that could easily be 22.5 cents a pound.

Senator JORDAN. There are some very desirable features in Senator Talmadge's bill, as we both know.

Mr. SAYRE. Yes, sir.

Senator JORDAN. But I am afraid that it would break the farmers in 3 or 4 years. It will not do it in the first year, as you have pointed out. He has enough assets to carry him over a year, but in the long run, he could not compete in the world market to save his life with 21- and 22-cent cotton—he would be at a complete loss. And the only thing he could make his living on is on the 60 percent of the domestic market, and that would not carry him.

Senator JOHNSTON. Do you not think that any of these bills would eventually come to that point?

Mr. SAYRE. Yes. S. 1511 is designed as he reduces costs to cut him on down. Some people have said that this tends to be window dressing for this proposed legislation. I do not subscribe to that. I happen to have spent a good many years in cotton research, some 15 years ago. We have breakthrough potentials, like the boll weevils, as you know, Senator, that could take 3 or 4 cents out of the cost of producing the cotton in our boll weevil areas in the next 3 or 4 years. It is amazing what is going on in research as you know in your own State right now, in the use of chemicals to minimize and, in fact, in many instances to eliminate. Those are the sorts of things that make me feel that the provisions of S. 1511 are sound, they are good business and good investment sense and good business in the sense of industry buying time enough to try to get on down to where we can compete with the world.

Senator JORDAN. One of the finest authorities in America is Coker, right in your own State, as you know.

Mr. SAYRE. Yes.

Senator JORDAN. They produce the seed. They are bringing out varieties of seeds which as you well know can produce more pounds per acre with the same labor costs and probably the same amount of fertilizer costs, which are two big factors.

Mr. SAYRE. Yes.

Senator JORDAN. And it will be a better staple than they are growing right now.

Mr. SAYRE. Yes.

Senator JORDAN. And research with reference to the squares, where a big percentage of the squares fall off and they do not know why. They are beginning to break through on that question and finding out. And your production would go up when they stay on.

Mr. SAYRE. Yes, sir. About 50 percent of the cotton planted actually falls off at one stage or another.

Senator JOHNSTON. Are there any other questions?

Senator JORDAN. I have no other questions. I think that Mr. Sayre has made a very fine statement.

Senator JOHNSTON. We certainly do appreciate your coming in with this statement this morning.

Mr. SAYRE. Thank you, sir.

Senator JOHNSTON. Our next witness is Mr. D. W. Brooks of the Cotton Producers Association, Atlanta, Ga.

Mr. BROOKS. Mr. Chairman, I have not been able to get some statistics that I need for my statement, and I would like to have the privilege of mailing my statement to the committee.

Senator JOHNSTON. We will be glad to have it. There has to be a limitation on the time, however. Could you get it in by Friday noon?

Mr. BROOKS. Yes, sir.

Senator JOHNSTON. If you can do that, we will be glad to have it.

Mr. BROOKS. I think that will be better than to take your time now, until I get the figures showing the returns to the growers in the different bills which I will analyze.

Senator JOHNSTON. We will be glad to have it.

Our next witness is Mr. John A. Reynolds, executive vice president of the Western Cotton Growers Association of California.

We shall be glad to hear from you now.

**STATEMENT OF JOHN ARTHUR REYNOLDS, EXECUTIVE VICE
PRESIDENT, WESTERN COTTON GROWERS ASSOCIATION OF CALI-
FORNIA, FRESNO, CALIF.**

Mr. REYNOLDS. Mr. Chairman and members of the committee, my name is John Arthur Reynolds. I am executive vice president of the Western Cotton Growers Association of California.

We deeply appreciate the splendid statement that Dr. Sayre has just made. I would say that that statement has the overwhelming approval of most of the cotton growers of the Nation. He and I have been meeting with them in the last year. It is a very fine statement.

For almost 8 months we have been meeting with representatives of other cotton growers' organizations in an attempt to reach agreement on an overall cotton program which could be recommended to Congress.

Last year when most of the cotton growers' organizations testified before the House committee, my recollection is that witnesses who testified for organizations whose growers produced most of the cotton crop were in favor of increased acres and lower price, rather than a higher price and decreased acres.

However, some of the organizations from States with many growers, but which produced a smaller percentage of the crop, insisted on a high price. They just said, as they have said here to this committee, that they could not live with a lower price than they are now receiving.

The problem then which we have been wrestling with at the grower meetings for months has been how to develop a compromise program which would do the following:

1. Keep the price high for those growers who say they cannot produce for less than the price support this year.
2. Maintain cotton production and acreage and farm income.
3. Keep the cost of the program at a figure which would be acceptable to the Congress.

This has been a very difficult thing to do.

To reduce the cost to the Government, the simplest thing to do would be to reduce the price support. An increase in the allotment would then keep farm income up for those growers who could produce at the lower price. Chances are this would not increase total production, because the growers who could not grow cotton at the lower price would not plant. The growers who could plant increased allotments at lower prices would have their production come up and they might just about balance off.

In this way a lowering of the price support would greatly decrease the total cost to the Government. But a number of growers and their organizations objected to this method because it would not only hurt the income of their cotton growers but would adversely affect the economy of their whole area.

We understand this argument real well in California. Our cotton acreage has been cut to the point where former cotton land going into other crops has destroyed the marketing balance for those crops.

In addition, drops in acreage have not only reduced cotton farm income but they have increased per pound costs of production since the fixed charges remain the same.

In addition, the people who sell and service farm equipment and supplies have seen their opportunities dwindle. In California, where we pay the highest farm wages in the cotton belt, where the mechanics and farm supply people in the towns receive even higher rates, this is a real item.

So, Mr. Chairman, in an effort to protect the grower who says he needed the higher price on the one hand and to reduce the cost of the cotton program on the other hand, we generally agreed on the program supported by the advisory committee and embodied in general, in cycles, in the Sparkman bill. We did this to get unity among cotton grower organizations.

The proposal to pay a higher price on the first 15 bales was not in the Sparkman bill or the advisory committee report, or in earlier beltwide meetings. This increases the total cost of the program. It is put there to protect the income of growers and States who say they cannot grow at a lower price.

This plan was in the Cooley bill which passed the House Committee. I know of no grower organization which has favored it at the many meetings in the belt which I have attended.

I think that most of the grower organizations have acquiesced in it in a spirit of compromise because all of us know that we must have new cotton legislation or the whole industry faces a bleak future.

In California we have always favored a choice plan for the individual grower. We favor the export acres because:

1. They give the farmer a choice.
2. They will not be made available if they would increase the carry-over.
3. The fees the growers will pay will help pay for the rest of the high-price program.
4. They will give our growers some of the same rights which the Mexican growers have—that is, to grow cotton for the world market.

We also favor a choice for the small growers who will get the high price. If they want to take a lump-sum payment in kind and retire their allotment to the Federal Government, we think that they should have this choice. It would appear that those who would take advantage of it would be those who make the poorest living from cotton and who probably need the ready cash the most.

We favor the mill payment for a few years to give us time to get our costs of production down. Without the mill payment we see vastly decreased acreage which would cause so much trouble for cotton, cotton growers, cotton farm suppliers and disrupted farm economy. We feel that the cost of repairing that damage and taking care of the

people who would be favored out of agriculture would result in the end in a larger cost to the taxpayer and in vastly increased Federal regulation of agriculture.

Of course, the one immediate way to decrease cost of production per pound is to increase acreage so the fixed costs are spread over more bales.

We favor increased expenditures for research. In California our research, which has been grower financed, in cooperation with State and Federal authorities, has produced cotton which sells in the marketplace. Very little of California cotton is taken over by the Federal Government to be sold abroad at a loss.

We feel that research moneys should be given to growers on some matching basis. The growers in each State put up so much, and the Federal Government puts up so much, for research in that State.

Senator JOHNSTON. We are certainly glad to have had you come before us and to give us your statement. Is that all you have?

Mr. REYNOLDS. Yes, sir.

Senator JOHNSTON. Are there any questions?

Senator JORDAN. Mr. Reynolds, I believe that there is quite a little research going on in your State. You have done a good job.

Mr. REYNOLDS. The boys in the Imperial Valley have been doing a good job in research.

Senator JORDAN. You have had the good judgment in the Imperial Valley to require that is the only thing they can plant because it pays a good premium.

Mr. REYNOLDS. Yes.

Senator JORDAN. In North Carolina and South Carolina we do some research, not nearly as much as we would like to do, which is partially supported through our agriculture schools and the experiment stations, such as in South Carolina.

Mississippi is doing a very good job, too. Louisiana is doing a good job. There is not enough being done, however. And the producers in the States simply do not have the money to really get in there and hit this program hard enough. However, you do not have the boll weevil in your section, but you have some worms.

Mr. REYNOLDS. Yes; that is right.

Senator JORDAN. You have to lick those, also.

Mr. REYNOLDS. Yes; that is right.

Senator JORDAN. So each territory seems to have its own peculiar problem. It is a problem that has to be solved for all of us.

Mr. REYNOLDS. Yes.

Senator JOHNSTON. Yes.

We are certainly glad to have had you come before us this morning. I believe you are our last witness.

The committee hearings are closed, with the exception that anyone who has a paper that they want to submit will do so on or before 12 o'clock on Friday. We will be glad to receive them.

(Whereupon, at 11:15 a.m., the committee adjourned.)

(Additional statements filed for the record are as follows:)

WEST TEXAS CHAMBER OF COMMERCE,
Abilene, Tex., May 16, 1963.

HON. ALLEN J. ELLENDER,
Chairman, Agriculture and Forestry Committee,
U.S. Senate, Senate Office Building, Washington, D.C.

DEAR SENATOR ELLENDER: The future of the American cotton industry is important to every segment of our American economy. For this reason all business interests are vitally concerned in the future national legislation for the cotton industry.

The West Texas Chamber of Commerce board of directors recently adopted a resolution which they believe is vital to the cotton industry if the cotton economy is to continue strong and enjoy a healthy climate for economic prosperity. This organization serves 132 west Texas counties which produce over 3 million bales of cotton annually. The board of directors is composed of businessmen from every category of business including cotton. Many of them are cotton producers, ginner, processors, and cotton merchants.

We are providing you with a copy of the resolution with a request that this letter and the resolution be made an official part of the proceedings when your committee begins hearings on cotton legislation.

Cordially yours,

LOYAN H. WALKER,
Manager, Agriculture and Livestock Department,
West Texas Chamber of Commerce.

RESOLUTION

Resolved, That the board of directors of the West Texas Chamber of Commerce go on record as being cognizant of the importance of the cotton industry to our west Texas economy and that there is no hope for the cotton industry to survive in its proportions until and unless Congress makes it possible for the efficient American cotton farmer to meet both foreign cotton producers and domestic and foreign manufacturers of man-made fiber at domestic and world mill doors under a one-price system with competitive prices and freedom from acreage controls which destroy efficiency.

Approved, board of directors in quarterly meeting, April 16, 1963, Midland, Tex.

MEMPHIS, TENN., May 17, 1963.

HON. ALLEN J. ELLENDER,
Chairman, Committee on Agriculture and Forestry, Senate Office Building, Washington, D.C.

MY DEAR SENATOR: We are advised that your committee will, next week, hold hearings on legislation dealing with cotton. Our association, representing approximately 90 percent of the cottonseed processing industry of the United States, held our 67th annual convention earlier this week. At the session on May 14, the convention adopted a resolution dealing with cotton policy. A copy of that resolution is attached and we shall appreciate your incorporating it in the record of the committee hearings.

Our members are convinced of the urgent need for legislation that will enable cotton to compete, and, thereby, to increase both its consumption and production. We urge that your committee develop such legislation and report it to the Senate.

Very truly yours,

JOHN F. MOLONEY,
Secretary-Treasurer,
National Cottonseed Products Association, Inc.

RESOLUTION ON COTTON POLICY

Whereas cotton has suffered severe market losses during the 1961-62 and 1962-63 seasons; and

Whereas under present national policy, which prices cotton at noncompetitive levels, such losses are certain to continue, bringing reduced acreage allotments and all of the economic ills that such reductions involve; Therefore, be it

Resolved, That the association urge Congress to promptly enact legislation which will establish a sound long-range price and production program for cotton.

Such a program must involve a single-price system at levels which will make cotton competitive at home and abroad and thereby encourage expanded consumption and production; it must involve the maximum use of normal trade channels and should provide the highest practicable farm income. An intensified program of farm research to assist growers to reduce production costs is essential to maintain farm income.

Adopted by the 67th annual convention, National Cottonseed Products Association, May 14, 1963.

GALVESTON, TEX., May 17, 1963.

HON. ALLEN J. ELLENDER,
Chairman, Senate Committee on Agriculture,
U.S. Senate,
Washington, D.C.

DEAR SENATOR ELLENDER: The members of the Galveston Compress & Warehouse Association respectfully submit herewith a statement to the Senate Committee on Agriculture and request that it be made a part of the record of hearings now being held.

All 10 of the cotton compress and warehouse companies operating in Galveston are members of this association, and have a vital interest in any legislation affecting cotton.

The urgency for remedial legislation for cotton cannot be too strongly emphasized. We urge you and your committee to press for legislation to save the entire cotton industry.

Respectfully,

Bayside Warehouse Co., By W. D. Boff; Cotton Concentration Co., By W. G. Boyd; Crespi Warehouse Co., By Wm. Powell; Export Warehouse Co., By A. L. Ziegilmen; Gal-Tex Warehouse Co., By John W. Knust; Magnolia Compress Co., By H. Shelby; M. & P. Compress & Warehouse Co., By P. C. Cronovich; Southern Compress & Warehouse Co., By R. Z. Fletcher; Southwestern Warehouse Co., By O. P. Martz; Moody Compress & Warehouse Co., By W. H. Smith.

STATEMENT OF WILLIAM H. SMITH, GALVESTON COMPRESS & WAREHOUSE ASSOCIATION

The Galveston Compress & Warehouse Association is composed of all of the cotton compress and warehouse companies in the city of Galveston. We respectfully urge the committee to press for immediate legislation which will (1) make American cotton available to domestic mills at the same price it is available to foreign mills, (2) reduce the overall price of cotton, and (3) institute a research program to lower the production costs of cotton.

Galveston has been for many years the leading concentration point and port for American cotton. Historically, one out of every three bales exported from the United States has moved through Galveston. Under normal marketing conditions, cotton merchants concentrate cotton from many areas into Galveston, and later ship it to domestic mills or in export trade.

U.S. cotton prices are established principally by the support price level which is set by the Secretary of Agriculture. This support price in the late 1940's and early 1950's was at a level which encouraged the rapid rise in foreign production of cotton—a rise much greater than the increase in foreign consumption. As a result, U.S. cotton exports went to their lowest levels since 1871 in the 1955-56 season. Then Congress established a program requiring that our Government make cotton available for export at competitive prices. In the first 5 years of the program, U.S. cotton exports rose to an average of 6 million bales annually compared with an average of only 3½ million bales for the previous 5 years.

In 1961, however, the price was increased with the result that exports dropped by 2 million bales last season and are even less this season, and stocks owned by the Government are headed to an estimated 10½ million bales by next August.

The export program which saved the foreign market temporarily has had an adverse effect on domestic consumption for the simple reason that it has required our domestic mills to pay \$42.50 per bale more for American cotton than their foreign competitors. As a result, since 1955, imports of cotton textiles have increased 3½ times and are still headed steeply upward. In addi-

tion, the American mills have gone more and more to synthetics because of this price differential.

The effect that this has had on the economy of Galveston, and particularly that of our industry is illustrated by the table below which shows the results of the action of the Secretary of Agriculture under the Agricultural Act of 1958 indicating that a reduction in the support price and, consequently, a reduction in the selling price of cotton materially increased the movement of cotton through Galveston and conversely, a subsequent increase of approximately 3½ cents per pound 2 years later drastically curtailed the movement.

Movement of cotton through Galveston for season to May 15

[Bales of cotton]

	Receipts	Exports
1959.....	1,367,437	824,201
1960 (reflecting decrease in support price).....	2,613,095	1,764,625
1961.....	2,728,409	1,964,333
1962 (reflecting increase in support price).....	1,557,633	1,107,511
1963.....	1,139,576	817,269

The disastrous result on employment in our industry is also submitted. This does not take into consideration the fact that allied industries have also been adversely affected. For comparison purposes, the week of December 15 has been used inasmuch as it is usually a period of great activity in the movement of cotton through Galveston. The dates used for comparison are a 5-year average 1956-60 and 1962, and shown are the number of men employed and the man-hours worked. It should be pointed out that the 5-year average covers a period of both a high and a low support price, whereas 1962 was a year of high support price.

	1956-60	1962
Men employed.....	1,303	639
Man-hours worked.....	61,030	19,017

Most of our employees have done no other work except handling cotton, and therefore cannot readily find employment in other fields. For their sake, as well as for the economic life of Galveston, we feel it is imperative that action be taken at once to make American cotton available to domestic mills at the same price it is available to foreign mills, and to reduce the overall price.

While an immediate move to the world price calls for Government assistance until the cost of producing cotton can be reduced sufficiently to permit the industry to stand on its own feet, the urgent help needed immediately from the Government can and should be temporary in nature. It therefore is urged that this interim program be joined with a massive research attack on cotton production costs. It is estimated that within a relatively short period of time as much as 11 cents per pound can be cut from the production cost of cotton.



WHEAT PROGRAMS

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HEARINGS

BEFORE THE

COMMITTEE ON

AGRICULTURE AND FORESTRY

UNITED STATES SENATE

EIGHTY-EIGHTH CONGRESS

SECOND SESSION

ON

S. 1581, S. 1617, S. 1946, S. 2258, S. 2357, and
S. 2492

BILLS TO PROVIDE A VOLUNTARY WHEAT ADJUSTMENT AND
PRICE SUPPORT PROGRAM FOR WHEAT AND A
CROPLAND RETIREMENT PROGRAM

FEBRUARY 10 AND 11, 1964

Printed for the use of the
Committee on Agriculture and Forestry



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WASHINGTON : 1964

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WHEAT PROGRAMS

MONDAY, FEBRUARY 10, 1964

U.S. SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D.C.

The committee met, pursuant to notice, at 10:15 a.m., in room 324, New Senate Office Building, Senator Allen J. Ellender (chairman) presiding.

Present: Senators Ellender, Jordan of North Carolina, Aiken, Young of North Dakota, and Hickenlooper.

The Chairman. The committee will please come to order. We have before us a number of bill relating to wheat and I will ask they be placed in the record at this point together with a staff explanation of them.

(The bills follow:)

[S. 1581, 88th Cong. 1st sess.]

A BILL To continue for the 1964 and 1965 crops of wheat the program in effect for the 1963 crop of wheat

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, notwithstanding any other provision of law—

(1) The program for wheat for 1963 provided for under subtitle B of title III of the Food and Agriculture Act of 1962 shall be effective with respect to the 1964 and 1965 crops of wheat in the same manner and to the same extent such program was effective for the 1963 crop of wheat.

(2) All references to the 1963 crop of wheat contained in sections 306, 307, 308, and 309 of the Food and Agriculture Act of 1962 shall be deemed to refer to the 1964 crop of wheat for purposes of carrying out a wheat program for 1964, and shall be deemed to refer to the 1965 crop for purposes of carrying out a wheat program for the 1965 crop. All references in such sections to the calendar year 1963 shall be deemed to refer to the calendar year 1964 for purposes of carrying out a wheat program for the 1964 crop, and shall be deemed to refer to the calendar year 1965 for purposes of carrying out a wheat program for 1965.

(3) All provisions of the Agricultural Adjustment Act of 1938, as amended, and of Public Law 74, Seventy-seventh Congress, in effect with respect to the 1963 crop of wheat shall be effective with respect to the 1964 and 1965 crops of wheat in the same manner and to the same extent such provisions were effective for the 1963 crop of wheat, except as provided in paragraphs (4) and (5) below.

(4) The Secretary of Agriculture shall, as soon as possible after the date of enactment of this Act, make a determination, in accordance with the provisions of section 335 of the Agricultural Adjustment Act of 1938 (as in effect for the 1963 crop of wheat) as to whether a national marketing quota shall be in effect for the 1964 crop of wheat, and, in the event he determines that such a quota shall be effective for such crop, issue a proclamation declaring such fact as soon as possible.

(5) If the Secretary of Agriculture determines that a national marketing quota is to be effective with respect to the 1964 crop of wheat he shall, as soon as possible after the issuance of a proclamation declaring such fact, but in no event later than August 1, 1963, conduct a referendum, by secret ballot,

of wheat farmers to determine whether such farmers favor or oppose such quota. If more than one-third of the farmers voting in the referendum oppose such quota, the Secretary shall, prior to the effective date of such quota, by proclamation suspend the operation of the national marketing quota with respect to wheat. The same eligibility requirements for voting in the referendum conducted with respect to a national marketing quota for the 1963 crop of wheat shall be in effect with respect to the referendum conducted pursuant to this paragraph.

[S. 1617, 88th Cong, 1st sess.]

A BILL To adjust wheat and feed grain production, to establish a cropland retirement program, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Wheat and Feed Grain Act of 1963".

DECLARATION OF POLICY

SEC. 2. The Congress finds that the production of excessive supplies of wheat and other grains depresses prices and the income of farm families, constitutes improper land use, and is wasteful of our natural resources. It is hereby declared to be the policy of the Congress and the purpose of this Wheat and Feed Grain Act of 1963 to bring the supplies of wheat and feed grains into line with current demand in order to (a) increase per family farm income; (b) reduce the surplus of wheat and feed grains; and (c) decrease the public costs of maintaining farm programs. To effectuate the policy of Congress and the purpose of this Act, programs are herein established to assist farmers in (1) diverting a portion of their cropland from the production of excessive supplies of wheat and other grains; (2) carrying out a voluntary program of soil, water, forest, and wildlife conservation; and (3) obtaining commodity prices in the marketplace higher than levels at which commodity loans are made available by the Commodity Credit Corporation.

TITLE I—LAND RETIREMENT AND SOIL CONSERVATION

ANNUAL DETERMINATION—VOLUNTARY LAND RETIREMENT—RENTAL PAYMENTS IN CASH OR KIND

SEC. 101. Beginning with the 1964 crop year the Secretary of Agriculture is authorized and directed to establish and carry out a cropland retirement program. In formulating and administering such program—

(a) The Secretary shall each year make and announce an annual determination of—

(1) the total estimated cropland available for the production of crops in the United States in that year;

(2) the total acreage of wheat, corn, oats, rye, barley, grain sorghum, soybeans, and flaxseed necessary to bring the total estimated annual production plus the anticipated release from the Commodity Credit Corporation stocks into balance with the estimated annual disappearance of such commodities; and

(3) the total acreage of farm cropland necessary to be retired and devoted to soil-conserving uses in order to achieve this balance, and the acreage that can be retired effectively and economically in the respective year.

(b) The Secretary is authorized to enter into contracts for periods of not less than three years with producers determined by him to have control for the contract period of the farms covered by the contracts, if such producers agree to retire and devote to soil-conserving uses any or all farm cropland. The Secretary shall determine and announce the period within which such contracts will be entered into. This period shall be of sufficient duration to provide an opportunity for maximum producer participation. The Secretary shall encourage the retirement of whole farms and shall provide full opportunity for producers of all commodities to participate voluntarily in the cropland retirement program: *Provided*, That the Secretary shall place a maximum limitation on the percentage of total cropland which may be re-

tired and devoted to soil-conserving uses in any State or county if he finds that such action is necessary to prevent the cropland retirement program from having an unduly disruptive effect on the economies of counties and local communities: *And provided further*, That any cropland retired and devoted to soil-conserving uses under the cropland retirement program established pursuant to this title shall be deemed in subsequent years to have been planted cropland for the purpose of establishing cropland history.

(c) The Secretary shall make an annual rental payment either in cash or in kind to producers who: (1) retire and devote cropland to soil-conserving uses with proper management pursuant to subsection (b) of this section, and (2) otherwise comply with the cropland retirement program as set forth in this title.

The Secretary shall determine the rate of rental payments that will provide producers with a fair and reasonable annual return on the land retired and devoted to soil-conserving uses after taking all relevant factors into consideration, including (1) the incentive necessary to achieve voluntary participation in the program, (2) the loss of crop production on the retired acres, (3) any savings in cost which result from not planting crops, (4) the estimated profit margin of crop production on the designated acres (5) continuing farm overhead expenses, (6) the cost of establishing a conservation practice on the retired acres, (7) the value of the land for production of commodities customarily grown in such kind of land in the county or area, (8) the prevailing rates for cash rentals for similar land in the county or area, and (9) drought, flood, or other abnormal condition.

The rate on lands determined in accordance with the preceding paragraph shall be adjusted on a State, county, and individual farm basis in such a manner as the Secretary determines will facilitate the practical administration of the program. The lands to be covered by contracts shall be determined by a competitive bid procedure whereby a producer wishing to obtain a contract shall specify the percentage of the rental rate applicable to his farm which he is willing to accept.

(d) The Secretary shall compensate producers for participating in the cropland retirement program—

(1) through the issuance of negotiable certificates which the Commodity Credit Corporation shall redeem in accordance with regulations prescribed by the Secretary in cash upon presentation by the producer or by any holder in due course; or

(2) if option is exercised by the producer thirty days before compensation is tendered, through the issuance of negotiable certificates which the Commodity Credit Corporation shall redeem in accordance with regulations prescribed by the Secretary in wheat, corn, oats, rye, barley, or grain sorghum upon presentation by the producer or by any holder in due course. The Secretary shall limit the distribution of the certificates redeemable in kind if he finds the issuance of such certificates will have an adverse effect on wheat, corn, oats, rye, barley, or grain sorghum market prices or upon livestock marketing or livestock market prices, and in no case shall a certificate be redeemable at less than 115 per centum of the current support price plus reasonable carrying charges for any such commodity.

In order to assist producers in the establishment of soil-conserving uses on cropland retired under the cropland retirement program, the Secretary shall coordinate such program with the agricultural conservation program established pursuant to the Soil Conservation and Domestic Allotment Act, as amended (49 Stat. 163, 16 U.S.C. 590 et seq.).

TERMS AND CONDITIONS OF CONTRACTS WITH PRODUCERS

SEC. 102. (a) Under any cropland retirement contract the producer shall agree—

(1) to establish and maintain with proper management for the contract period protective vegetative cover (including but not limited to grass and trees), water storage facilities or other soil-, water-, wildlife-, or forest-conserving uses (excluding orchards and vineyards) on an acreage of land which is specifically designated at the time the contract is entered into and which has been regularly used in the production of crops (including crops such as tame hay, alfalfa, and clovers), which do not require annual tillage;

(2) to allow to remain fallow, idle, and in the production of crops (including tame hay, alfalfa, and clovers) which do not require annual tillage throughout the contract period, an acreage of the remaining cropland on the farm which is not less than the acreage normally allowed to remain fallow, idle, and in the production of crops which do not require annual tillage on such remaining acreage;

(3) not to harvest any crop from the acreage established in protective vegetative cover, excepting timber (in accordance with sound forestry management) and wildlife or other natural products of such acreage which do not increase supplies of feed for domestic animals;

(4) not to graze any acreage established in protective vegetative cover;

(5) not to adopt any practice, or divert lands on the farm from conservation, woods, grazing, or other noncropland use, to any use specified by the Secretary in the contract as a practice or use which would tend to defeat the purposes of the contract;

(6) to abide by regulations prescribed by the Secretary with respect to the planting of crops during the contract period for later harvest or use; and

(7) to such additional provisions as the Secretary determines are desirable and includes in the contract to effectuate the purposes of his title and to facilitate the practical administration of the cropland retirement program, including provisions relating to control of noxious and other objectionable weeds.

(b) In the event that the Secretary determines that there has been a violation of the contract (including the prohibition of grazing on retired acreage) at any stage during the time such producer has control of the farm and that such violation is of such a substantial nature as to warrant termination of the contract, the producer shall forfeit all rights to payments or grants under the contract, and shall refund to the United States all payments and grants received by him thereunder. In the event that the Secretary determines that there has been a violation of the contract but that such violation is of such a nature as not to warrant termination of the contract, the producer shall accept such payment adjustments, and make such refunds to the United States of payments received by him, under the contract, as the Secretary may determine to be appropriate.

Sec. 103. The Soil Bank Act, as amended (70 Stat. 118, 7 U.S.C. 1801 et seq.), is amended as follows:

Administrative and Judicial Remedy

(1) The first sentence of section 107(d) of such Act (7 U.S.C. 1831(d)) is amended by adding after the words "paragraph (6) of Subsection (a)" the phrase "or under section 102(b) of the Wheat and Feed Grain Act of 1963".

Effect on Other Programs

(2) Section 112 of such Act (7 U.S.C. 1836) is amended by adding after the words "under this subtitle" each time it appears therein the phrase "or under title I of the Wheat and Feed Grain Act of 1963".

Geographic Applicability

(3) Section 113 of such Act (7 U.S.C. 1837) is amended by adding after the words "subtitle B" the phrase "and title I of the Wheat and Feed Grain Act of 1963".

Reapportionment Prohibited

(4) Section 115 of such Act (7 U.S.C. 1803) is amended by adding after the words "conservation reserve programs" the phrase "or the cropland retirement program established pursuant to title I of the Wheat and Feed Grain Act of 1963".

Utilization of Local and State Committees

(5) Section 117 of such Act (7 U.S.C. 1805) is amended by adding after the words "this title" the phrase "or title I of the Wheat and Feed Grain Act of 1963".

Utilization of Other Agencies

(6) Section 118 of such Act (7 U.S.C. 1806) is amended by adding after the words "this title" the phrase "or title I of the Wheat and Feed Grain Act of 1963".

Utilization of Land Use Capability Data

(7) Section 119 of such Act (7 U.S.C. 1807) is amended by adding after the words "this title" the phrase "or title I of the Wheat and Feed Grain Act of 1963".

Finality of Determinations

(8) Section 121 of such Act (7 U.S.C. 1809) is amended by adding after the words "this title" the phrase "or under title I of the Wheat and Feed Grain Act of 1963".

Protection of Tenants and Sharecroppers

(9) Section 122 of such Act (7 U.S.C. 1810) is amended by adding after the words "this title" the phrase "or under title I of the Wheat and Feed Grain Act of 1963".

Penalty for Grazing or Harvesting

(10) Section 123 of such Act (7 U.S.C. 1811) is amended by adding after the words "section 103 or 107" the phrase "or under title I of the Wheat and Feed Grain Act of 1963".

Pooling of Cropland Retirement Land

(11) Section 126 of such Act (7 U.S.C. 1814) is amended by adding after the words "conservation reserve program" the phrase "or in the cropland retirement program pursuant to title I of the Wheat and Feed Grain Act of 1963".

Incorrect Information Furnished by the Government—Marriage of Producers

(12) Section 128 of such Act (7 U.S.C. 1816) is amended by adding after the words "conservation reserve program" the phrase "or the cropland retirement program established pursuant to title I of the Wheat and Feed Grain Act of 1963".

AUTHORIZED PERIOD OF CONTRACT AND EXPENDITURE— APPROPRIATIONS

SEC. 104. (a) The Secretary is authorized to formulate and announce programs under this title and to enter into contracts thereunder with producers during the three-year period 1964–1966 to be carried out during the period ending not later than December 31, 1969, except that contracts for establishment of tree cover may continue until December 31, 1976.

(b) The period covered by any contract shall not exceed three years except that contracts for the establishment of tree cover may extend for ten years.

(c) There are hereby authorized to be appropriated such sums as may be necessary to carry out the provisions of this title, including such amounts as may be required to reimburse the Commodity Credit Corporation for its actual costs incurred under the payment-in-kind program established by this title.

TERMINATION AND MODIFICATION OF CONTRACTS

SEC. 105. The Secretary may terminate any contract with a producer by mutual agreement with the producer if the Secretary determines that such termination would be in the public interest. The Secretary may agree to such modification of contracts previously entered into as he may determine to be desirable to carry out the purposes of this title and to facilitate the practical administration of the cropland retirement program.

REGULATIONS

SEC. 106. The Secretary shall prescribe such regulations as he determines necessary to carry out the provisions of this title.

TITLE II—REPEAL OF AUTHORITY FOR ACREAGE ALLOTMENTS AND MARKETING QUOTAS ON WHEAT AND CORN—THE PRICE SUPPORTS ON WHEAT, CORN, OATS, RYE, BARLEY, AND GRAIN SORGHUM

SEC. 201. Notwithstanding any other provision of law, effective with the 1964 crops of wheat, corn, oats, rye, barley, and grain sorghum, sections 321 through 339 of parts II and III of subtitle B and sections 379(a) through 379(j) of subtitle D of title III of the Agricultural Adjustment Act of 1938, as amended (52 Stat. 31; 7 U.S.C. 1281 et seq.), are repealed. Parts IV, V, and VI of subtitle B are redesignated as parts II, III, and IV, respectively, and subtitle F is redesignated subtitle D.

SEC. 202. Effective with the 1964 crops of wheat, corn, oats, rye, barley, and grain sorghum, the Act of May 26, 1941, as amended (Public Law 74, Seventy-seventh Congress (55 Stat. 203)), is repealed.

SEC. 203. Effective with the 1964 crops of wheat, corn, oats, rye, barley, and grain sorghum, sections 327 and 328 of the Food and Agriculture Act of 1962 (Public Law 87-703, Eighty-seventh Congress), are repealed.

SEC. 204. Subsection (h) of section 16 of the Soil Conservation and Domestic Allotment Act, as amended (Public Law 46, Seventy-fourth Congress), is repealed.

SEC. 205. Effective with the 1964 crops, section 105 of the Agricultural Act of 1949, as amended (7 U.S.C. 1441 note), is amended to read as follows:

"SEC. 105. Notwithstanding the provisions of section 101 of this Act, beginning with the 1964 crops, price support shall be made available to producers for each crop of corn, oats, rye, barley, and grain sorghum at 90 per centum of the average price received by farmers during the three calendar years immediately preceding the calendar year in which the marketing year for such crop begins, adjusted to offset the effect on such price of any abnormal quantity of low-grade corn, oats, rye, barley, and grain sorghum marketed during any such years: *Provided*, That the level of price support for any crop of corn, oats, rye, barley and grain sorghum shall not be less than 50 per centum of the parity price therefor."

SEC. 206. Section 107 of the Agricultural Act of 1949, as amended (7 U.S.C. 1445(a)), is amended to read as follows:

"SEC. 107. Notwithstanding the provisions of section 101 of this Act, beginning with the 1964 crop, price support shall be made available to producers for each crop of wheat at the United States farm price equivalent, as determined by the Secretary, of the average world market price during the immediate preceding three marketing years: *Provided*, That the level of price support for any crop of wheat shall not be less than 50 per centum of the parity price therefor."

TITLE III—GENERAL PROVISIONS

FEDERAL IRRIGATION, DRAINAGE, AND FLOOD CONTROL PROJECTS

SEC. 301. Section 211 of the Agricultural Act of 1956, as amended (7 U.S.C. 1860), is amended (1) by striking "three years" each time it appears therein and inserting in lieu thereof "eleven years", and (2) by adding after the words "soil bank provisions of the Act" in subsection (b) the phrase "and under title I of the Wheat and Feed Grain Act of 1963".

RESTRICTIONS ON SALES BY THE COMMODITY CREDIT CORPORATION

SEC. 302. Section 407 of the Agricultural Act of 1949, as amended (7 U.S.C. 1427), is amended by changing the period at the end of the fourth sentence to a colon and adding the following: "*Provided*, That effective July 1, 1964, the Commodity Credit Corporation shall not make any sales (except sales offset by equivalent purchases) of wheat, corn, oats, rye, barley, grain sorghum, soybeans, or flaxseed for domestic use at less than 115 per centum of the current support price for any such commodity, plus reasonable carrying charges."

[S. 1946, 88th Cong., 1st sess.]

A BILL To provide for a voluntary wheat adjustment and price support program

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled. That, in order to provide for a voluntary wheat adjustment and price support program, the following provisions of law relating to penalties and the wheat marketing quota referendum are repealed or amended as follows:

(a) The Agricultural Adjustment Act of 1938, as amended (7 U.S.C. 1281 et seq.) is amended—

(1) by striking from the first sentence of section 334(a), section 334(b), and the last sentence of section 334(c)(1), respectively, that part beginning with a colon and the word “*Provided*” down to but not including the period;

(2) by striking out section 334(d);

(3) by striking out the exception at the end of the first sentence of section 334(h);

(4) by striking from section 334(i) the sentence relating to paragraph (6) of Public Law 74, Seventy-seventh Congress;

(5) by striking from section 335 the first sentence and the next to last sentence;

(6) by striking out section 336;

(7) by striking out section 338;

(8) by amending section 339(a)(1) to read as follows:

“(a)(1) During any year in which marketing quotas for wheat are in effect, the producers on any farm (except a new farm receiving an allotment from the reserve for new farms) on which any crop is produced on acreage required to be diverted from the production of wheat shall be ineligible to receive price support on wheat or wheat marketing certificates unless (1) the crop is designated by the Secretary as one which is not in surplus supply and will not be in surplus supply if it is permitted to be grown on the diverted acreage, or as one the production of which will not substantially impair the purpose of the requirements of this section. The acreage required to be diverted from the production of wheat on the farm shall be an acreage of cropland equal to the number of acres determined by multiplying the farm acreage allotment by the diversion factor determined by dividing the number of acres by which the national acreage allotment is reduced below fifty-five million acres by the number of acres in the national acreage allotment.”

(9) by striking “wheat”, from section 372 (a);

(10) by striking from the second sentence of section 379c(a) “(i)” and that part which begins “, plus (ii)” down to but not including the period; and

(11) by striking out the last two sentences of section 379c(b).

(b) Public Law 74, Seventy-seventh Congress, as amended (7 U.S.C. 1340), is repealed.

(c) Section 107 of the Agricultural Act of 1949, as amended (7 U.S.C. 1445a), is amended—

(1) by striking from subsection (4) the following: “or for which marketing quotas have been disapproved by producers”; and

(2) by striking the last two sentences out of subsection (5).

SEC. 2. (a) Section 107(5) of the Agricultural Act of 1949, as amended, is amended by striking out “and (ii)” and inserting the following: “(ii) participates in any acreage diversion program which may be in effect for feed grains to the extent required by the Secretary, and (iii)”.

(b) The first sentence of section 379c(b) of the Agricultural Adjustment Act of 1938, as amended, is amended by inserting before the period at the end thereof a comma and the following: “or in which the producer does not participate in any acreage diversion program which may be in effect for feed grains to the extent required by the Secretary”.

SEC. 3. This Act shall be effective beginning with the 1964 crop of wheat. The voluntary adjustment and price support program provided for by this Act shall be in effect for the 1964 crop without further proclamation of marketing quotas or allotments.

[S. 2258, 88th Cong., 1st sess.]

A BILL To establish a voluntary special agricultural conservation wheat program for 1964 and 1965 crop years; to provide for the resumption of the use of wheat for feed in areas where it has been used historically for this purpose; to minimize the amount of export subsidies and diversion payments

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Wheat Act of 1963".

SEC. 2. Section 301(a) of the Agricultural Adjustment Act of 1938, as amended, is amended by adding the following new subsections as follows:

"(10) The term 'designated wheat base' means an acreage on the farm equal to the higher of the following acreages:

"(a) The wheat acreage allotment on the farm for the crop year 1963:

"(b) The average acreage of wheat planted on the farm in the crop years 1959, 1960, and 1961 in the case of farms on which wheat was planted under the fifteen-acre farm marketing quota exemption as provided by section 7 of the Act of May 26, 1941, as amended (Public Law 74, 77th Congress), prior to its repeal by the Food and Agriculture Act of 1962, with adjustments for abnormal weather conditions, established crop rotation practices on the farm, and such other factors as the Secretary determines should be considered, but not to exceed fifteen acres."

TITLE I—PRICE SUPPORT

SEC. 101. Effective with the 1964 crops, section 105 of the Agricultural Act of 1949, as amended, is amended to read as follows:

"SEC. 105. (a) Notwithstanding the provisions of section 101 of this Act, for the 1964 and 1965 crops, a price support loan shall be established by the Secretary at such level as the Secretary determines on the basis of the best available statistics reflects the competitive world prices of wheat. To increase the return from the domestically consumed portion of the crops, an additional payment per bushel shall be made available to cooperating producers through payments in kind, or in cash equal to the difference between \$2 per bushel and the average price received by farmers for the 1964 crop but not in excess of 65 cents per bushel. Such payment shall be made on 50 per centum of the number of bushels determined by multiplying the actual acreage planted for harvest by the adjusted average yield as determined in section 379(f); to increase the return from the exported portion of the crop, 25 cents per bushel shall be made available to cooperating producers through payments in kind, or in cash. Such payment shall be made on 50 per centum of the number of bushels determined by multiplying the actual acreage planted for harvest by the the adjusted average yield as determined in section 379(f).

"(b) If the producers on the farm elect to participate in the special agricultural conservation program, price support shall be made available only if such producers divert from the production of wheat in accordance with the provisions of such program an acreage on the farm equal to the number of acres which such operator agrees to divert, and the agreement shall so provide. In the event that the special agricultural conservation program is not in effect, the Secretary shall make price support available to wheat producers, as provided in subsection (a) of this section.

"(c) Beginning with the 1964 and subsequent crops of wheat, any wheat stored in order to postpone or avoid payment of a wheat marketing quota penalty under section 6 of the Act of May 26, 1941 (Public Law 74, Seventy-seventh Congress, as amended), prior to its repeal by the 'Feed Grain and Wheat Act of 1963' shall not be eligible for price support."

SEC. 102. Section 107 of the Agricultural Act of 1949, as amended, is hereby repealed.

SEC. 103. Section 407 of the Agricultural Act of 1949, as amended, is amended—

(1) by striking the second proviso and inserting in lieu thereof the following: " : *Provided*, That effective with the beginning of the 1964 marketing year for wheat, the Corporation shall not sell any such designated grains for unrestricted use at less than 115 per centum above the current support price plus reasonable carrying charges."; and

(2) by striking the semicolon after the words "deterioration and spoilage" in clause (d) and inserting the following: "except if the supply of any designated grain (as defined in section 301(a) (10) of the Agricultural Adjustment Act of 1938, as amended) is not in excess of a normal supply (as de-

fined in section 301(b) (10) (A) of the Agricultural Adjustment Act of 1938, as amended) the Corporation shall forthwith replenish its stocks by the purchase of a quantity of the commodity equal to the amount of such commodity so sold."

TITLE II—SPECIAL WHEAT AGRICULTURAL CONSERVATION PROGRAM

SEC. 201. Subtitle D of title III of the Agricultural Adjustment Act of 1938, as amended, is hereby amended to read as follows:

"SUBTITLE D—SPECIAL AGRICULTURAL CONSERVATION PROGRAM"

"SEC. 379. (a) If the Secretary finds that for the 1964 and 1965 marketing years the total supply of wheat will, in the absence of a special agricultural conservation program, be in excess of a 'normal supply' as defined in section 301(b) (10) (A) of this Act, he shall formulate and carry out a special agricultural conservation program, without regard to provisions which would be applicable to the regular agricultural conservation program under which, subject to such terms and conditions as the Secretary determines, conservation payments in amounts determined by the Secretary to be fair and reasonable shall be made to producers who divert acreage from the production of wheat to an approved conservation use and increase their average acreage of cropland devoted in 1959 and 1960 to designated soil conserving crops or practices including summer fallow and idle land by an equal amount.

"(b) The Secretary may permit such diverted acreage to be devoted to the production of guar, sesame, safflower, sunflower, castor beans, mustard seed, canary seed, soybeans, and flax and other oilseeds, when such crops are not in surplus supply and will not be in surplus supply if permitted to be grown on the diverted acreage, subject to the condition that payment with respect to diverted acreage devoted to any such crop shall be at a rate determined by the Secretary to be fair and reasonable, taking into consideration the use of such acreage for the production of such crops, if such acreage were devoted to conservation uses and no price support shall be made available for the production of any such crop on such diverted acreage.

"(c) The Secretary shall not permit such diverted acreage to be grazed.

"(d) The Secretary shall require the producer to take appropriate measures to keep such diverted acreage free from erosion, insects, weeds, and rodents.

"(e) The acreage eligible for payments in cash or in kind under such special agricultural conservation program shall be an acreage up to the greater of forty acres or 20 per centum of the farm designated wheat base. The Secretary may, at the option of the producer, make an additional payment for the diversion of not to exceed an additional 30 per centum of the designated wheat base on the farm. The rate or rates of payment to be made by the Secretary shall be at such levels as he determines necessary to obtain desirable voluntary adjustments in wheat production, and may vary by areas and types of wheat taking into consideration carryover stocks, domestic and export outlets, and such other factors as he deems advisable, and will result in an annual reduction of one hundred million bushels in Government carryover stocks of wheat.

"(f) The Secretary may make such adjustments in acreage and yields as he determines necessary to correct for abnormal factors affecting production, and to give due consideration to tillable acreage, crop rotation practices, type of soil, soil and water conservation measures, and topography. The base period for this purpose of determining the adjusted average yield in the case of payments with respect to the 1964 crops shall be the four-year period 1959-1962, and in the case of payments with respect to any subsequent crop shall be the most recent five-year period determined by the Secretary to be representative for which statistics are available.

"(g) The Secretary may make not to exceed 50 per centum of any payments to producers in advance of determination of performance.

"(h) The Secretary shall provide by regulations for the sharing of payments under this subsection among producers on the farm on a fair and equitable basis and in keeping with existing contracts.

"SEC. 380. Payments-in-kind may be made and such payments-in-kind shall be made through the issuance of negotiable certificates which the Commodity Credit Corporation shall redeem for the wheat which shall not be valued at nor sold for unrestricted use for less than 115 per centum of the support price plus

reasonable carrying charges and, notwithstanding any other provision of law, the Commodity Credit Corporation shall, in accordance with regulations prescribed by the Secretary, assist the producer in the marketing of such certificates at such time and in such manner as the Secretary determines will best effectuate the purposes of this Act. In the case of any certificate not presented for redemption within thirty days of the date of its issuance, reasonable costs of storage and other carrying charges, as determined by the Secretary, for the period beginning thirty days after its issuance and ending with the date of its presentation for redemption shall be deducted from the value of the certificate.

"SEC. 381. Notwithstanding any other provision of law, in the event of a national emergency or a serious drought, flood, or other natural disaster, the Secretary may place such limits on the extent that producers may participate in the special agricultural conservation program authorized by this Act as he determines necessary or he may, by mutual agreement with the producer, terminate or modify any agreement previously entered into pursuant to this Act.

"SEC. 382. There are hereby authorized to be appropriated such amounts as may be necessary to enable the Secretary to carry out the provisions of this subtitle D."

SEC. 202. Effective for the 1964 and 1965 crops of wheat, the Act of May 26, 1941 (Public Law 74, Seventy-seventh Congress), is not in effect.

SEC. 203. Effective for the 1964 and 1965 crops of wheat, sections 331 through 339 of part III of subtitle B of title III of the Agricultural Adjustment Act of 1938, as amended, are not in effect.

SEC. 204. Effective for the 1964 and 1965 crops of wheat, section 326 of the Food and Agriculture Act of 1962, as amended, is not in effect.

[S. 2357, 88th Cong., 1st sess.]

A BILL To provide for a voluntary wheat domestic parity program

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

REPEAL OF PROVISIONS RELATING TO WHEAT MARKETING QUOTAS

SECTION 1. (a) Sections 332 and 333 of the Agricultural Adjustment Act of 1938, as amended by sections 311 and 312 of Public Law 87-703, are amended to read as follows:

"PRODUCTION OBJECTIVE

"SEC. 332. (a) The production objective for wheat for any marketing year shall be an amount of wheat which the Secretary estimates (i) will be utilized during such marketing year for human consumption in the United States as food, food products, and beverages, composed wholly or partly of wheat, (ii) will be utilized during such marketing year in the United States for seed, (iii) will be exported either in the form of wheat or products thereof, and (iv) as the average amount which was utilized as livestock (including poultry) feed in the marketing years beginning in 1959 and 1960; less (A) an amount of wheat equal to the estimated imports of wheat into the United States during such marketing year and, (B) if the stocks of wheat owned by the Commodity Credit Corporation are determined by the Secretary to be excessive, an amount of wheat determined by the Secretary to be a desirable reduction in such marketing year in such stocks to achieve the policy of the Act: *Provided*, That if the Secretary determines that the total stocks of wheat in the Nation are insufficient to assure an adequate carryover for the next succeeding marketing year, the production objective otherwise determined shall be increased by the amount the Secretary determines to be necessary to assure an adequate carryover: *And-provided further*, That the production objective for wheat for any marketing year shall be not less than one billion bushels.

"(b) If, after the proclamation of the national acreage allotment for any crop of wheat, the Secretary has reason to believe that, because of a national emergency or because of a material increase in the demand for wheat, the production objective should be increased, he shall cause an immediate investigation to be made to determine whether such action is necessary in order to meet such emergency or increase in the demand for wheat. If, on the basis of such investigation, the Secretary finds that such action is necessary, he shall immediately pro-

claim such finding and the amount of any such increase found by him to be necessary and thereupon such production objective shall be so increased. In case any production objective is increased under this subsection, the Secretary shall provide for such increase by increasing acreage allotments established under this part by a uniform percentage.

"NATIONAL ACREAGE ALLOTMENT

"Sec. 333. Not later than April 15 of each calendar year the Secretary shall ascertain and proclaim the national acreage allotment for the crop of wheat produced in the next succeeding calendar year. The amount of the national acreage allotment for any crop of wheat shall be the number of acres which the Secretary determines on the basis of expected yields and expected underplantings of farm acreage allotments will, together with the expected production on the increases in acreage allotments for farms based upon small-farm base acreages pursuant to section 335, make available a supply of wheat equal to the production objective for wheat for such marketing year.

(b) Section 334 of the Agricultural Adjustment Act of 1938, as amended, is amended by inserting "prior to repeal of authority for marketing quotas" after the words "subsequent year" in the provisos in subsections (a) and (b), and after the words "subsequent years" in the proviso in subsection (c) (1) and in the second sentence of subsection (d).

(c) Public Law 74, Seventy-seventh Congress is repealed, and the Agricultural Adjustment Act of 1938, as amended, is amended by striking out the following provisions relating to wheat marketing quotas: (1) the sentence in section 334(i), as added by section 313(4) of Public Law 87-703, relating to paragraph (6) of Public Law 74, Seventy-seventh Congress; (2) the words "and marketing quotas for the marketing year therefor" in the second sentence of section 334a; (3) the first and next to last sentences of section 335, as amended by section 315 of Public Law 87-703; (4) sections 336 and 338; (5) the two provisos in clause (3) of section 339(b); (6) "wheat," in section 372(a); and (7) the last two sentences of section 379c(b).

(d) Section 107 of the Agricultural Act of 1949, as amended (7 U.S.C. 1445a), is amended—

(1) by striking from subsection (2) the following: "if marketing quotas are in effect for wheat";

(2) by striking all of subsection (4);

(3) by striking from subsection (5) the following: "if marketing quotas are in effect for the crop of wheat," and

(4) by striking from subsection (5) the last three sentences thereof.

(e) The following headings contained in the Agricultural Adjustment Act of 1938, as amended, are amended as follows:

(1) The heading of subtitle B of title III is amended to read "SUBTITLE B—MARKETING QUOTAS AND ACREAGE ALLOTMENTS".

(2) The heading of part III of subtitle B of title III is amended to read "PART III—ACREAGE ALLOTMENTS—WHEAT.

(3) The heading of section 335 is amended to read "MINIMUM ALLOTMENT".

FULL PARITY FOR WHEAT FOR DOMESTIC FOOD CONSUMPTION

SEC. 2. (a) Section 107(1) of the Agricultural Act of 1949, as amended (7 U.S.C. 1445a), is amended to read as follows:

"(1) price support for wheat accompanied by marketing certificates shall be at a level equal to full parity price therefor,".

(b) Section 379b of the Agricultural Adjustment Act, as amended, is amended to read as follows:

"SEC. 379b. Beginning with the marketing year for the 1964 crop, a wheat marketing allocation program shall be in effect as provided in this subtitle. Whenever a wheat marketing allocation program is in effect for any marketing year the Secretary shall determine (1) the wheat marketing allocation for such year which shall be the amount of wheat which in determining the production objective for such marketing year he estimated would be used during such year for human consumption in the United States, as food, food products, and beverages, composed wholly or partly of wheat, and (2) the national allocation percentage which shall be the percentage which the national marketing allocation is of the production objective. Each farm shall receive a wheat marketing allocation for such marketing year equal to the number of bushels obtained by

multiplying the number of acres in the farm acreage allotment for wheat by the normal yield of wheat for the farm as determined by the Secretary, and multiplying the resulting number of bushels by the national allocation percentage. If a noncommercial wheat producing area is established for any marketing year, farms in such area shall be given wheat marketing allocations which are determined by the Secretary to be fair and reasonable in relation to the wheat marketing allocation given producers in the commercial wheat producing area.

CERTIFICATES FOR PRIOR CROP WHEAT IF CURRENT CROP UNDERPLANTED

SEC. 3. Section 379c(a) of the Agricultural Adjustment Act of 1938, as amended, is amended by amending clause (ii) of the second sentence thereof to read as follows: "(ii) the amount of uncertificated wheat remaining on hand from prior crops".

AUTHORITY TO SUSPEND REQUIREMENT FOR PURCHASE OF CERTIFICATES BY PROCESSORS

SEC. 4. (a) Section 379d(b) of the Agricultural Adjustment Act of 1938, as amended, is amended to read as follows:

"(b) All persons engaged in the processing of wheat into food products shall, prior to marketing any such product for human food in the United States, acquire marketing certificates equivalent to the number of bushels of wheat contained in such product. Marketing certificates shall be valid to cover only sales made during the marketing year with respect to which they are issued, and after once used to cover a sale of a food product shall be void and shall be disposed of in accordance with regulations prescribed by the Secretary. Notwithstanding the foregoing provisions hereof, the Secretary may require marketing certificates issued for any marketing year to be acquired to cover sales made on or after the date during the calendar year in which wheat harvested in such calendar year begins to be marketed as determined by the Secretary even though such wheat is marketed prior to the beginning of the marketing year, and marketing certificates for such marketing year shall be valid to cover sales made on or after the date so determined by the Secretary. The requirements of this subsection may be suspended for any marketing year or other period by the President in whole or to such extent as he deems appropriate, if he determines that such suspension will result in the more effective regulation of commerce and the better effectuation of the purposes of this Act. In the event of such full or partial suspension, the Commodity Credit Corporation shall buy all marketing certificates offered to it in accordance with the regulations prescribed under section 379e."

(b) Section 379d(c) of such Act is amended by striking out "or export".

REPEAL OF MONETARY PENALTIES FOR PRODUCTION ON DIVERTED ACRES

SEC. 5. Section 339(a)(1) of the Agricultural Adjustment Act of 1938, as amended, is amended to read as follows:

"(a)(1) The producers on any farm (except a new farm receiving an allotment from the reserve for new farms) on which any crop is produced on acreage required to be diverted from the production of wheat shall, except to the extent otherwise prescribed by the Secretary, be ineligible to receive price support on wheat or wheat marketing certificates unless the crop is designated by the Secretary as one which is not in surplus supply and will not be in surplus supply if it is permitted to be grown on the diverted acreage, or as one the production of which will not substantially impair the purpose of the requirements of this section. The acreage required to be diverted from the production of wheat on the farm shall be an acreage of cropland equal to the number of acres determined by multiplying the farm acreage allotment by the diversion factor determined by dividing the number of acres by which the national acreage allotment is reduced below fifty-five million acres by the number of acres in the national acreage allotment."

EFFECTIVE DATE

SEC. 6. This Act shall be effective beginning with the 1964 crop of wheat. Subject to adjustment as provided by law, the production objective for the marketing year beginning in 1964 shall be in the same amount as the national marketing quota heretofore proclaimed, and the National, State, county, and farm acreage allotment for the 1964 crop of wheat shall be those heretofore proclaimed and apportioned, without further proclamation or apportionment.

The support levels specified in section 107 (1) and (2) of the Agricultural Act of 1949, as amended by this Act, shall be applicable to the 1964 crop of wheat, notwithstanding the disapproval of marketing quotas for that crop prior to the enactment of this Act.

[S. 2492, 88th Cong., 2d sess.]

A BILL To provide a voluntary wheat adjustment and price support program for the 1964 and 1965 crops of wheat

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, in order to provide for a voluntary wheat adjustment and price support program for the 1964 and 1965 crops of wheat, the following provisions of law relating to wheat are amended or are made inapplicable to such crops as follows:

(a) The Agricultural Adjustment Act of 1938, as amended, is amended—

(1) by striking out of the first sentence of section 334(a), section 334(b), and the last sentence of section 334(c) (1), respectively, that part beginning with a colon and the word "Provided" down to but not including the period;

(2) by striking out section 334(d);

(3) by striking out at the end of the first sentence of section 334(h) the following: "except as prescribed in the provisos to the first sentence of subsections (a) and (b), respectively, of this section";

(4) by striking the fourth sentence of section 334(i) relating to paragraph (6) of Public Law 74, Seventy-seventh Congress;

(5) by striking from section 335 the first sentence and the next to the last sentence;

(6) by striking out section 336;

(7) by striking out section 338;

(8) by amending section 339 to read as follows:

"SEC. 339. (a) In order to be eligible for price support on the 1964 or 1965 crop of wheat the producer on any farm (except a new farm receiving an allotment from the reserve for new farms) shall be required to divert from the production of wheat to soil-conserving uses not less than 11.11 per centum of the farm acreage allotment for wheat in accordance with the provisions of this section.

"(b) The Secretary may permit such diverted acreage to be devoted to the production of guar, sesame, safflower, sunflower, castor beans, mustard seed, canary seed, soy beans, and flax and other oilseeds, when such crops are not in surplus supply and will not be in surplus supply if permitted to be grown on the diverted acreage. No price support shall be made available on any commodity produced on such diverted acreage.

"(c) The Secretary shall not permit such diverted acreage to be grazed.

"(d) The Secretary shall require the producer to take appropriate measures to keep such diverted acreage free from erosion, insects, weeds, and rodents.

"(e) The Secretary is authorized to promulgate such regulations as may be desirable to carry out the provisions of this section."

(9) by striking "wheat," from section 372(a);

(10) by amending the first and second sentences of section 379b to read as follows: "If a marketing quota for wheat is in effect for the 1964 or 1965 crop, a wheat marketing allocation program shall be in effect as provided in this subtitle. Whenever a wheat marketing allocation program is in effect for any marketing year the Secretary shall determine (1) the wheat marketing allocation for such year which shall be the amount of wheat which in determining the national marketing quota for such marketing year he estimated would be used during such year for human consumption in the United States, as food, food products, and beverages, composed wholly or partly of wheat, and on which the Secretary determines that marketing certificates shall be issued to producers in order to achieve, insofar as practicable, the price and income objectives of this subtitle, and (2) the national allocation percentage which shall be the percentage which the national marketing allocation is of the national marketing quota."

(11) by striking out the second sentence of section 379c(a) "(i)" and that part which begins "plus (ii)" down to but not including the period;

(12) by striking out the period at the end of the first sentence of section 379c(b) and inserting in lieu thereof a comma and the following: "or in which the producer does not participate in any acreage diversion

program which may be in effect for feed grains to the extent required by the Secretary.”;

(13) by striking out the last two sentences of section 379c(b) and inserting in lieu thereof the following: “No producer shall be eligible for wheat marketing certificates under this section on any amount of wheat in excess of twelve thousand bushels.”;

(14) by amending the first sentence of section 379d(b) to read as follows: “During any marketing year for which a wheat marketing allocation program is in effect, all persons engaged in the processing of wheat into food products shall, prior to marketing any such product for human food in the United States, acquire marketing certificates equivalent to the number of bushels of wheat contained in such product.”;

(15) by striking out in the second sentence of section 379d(b) “or exportations”, “or export”, and “or an export of wheat” wherever such language appears therein;

(16) by striking out in the third sentence of section 379d(b) “or exportations” wherever such language appears therein;

(17) by striking out in section 379d(c) “or export”; and

(18) by striking out “warehousemen and exporters” in section 379h and inserting in lieu thereof “and warehousemen”.

(b)(1) That portion of section 107 of the Agricultural Act of 1949, as amended, as precedes clause (3) is amended to read as follows:

“Sec. 107. (a) Notwithstanding the provisions of section 101 of this Act, for the 1964 and 1965 crops—

“(1) price support for wheat accompanied by marketing certificates shall be at such level as will, when added to the face value per bushel set for marketing certificates under section 379 of the Agricultural Adjustment Act of 1938, as amended, provide full parity for such wheat.

“(2) price support shall be made available to cooperators on the exported portion of their 1964 and 1965 crops of wheat at such level as will, when added to the direct payment per bushel authorized by clause (6) of this section, provide a national average price of \$2 per bushel on such wheat; and price support shall be made available to cooperators on wheat which is not accompanied by certificates and on which direct payment is not provided under clause (6) of this section at such level as the Secretary determines appropriate taking into consideration competitive world prices of wheat, the feeding value of wheat in relation to feed grains, and the level at which price support is made available for feed grains.”.

(2) Such section is further amended by striking out “and (ii)” in clause (5) and inserting in lieu thereof “(ii) participates in any acreage diversion program which may be in effect for feed grains to the extent required by the Secretary, and (iii)”.

(3) Such section is further amended by striking out “and” at the end of clause (4); by striking out the period at the end of clause (5) and inserting in lieu thereof “, and”; and by adding at the end of such section a new clause as follows:

“(6) the Secretary shall make a direct payment of 70 cents per bushel to cooperators on the exported portion of the 1964 and 1965 crops of wheat. A producer shall be eligible for direct payment on that portion of his farm marketing quota which bears the same relationship to the farm marketing quota for wheat as the total anticipated exports of wheat and products thereof in the marketing year concerned bears to the national marketing quota for wheat for the marketing year concerned. The total number of bushels on which such payments shall be made in any year shall not be less than five hundred million bushels. No direct payment shall be made under this clause in the case of any producer on any amount of wheat which, when added to the amount of wheat on which such producer is entitled to marketing certificates under section 379 of the Agricultural Adjustment Act of 1938, as amended, will exceed twelve thousand bushels. Payments under this clause shall be made in kind or in cash. Payments in kind may be made through the issuance of negotiable certificates which the Commodity Credit Corporation shall redeem for the wheat which shall not be valued at nor sold for unrestricted use for less than 115 per centum of the support price plus reasonable carrying charges and, notwithstanding any other provision of law, the Commodity Credit Corporation shall, in accordance with regulations prescribed by the Secretary, assist the producer in the marketing of such certificates at such time and in such manner as the Secretary determines

will best effectuate the purposes of this Act. In the case of any certificate not presented for redemption within thirty days of the date of its issuance, reasonable costs of storage and other carrying charges, as determined by the Secretary, for the period beginning thirty days after its issuance and ending with the date of its presentation for redemption shall be deducted from the value of the certificate."

(c) Section 407 of the Agricultural Act of 1949, as amended, is amended by striking out the second proviso and inserting in lieu thereof the following: "*Provided*, That effective with the beginning of the 1964 marketing year for wheat, the Corporation shall not sell any such designated grains for unrestricted use at less than 115 per centum above the current support price for wheat not accompanied by certificates plus reasonable carrying charges."

(d) The amendments made by this section shall be effective only with respect to the 1964 and 1965 crops of wheat.

(e) Public Law 74, Seventy-seventh Congress, as amended, shall not be applicable with respect to the 1964 and 1965 crops of wheat.

SEC. 2. The voluntary adjustment and price support program provided for by this Act shall be in effect for the 1964 crop without further proclamation of marketing quotas or allotments.

SENATE COMMITTEE ON AGRICULTURE AND FORESTRY

(Short Explanations of Wheat Bills Pending Before the Senate Committee on Agriculture and Forestry on February 6, 1964)

I. VOLUNTARY MARKETING CERTIFICATE PROGRAMS

S. 1946 (McGovern, Burdick, McCarthy, McGee, Nelson, and Young of North Dakota) provides for a permanent voluntary wheat certificate program beginning in 1964. The bill keeps the present marketing quota and acreage allotment system, but repeals all monetary marketing and nondiversion penalties. (The existing wheat diversion provision imposes penalties at 65 percent of parity on production on acreage not diverted as required.) The present certificate program is maintained, with the additional requirement that producers must comply with any feed grain diversion program (as well as the wheat diversion program and acreage allotments) in order to qualify for price support and marketing certificates. Under the present wheat program, producers are required to divert an acreage bearing the same relationship to the farm acreage allotment as the reduction in the national allotment below 55 million acres bears to the national allotment, and payments for such diversion are authorized only for the years 1964 and 1965.

S. 2357 (Young of North Dakota, Carlson, and Mundt) provides for a permanent wheat domestic parity program beginning in 1964 and repeals wheat marketing quotas. The present system of acreage allotments would remain in effect with the minimum national allotment continued at an acreage designed to produce 1 billion bushels. Price support loans would reflect world prices and feeding value of wheat, and certificates would be issued to make up the difference between such price level and the parity price on an amount equal to the domestic food consumption of wheat. The President is given discretion to require processors to purchase certificates or allow the value of the certificate to be paid directly to producers by the CCC. The diversion program now required would remain in effect (but without monetary penalties for noncompliance) with diversion payments authorized for 1964 and 1965. Price support and certificates would be conditioned on compliance with acreage allotments and the diversion program.

S. 2492 (Burdick) is applicable only to the 1964 and 1965 crops. It provides for a voluntary wheat certificate program, suspending present monetary marketing and nondiversion penalties. Certificates would be issued to producers only for the domestic food portion of the crop and would not be required in connection with exports. Certificate wheat would be supported at parity. The export portion of the crop (not less than 500 million bushels) would be supported at \$2 per bushel, of which 70 cents would be in the form of direct payments. The balance of the crop would be supported in accordance with the existing law applicable to noncertificate wheat (approximately the world price). No producer would be eligible for certificates in excess of 12,000 bushels, or to export payments on any quantity which would bring his certificates and export payments above

12,000 bushels. Participation in the feed grain diversion program would be required as a condition of receiving price support and marketing certificates. In lieu of the wheat diversion program provided by existing law, the bill would require as a condition of price support that the producer divert 11.11 percent of his wheat allotment to soil-conserving uses without payment, or, with the Secretary's permission to a nonsurplus oilseed. Grazing diverted acreage would be absolutely prohibited and the producer would be required to take measures to keep it free of erosion, insects, weeds, and rodents. CCC would be prohibited from selling "designated grain" at less than 115 percent above the current support price for noncertificate wheat, plus reasonable carrying charges.

II. ACREAGE DIVERSION PROGRAMS

S. 1581 (Mundt, Carlson, and Young of North Dakota) provides for a 2-year extension of the 1963 program. That program retained the minimum national acreage allotment of 55 million acres. Producers complying with allotments were entitled to price support at \$1.82 per bushel. Producers diverting at least 20 percent of their wheat allotment (or of their average 1959, 1960, and 1961 planted acreage, if not more than 15 acres) to conservation uses were also eligible for (1) diversion payments at not to exceed 50 percent of the support loan value of the normal production of the diverted acreage, and (2) price support payments in kind at 18 cents per bushel for the normal production of the acreage devoted to wheat. The 1963 price support and diversion provisions were effective only if marketing quotas were in effect, and S. 1581 contemplates a new quota proclamation and referendum for 1964.

S. 1617 (Hickenlooper, Anderson, Aiken, Holland, Allott, Beall, Bennett, Dominick, Hruska, Jordan of Idaho, Lausche, Mechem, Miller, Morton, Scott, Simpson, and Dirksen) provides for a "cropland retirement program." The Secretary of Agriculture would enter into contracts with producers for the diversion of all kinds of cropland to soil conserving uses, with the objective of achieving eventual balance between (i) production and CCC sales of wheat, corn, oats, rye, barley, grain sorghum, soybeans, and flaxseed, and (ii) disappearance of such commodities. Existing laws relating to allotments, quotas, and marketing certificates for wheat; allotments for corn; and the 1964 and 1965 feed grain diversion program would be repealed. Price support for corn, oats, rye, barley, and grain sorghum would be at 90 percent of the average price received by farmers during the 3 preceding calendar years, but not less than 50 percent of parity. Price support for wheat would be at the U.S. farm price equivalent of the average world market price during the preceding 3 marketing years, but not less than 50 percent of parity. The minimum CCC resale price for wheat, corn, oats, rye, barley, grain sorghum, soybeans, and flaxseed for domestic use would be raised to 115 percent of the current support price, plus reasonable carrying charges. This increased restriction would not be subject to the usual exemptions specified in section 407 of the Agricultural Act of 1949, but would permit any sale offset by an equivalent purchase.

The bill would also revive and extend until May 28, 1967, section 211 of the Agricultural Act of 1956, which prohibits crop loans or Federal benefits for surplus commodities grown on newly irrigated or drained lands in Federal irrigation or drainage projects, unless such lands were used for the production of such commodities prior to May 28, 1956.

The cropland retirement program would be generally similar to the conservation reserve program. Contracts would run for 3 years (3 to 10 years in the case of tree cover) and could be entered into through December 31, 1966. Contracts would be awarded on a bid basis, the bids being expressed as percentages of fair rental values fixed by the Secretary. The retirement of whole farms would be encouraged; but the Secretary would limit the percentage of cropland retired in any State or county if necessary to prevent adverse local economic effects.

S. 2258 (Humphrey, McCarthy, and Burdick) repeals the present wheat marketing certificate program and currently effective wheat price support provisions, suspends the wheat marketing quota and acreage allotment law for 1964 and 1965, and provides a special program for the 1964 and 1965 crops. Price support loans would be at the world price and payments in kind or cash would be made directly to producers on 50 percent of the "adjusted average yield" or their planted acreage at a rate equal to the difference between the loan and \$2, but in no event more than 65 cents per bushel. A 25-cent payment per bushel in kind or cash would be made on a like quantity as a subsidy for exports.

"Designated grains" (not defined) could not be resold by CCC for unrestricted use at less than 115 percent of the support price plus carrying charges, and the same restriction would apply to wheat sold to redeem PIK certificates under a diversion program. A diversion program with voluntary participation by producers would be established if the total supply exceeds normal supply. The rate of payment would be that necessary to adjust production sufficiently to reduce Government stocks 100 million bushels per year. Price support would not be conditioned on participation in the diversion program; but producers electing to participate would forfeit price support if they failed to carry out their agreements.

S. 2258 repeals the currently effective wheat and feed grain price support provisions. In 1966 wheat would revert to the 75 to 90 percent of parity provisions of section 101 of the 1949 act, and beginning this year corn price supports would be mandatory between 75 and 90 percent of parity. Price support for the other feed grains would become discretionary again.

The CHAIRMAN. I wish to state that it was unfortunate that the committee was not able to meet last week in order to complete hearings on cotton and wheat problems. Fortunately we were able to get into the record most of the testimony that was desired in respect to cotton. Now as to wheat, we have many statements from Senators who desire to present their views.

In fact the committee has received many recommendations in respect to pending legislation which would have the effect of amending the present wheat law so that it can be administered on a voluntary basis.

As I stated as chairman of the committee when hearings were started this year, that if we expected to have the Congress act on any wheat or cotton legislation, it would have to be in connection with existing laws so as to get them on the statute books before the Senate begins debate on the civil rights bill.

Now the civil rights bill may come up on or before March 1. It is my hope that this committee can meet in executive session on February 18 and consider legislation both on wheat and cotton, and that we can have a bill ready for consideration before March 1.

I repeat, the reason for that is that if we can't enact the legislation before we start debate on the civil rights bill, we may not begin debate or present a bill for consideration which would be effective for wheat and cotton this session.

Senator AIKEN. I think, Mr. Chairman, the latest schedule of the civil rights bill is the 18th or 19th of February. I am glad you are not having an executive meeting until the 18th because my Republican colleagues, except for Senator Young, are pretty well scattered, and I am going to get scattered tomorrow.

Senator JORDAN. You say before the 18th?

Senator AIKEN. The 18th, yes. That was the latest I heard.

The CHAIRMAN. If it is I am going to get on bended knees to my friends Senators Mansfield and Dirksen. But anyhow I believe that this committee should do all it can in order to present a bill for early consideration, and I want it said that if we are unable to do that it won't be our fault. We will have made a valiant effort, and that is about it.

Senator YOUNG. I concur wholeheartedly on the schedule you have set up. We just have to get action soon if we are to have any effective legislation for the 1964 crop.

The CHAIRMAN. That is right.

Senator YOUNG. Cotton planting starts in March and spring wheat planting will begin in April, sometimes it starts a little earlier. Spring wheat growers, unlike winter wheat growers, don't plow under. Once they seed a certain amount they usually harvest that amount.

Senator AIKEN. I do hope that if there is no legislation that the Department will exercise all authority it has to see that we have \$2 wheat next fall. By the 1st of July they will control all the free wheat in the country, and estimates show that even if the maximum estimate of production is realized and the ordinary disappearance of wheat is realized, 1964 wheat production will run some 200 or 300 million bushels less than requirements next year. With the Government controlling the free wheat, I think they can exert a very great influence on the market whether or not any legislation is enacted.

Senator JORDAN. The sale of this extra wheat to the Russians primarily has helped our wheat stock carryover, will help it considerably, won't it?

Senator AIKEN. They will have in the neighborhood of 750 million bushels of wheat left in Government hands at the end of this year, presuming that they ship the wheat that has been sold.

Of course there could be a hitch there. If production is a billion and a quarter bushels and disappearance a billion and a half, which is near what they estimate, that means at the end of another year, by July 1965 we would have less than a year's domestic supply on hand.

Senator YOUNG. George, don't get too optimistic. These wheat farmers will be overseeding.

Senator AIKEN. With the price of soybeans where it is now, they are not going to take their land out of soybeans to plant wheat. I am never optimistic.

The CHAIRMAN. Without objection I will ask that there be inserted at this point a statement by Senator McGovern, Senators McGee, and Hruska to be placed in the record at this point;

(The documents referred to follow:)

STATEMENT FILED BY HON. GEORGE MCGOVERN, A U.S. SENATOR FROM THE STATE OF SOUTH DAKOTA

Mr. Chairman and fellow committeemen, I am very grateful to Chairman Ellender and the committee for these timely hearings on a wheat program, and for the intention to handle wheat legislation in time for Congress to enact a program which can be effective for the 1964 crop.

I have felt a great deal of urgency ever since the wheat referendum last May about wheat legislation which would be effective this year. I have feared that if the value of wheat for food uses is allowed to fall drastically, creating new price relationships between wheat and wheat products, it might become impossible in future years to restore a fair level of return to producers and re-establish old price relationships. Wheat values and returns can be maintained now without price disturbance.

A voluntary wheat certificate plan, based on the Food and Agriculture Act of 1962—the law already on the books—has been widely endorsed. Ten State wheat associations, the Missouri Farmers Association, the National Association of Wheat Growers, the National Grange, and the National Farmers Union have all approved the basic concept. The Secretary of Agriculture has endorsed a voluntary certificate plan on behalf of the administration.

There is some divergence on detail. The American Farm Bureau Federation continues to advocate its own cropland retirement approach to both feed grain and wheat problems. But I believe that the committee will find a higher degree of agreement on fundamentals among wheat-producer groups than it has been accustomed to finding on most agricultural problems. These groups will doubtless appear at these hearings to state their own positions.

The Department of Agriculture has estimated that, if there is no change in the wheat program now effective under law, net farm income in the Nation will fall \$600 million this year. Almost all of that decline would result from the precipitous decline in wheat prices and returns.

In South Dakota our wheat crop runs around 30 million bushels a year, so between \$20 and \$25 million of income is involved in the prospective drop in wheat income in my own State unless the law is changed.

But wheat income is not all that is involved. The returns of feed grain and livestock producers will be affected.

Winter wheat producers have planted within a million acres of their 1963 allotments for two rather obvious reasons. They want to be in compliance or able to get into compliance easily if there are 1964 acreage allotments. In any event, they do not want to lose acreage history for future years under the Anfusio amendment. They do not believe that acreage allotments are ended for all time. But if we drop acreage allotments this year, and there is another adverse referendum as everyone predicts there would be, then wheat crop controls would be ended. Wheat would pour into the feed grain market and we would be on the road toward a market flooded by cheap surplus wheat. I hope the day is not far distant when providing food for a fast growing world population will permit unlimited farm production. But we have not yet established either the consumer demand or distribution network to assure our farmers a fair return on unlimited production.

There has been a new study of what would happen with unlimited production made by three agricultural economists at the Center for Agricultural and Economic Development at Iowa State University. Drs. Leo V. Mayer, Earl O. Heady, and Luther G. Tweeten, as a part of a study of 16 alternative wheat and feed grain programs, they examined the effect of permitting unlimited production while the Government continues when necessary to subsidize exports, continues Public Law 480, and buys surplus production off the market and stores it.

The three Iowa State economists found that net farm income would drop from \$13.3 billion in 1962 to \$7.6 billion in 1967, or \$5.7 billion. Their projection indicated that in 1967 wheat would be selling at 94 cents a bushel, corn at 85 cents, oats at 49 cents, barley at 71 cents, and sorghums at 73 cents.

With cheap feed, livestock prices would also fall. The Iowa projection to 1967 of an unlimited production situation showed cattle selling at \$15.80 per hundredweight, and hogs and sheep at \$13.50 per hundredweight.

These figures are in line with several previous studies done by Dr. Walter Wilcox of Legislative Reference Service of the Library of Congress, and economists at Cornell University and Pennsylvania State University.

Congressman Graham Purcell, chairman of the House Agriculture Committee's Subcommittee on Wheat, recently reviewed these studies in a statement on the House floor.

I ask unanimous consent to include in the hearing record a portion of Mr. Purcell's statement, reviewing these studies. Chairman Purcell's full statement to the House appears at page 439 of the Congressional Record for January 15 (exhibit 1).

It is my own belief, Mr. Chairman, that I believe the majority of this committee agrees, that we must continue to find some means of managing the use of agricultural resources and productivity available to us. I am an advocate of making maximum use of our food abroad. I believe that use could be materially expanded as we gain more experience in our various food-for-peace activities. But we should keep production in line with use.

The wheat program in the Food and Agriculture Act of 1962 is an especially good one, for it combines bushel marketing quotas with acreage allotments. We are confronted with considerable increases in yields of wheat. Bushel quotas are going to be increasingly essential in any wheat program. Apparently the new Gaines variety in the Pacific Northwest is yielding 75 and 80 bushels per acre, with some growers claiming as high as 150-bushel averages in large fields under usual cropping practices. This variety is apparently adapted to the Northwest only, and is discounted on milling quality, but other higher yield wheats are being developed elsewhere.

I was disappointed that wheat producers did not accept the 1962 act on a mandatory basis. A very considerable majority in my own State voted to do so. A large proportion of those who voted no, did so in the belief that they were actually opening the way for a more favorable program.

I would gladly support legislation that would assure wheat producers 100 percent of parity for their food and export production. Even 100 percent of

parity as defined by law, is less than parity of income for our farm people, compared to average national income. And I think our farmers are entitled to equality of income with other groups of producers.

Wayne Darrow, in the Washington Farmletter, summarized the farmers' contribution to the Nation several months ago in a short but pointed item which he entitled, "Only in America * * *"

Because it eloquently states the case for American farmers briefly, pointing out that this Nation has an abundance of food for little cost, that agriculture has helped win our wars, maintain our trade balances, and build our economy, I ask permission to put it in the hearing record, Mr. Chairman (exhibit 2).

If this committee feels that it is possible to enact legislation which will raise the farm return for wheat to \$2.50 per bushel by a certificate plan, or a combination of certificates and payments, I will redouble my efforts to win votes for the measure.

It is my strong feeling that at least \$2 per bushel—the current farm return from the marketplace for food wheat—should continue to come from market sources, rather than payments from the Treasury. Bakery profits reported to the Security and Exchange Commission and the Federal Trade Commission do not indicate that that industry needs a windfall in the form of 35- to 40-percent lower raw materials costs.

I have just obtained a chart of the relationship of wheat prices and the retail prices of cereals and bakery products prepared for me by the Library of Congress Legislative Reference Service. Starting in the 1947-49 period and using it as the base period, we find wheat prices at the end of 1963 down to 92 on the index—less than the base—but retail prices for wheat products up to 143 percent of the base. I ask consent, Mr. Chairman, for this chart to go in the record. It is strong evidence that wheat costs could be raised some without necessitating any increase in retail prices to consumers (exhibit 3).

Economic analyses of the voluntary certificate plan by the Legislative Reference Service, and in the Department of Agriculture, conclude that such a program, based on the Food and Agriculture Act of 1962 with the penalty provisions for overplanting wheat acreage allotments removed, would achieve the following positive goals:

1. Keep farm income at a much more favorable level than other voluntary programs. Wheat producers would have received 70 cents per bushel certificates on 950 million bushels of food and export wheat under the compulsory program, or \$665 million in 1964. They could, by voluntary action, get certificates up to this amount under this voluntary plan.

2. Permit an orderly reduction in Government stocks of wheat. Analysts believe 70 to 80 percent of producers, and production, would be in compliance to get the certificates.

3. Avoid any increase in Government costs.

4. Avoid any increase in the price of food since the cost of wheat for food use would remain stable.

The bill eliminates penalties for marketing wheat grown on acres in excess of allotments and repeals the provision for a referendum this year on a compulsory plan for the 1965 crop.

The bill makes no changes in the way the national wheat marketing quota and the farm acreage allotments of wheat would be established when the supply of wheat is excessive under the 1962 act.

It makes no change in the way the national marketing allocation of wheat would be established under the act we have previously approved.

It makes no change in the authorized price-support level of from 60 to 90 percent of parity.

It makes no change in the provision for small farm acreage allotments.

It makes no change in the wheat-feed grain acreage substitution provisions in the 1962 act.

It makes no change in the marketing certificate provisions of the Food and Agriculture Act of 1962 except to state that individual producers must comply with the wheat acreage allotments and conservation acreage requirements established for their farm in order to receive their pro rata share of the wheat marketing certificates.

This bill, by removing the Government-imposed penalties for overplanting wheat acreage allotments, eliminates the "loss of freedom" issue which was a dominant factor in the recent referendum vote. Yet, the economic incentive for complying with wheat acreage allotment and conservation reserve requirements in order to be eligible to receive wheat marketing certificates is so great

that the analysts assure us a very high proportion of the wheat producers will comply.

In the process of developing S. 1946, I requested two studies from the Legislative Reference Service of the Library of Congress in regard to its effects. They support my own finding that the voluntary certificate plan can maintain income of producers without increasing Government costs and permit reduction of wheat supplies.

The Department of Agriculture has prepared an analysis of the various proposals which have been made to meet the situation resulting from the no vote in the referendum. I am sure that the Department of Agriculture will submit those studies during the course of their appearance on the bill.

The House Agriculture Committee's Subcommittee on Wheat has reported a bill very closely paralleling S. 1946. It is my understanding that they have included in the bill certain specific levels of acreage allotments and marketing quotas for 1964, subject to adjustment by the Secretary for the 1965 crop. They have also provided that certificates for up to 500 million bushels of export wheat shall be 25 cents per bushel instead of 70 cents, as provided in my proposal.

The House proposal of a voluntary certificate plan is very similar to what I have proposed but I hope, Mr. Chairman, that the committee will retain the general form of S. 1946 for two reasons: First, I believe it will be more easily understood. It simply takes the penalty and mandatory features out of the act of 1962, making it a voluntary program. The act of 1962 is widely understood as a result of the 1963 referendum. Second, although S. 1946 does not set precise certificate values, it would permit the Secretary of Agriculture to set certificate values at at least 70 cents per bushel on food and export wheat, a level I hope the committee will suggest in its report.

The Oregon Wheat Growers League has summarized not only the views of growers, but the strong case for maintaining the value of certificates to assure adequate compliance with the program to make it successful, in a letter I recently received from them. They explain that as the certificate value is reduced, incentive to comply is eroded away and the desired results become less certain. Without higher participation, stocks of wheat could start to build up again.

The 70-cent certificate, as the Department and the President have indicated, will permit a reduction in stocks and will not increase Government costs over existing programs. It is within the criteria for a wheat program which both the late President Kennedy and President Johnson have stated.

I ask consent, Mr. Chairman, to put the letter to me from Mr. John H. Welbes for the Oregon Wheat Growers League in the record (exhibit 4).

Finally, Mr. Chairman, I want to thank you and the committee very sincerely for expending these wheat hearings. Louisiana is not a big wheat-producing State and other commodities are of greater importance to you as a Louisiana Senator. But no one could have been more appreciative of the necessity for prompt consideration of wheat legislation than you have been. On behalf of a good many hundred thousands of producers of the Nation's food cereal I want to thank you, and all the committee members, for the consideration you have shown.

(The exhibits attached to Senator McGovern's statement are as follows:)

[Excerpts from remarks of Congressman Graham Purcell in the House of Representatives, Jan. 15, 1964]

THE WHEAT PROBLEM AND THE FUTURE OF FARM PRICE SUPPORTS

Mr. Speaker, I want to take this opportunity to call to the attention of the Members of this body the results of a series of unbiased studies on the contribution of farm programs to farm income.

The most recent of these studies, completed a few months ago by the center for agricultural and economic development at Iowa State University, concludes that after allowing for the effects of lower prices on production, in the absence of production adjustment and price support programs, net farm income within a few years would fall 40 percent or more.

When the results of this most recent study were brought to my attention, I asked how its conclusions compared with those reached in earlier, similar studies. Here is what I found:

"Walter Wilcox of the Legislative Reference Service, Library of Congress, in an article published in the *Journal of Farm Economics*, August 1958, concluded 'in the absence of price supporting programs realized net farm income on a year-by-year basis would have been 20 to 55 percent lower in the years 1937-39, 14 to 43 percent lower in 1940-42, 24 to 34 percent lower in 1948-49, and 28 percent or more lower 1952 to date.'"

Professor Shepherd and associates at Iowa State University in August 1960—Iowa Agricultural Experimental Station special report 27—estimated that if price supports, production controls, and the conservation reserve were abandoned, within a few years the prices of hogs and beef cattle, respectively, would decline to \$0.11 and \$0.12 per pound. The price of corn would fall to \$0.66 per bushel, and wheat prices would fall to \$0.74 per bushel. Net income from livestock products might fall by 50 percent.

Using a somewhat different basis, and assuming a continuation of export subsidies and Public Law 480 programs, economists in the Department of Agriculture and in the land-grant colleges made a study for the Senate Agriculture Committee—Senate Document No. 77, January 1960—which indicated that the removal of price supports and production limitations would result in a 46-percent drop in realized net farm income by 1965.

This study indicated that if commodity programs were discontinued, prices of key farm products would be expected to fall to the following levels:

Wheat, \$0.90 a bushel; corn, \$0.80 a bushel; beef cattle, \$0.15 a pound; and hogs, \$0.11 a pound.

Professor Robinson, of Cornell University, in a similar study published in *Farm Economics*, 1960, concluded that even though a conservation reserve of 30 million acres, marketing orders and special distribution programs were continued, if direct price supports and acreage controls were dropped, net farm income would fall 19 percent. Hog prices would fall to \$0.14 a pound, beef cattle to \$0.15 per pound, wheat to \$1.18 a bushel and corn to \$0.98 a bushel.

Professor Brandow, of Pennsylvania State University, in a study for the Joint Economic Committee (committee print, November 1960) estimated that with price supports and production limitations removed, realized net farm income by 1965 would fall to \$7.2 billion or 36 percent below the 1959 level. His projections indicated wheat prices would fall to \$0.87 a bushel, corn to \$0.77 a bushel, hogs to \$0.11 a pound, and beef cattle to \$0.17 a pound.

Professor Heady, executive director of the center for agricultural and economic adjustment, Iowa State University, and his associates reviewed the results of these earlier studies and, using revised and more comprehensive statistics, analyzed the effects on farm income, Government costs and consumer food outlays of 16 alternative wheat and feed grain programs. (Farm Program Alternatives, CAED Rept. 18, May 1963.)

Needless to say the study is so detailed only a few of the highlights can be reported here. They conclude that the excess capacity of agriculture in 1960 and 1961 amounted to 7 percent. This percentage of potential output was avoided by diversion and conservation programs or was diverted from commercial markets by domestic and foreign distribution programs.

If that additional 7 percent had been channeled through commercial markets, farm prices would have fallen 28 percent, gross income would have fallen 21 percent, and net income would have fallen over 60 percent.

These university agricultural economists—after reviewing recent statistics with the most comprehensive and up-to-date analytical tools—estimate that within a 2-year period, a 10-percent drop in farm prices would bring about only a 1-percent reduction in supplies. In a 4-year period, a 10-percent drop in prices would be expected to result in a 1½-percent reduction in output.

In a period as long as 20 years, they conclude that if farm prices were 10 percent lower under one program than under another, production would be only 6 percent lower.

These basic price-supply relationships as analyzed by competent economists give the lie to those who say that if Government price-support programs were discontinued farm families would be able to earn higher incomes within a short while.

Professor Heady and his associates find that after allowing for the effect of lower prices on production—if all price supports, diversion, conservation, and export subsidy programs were discontinued for feed grains and wheat—within

the next 5 years net farm income would fall by more than \$5 billion a year or about 40 percent.

They also find that grain production would increase faster than livestock production could be expanded and carryover stocks of grains would have to be increased for several years to avoid an even more chaotic price and income bust.

Let me repeat, this most recent study by Iowa State University economists concludes that if price supports, acreage diversion, and export subsidy programs for wheat and feed grains are eliminated, carryover stocks would have to be increased for several years, yet net farm income would fall by 40 percent.

On the other hand, they conclude, if a combination of price support, acreage diversion, and export subsidy programs are continued, farm income can be maintained at current levels without further increases in Government costs. And to me this conclusion is as important as the earlier one.

[Excerpt from Washington Farmletter, by Wayne Darrow]

Only in America: Americans are one of the few abundantly fed people in the world. They pay a smaller part of their income for food than in any other industrialized country, and in most others—20 percent compared to 42 percent in Japan, 45 percent in West Germany, and 56 percent in Russia.

America started as a nation of farmers. Time after time its agriculture has rescued the Nation in tough situations: Farm exports supplied the dollars to service European loans that built the cities after the Civil War. Farmworkers migrating to the cities replenished the labor force of industry after World War I immigration restrictions.

During the 1930 depression farmers sustained U.S. gross national output when industry cut it, and furnished a haven for millions of broke cityites. The cost to farmers and their families was enormous.

During World War II agriculture met all wartime demands for food and actually supplied civilians 12 to 14 percent more food than in prewar years. Despite shortages of labor, machinery, pesticides, etc., farmers were producing enough food to feed 50 million more people at the end of the war than in 1935-39 at the same dietary level.

Since World War II farm abundance has made farm exports one of America's best dollar earners in foreign markets (two-thirds of 1961-62 exports were for dollars), and has buttressed U.S. foreign policy with mountains of food—\$2 billion worth annually in recent years.

It's a production miracle based on research with aid from industry in machines, equipment, chemicals, etc., adapted to the new technology.

Agriculture is close to being the Nation's biggest buyer of petroleum products, of motor vehicles, machinery and equipment, of chemicals, of electricity, and naturally, of fertilizer and lime. Four out of ten jobs in business and industry depend on or are related to agriculture.

The American farmer supplies more for less money and profit than any other major segment in the economy. He has more people looking over his shoulder telling him what he ought to do to be a good businessman, and a good American, than those in any other group. Many of his advisers are grandsons of those who spent 41 percent of their income for food in 1900.

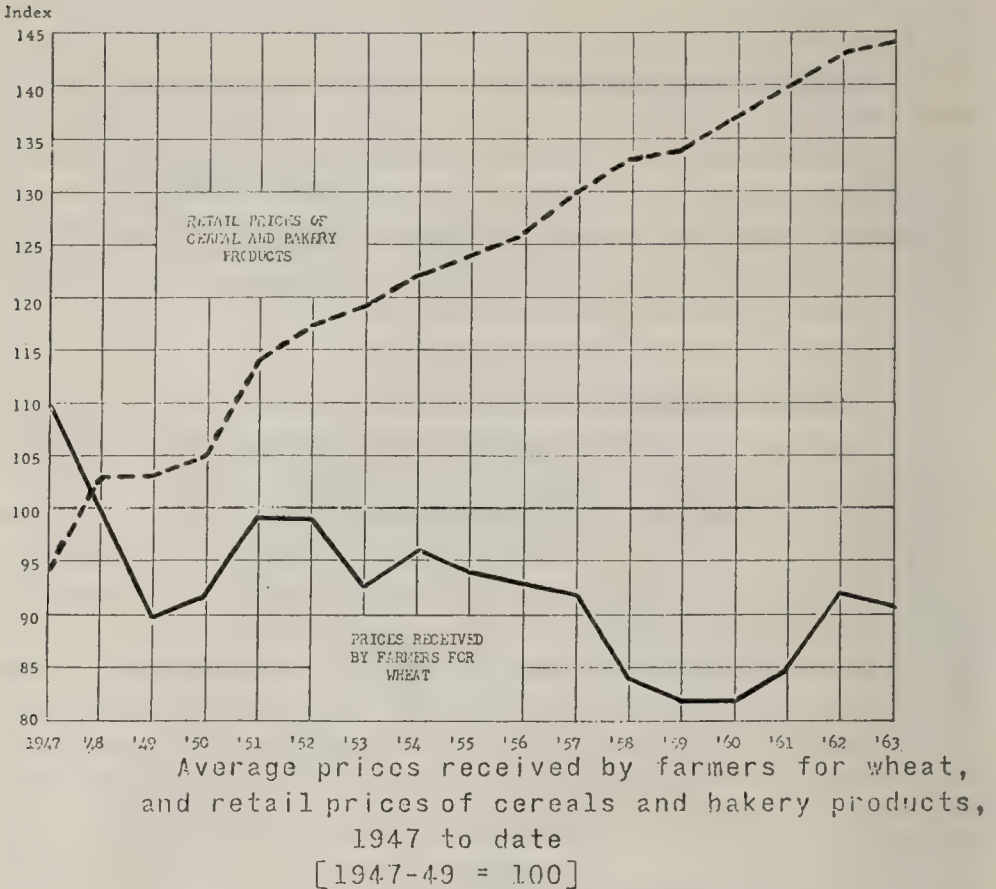
One out of twelve Americans lives on a farm. For every 18 farms there is only 1 public employee engaged in some form of nominally agricultural work—USDA, extension, experiment stations, agricultural colleges, vocational-agricultural teachers, State departments of agriculture, and State and county ASCS committee-men.

For every \$12 in farm cash sales, \$1 in Federal taxes is spent for price support and other farm program primarily for benefit of farmers.

For every \$12 net income farmers get, 12 years ago they got \$15.

And for every word of praise for his miracles, which are the envy of the world, he hears two about his morals—taking Government subsidies.

Only in America would all this be taken with a straight face.



OREGON WHEAT GROWERS LEAGUE,
Pendleton, Oreg., February 4, 1964.

HON. GEORGE MCGOVERN,
U.S. Senate,
Washington, D.C.

DEAR SENATOR MCGOVERN: The Oregon Wheat Growers League, since its origin in 1926, has been a leader in developing sound wheat legislation. Many other wheat producing States have looked to the Oregon Wheat Growers League for guidance. Our officers have just returned from Washington, D.C., where they talked to several Senators and Representatives on pending wheat legislation, especially H.R. 9780, which has just been reported out of the subcommittee on wheat.

The Oregon Wheat Growers League would like for you to consider the following statement when considering new wheat legislation:

"The Oregon Wheat Growers League fully endorses a voluntary certificate program for wheat encompassing the principles of the certificate plan. Congress should carefully consider the following points in a voluntary program if it is to be successful:

"1. A voluntary program that does not have enough incentive for grower participation signup, will have a low percent of compliers. This would result in the noncompliers furnishing the cash market. The complier's wheat would end up as CCC stocks, which would mean higher storage costs, and not improve farm income.

"2. Any new program which would not maintain the 1962 income of wheat producers would result in a smaller percent of compliers.

"3. With export certificates valued at a low figure, the percent of compliance will definitely be down.

"4. The substitution clause should be in any new wheat legislation."

In reviewing President Johnson's agriculture message to Congress, he mentions, in the second paragraph, that the administration's policy is for higher farm income, reduced farm surpluses, and lower Government costs. As mentioned above, if a voluntary program is enacted, it must have participation to be effective. Less participation would result in fence-to-fence planting. This then would increase surpluses, increase Government costs due to CCC storage, and would not improve the farm income. President Johnson also mentions that the income of the average farm family is still only 55 percent of that received by the average nonfarm family.

The Oregon Wheat Growers League urges you to consider our statement in considering any wheat legislation.

Sincerely yours,

JOHN H. WELBES,
Executive Vice President.

STATEMENT FILED BY HON. GALE MCGEE, A U.S. SENATOR FROM THE STATE OF
WYOMING

Mr. Chairman, I am pleased and honored to have the opportunity to present to your committee my statement in support of S. 1946. As you know, I am a cosponsor of this legislation. It is a piece of legislation that I believe is clearly in the interest of the wheat producer and processor and the consumer public.

To me this bill represents the acceptance by this body of a responsibility to protect the public interest. We all know the results of the referendum held on the wheat question last year. And we all know that it would be, in a sense logical for us to assume that that referendum indicated the choice of the wheat farmer and he should be permitted to live with that choice, especially in light of the many inflammatory statements made before that vote.

But, as the cliché goes, we must look at the big picture. And that picture is more than the majority vote on the referendum. It concerns the sizable minority of farmers who were willing to accept the restrictions that go along with the assistance they need for survival. And there is also the undeniable fact that the stability and economic well-being of the wheat farmer goes hand in hand with the prosperity of a sizable segment of our nonfarm economy in a number of States in this Nation.

It has become clear that as legislators bearing a responsibility to act in the public interest of the Nation as a whole, as well as to our individual States, we must find a means to promote stability in the wheat-growing segment of our agricultural economy.

It is my conviction that S. 1946 is not mere stopgap measure or something devised as the least costly way out of a bad situation, but rather is a positive approach that will bring positive returns to this Nation.

I will not use the time of the committee to restate the provisions of the bill. Instead, I would like to express my observation that, as many wheatgrowers have indicated, the desire for stability and an assured return on investment and labor assumes a new importance when the chips are down. Therefore, I would predict that this bill, which relies upon the voluntary cooperation of the growers, should produce a high degree of compliance. The prospect of going onto the market without wheat certificates and without eligibility for wheat and feed grain price-support loans should be incentive enough for most producers.

This bill, in my opinion, meets the necessary criteria of any wheat legislation, in that it would:

1. Insure stable consumer prices by keeping the cost of wheat in the marketplace at its present level.
2. Insure that income for wheat farmers will be higher than it would have been if the present law remains in force.
3. Not increase Federal expenses.
4. Bring about a substantial reduction in the carryover wheat supplies.

And I would add that to accomplish these ends in this crop year this legislation should be considered and decided upon with as much dispatch as possible. I urge that the committee give this bill rapid and affirmative action.

STATEMENT FILED BY HON. ROMAN L. HRUSKA, A U.S. SENATOR FROM THE STATE OF NEBRASKA

Mr. Chairman, I am pleased to respond to the committee's generous invitation to discuss this vital matter of new legislation for the wheatgrowers of America.

It would be difficult to overemphasize the importance of this Congress enacting a sound, workable plan which can have the broadest base of support among the men who produce wheat and among the beneficiaries of their output. Nothing else that we will do here this year will transcend the result of your deliberations.

It is unfortunate that these hearings were not held last year after the Nation's farmers turned down the rigid control programs espoused by the Department of Agriculture. The wheatgrowers of this Nation deserved better than the Congress gave them. They had a right to expect more of us.

But that is behind us and I am gratified that action is being undertaken early in this session. It is my hope, which I know the chairman and the members of the committee share, that we can put aside political considerations and turn to the task of enacting sound and responsible legislation.

No member of this committee needs to be reminded of the economic plight of the farmer who watches almost helplessly, even hopelessly, a burgeoning national economy, his share of which is constantly shrinking.

In his farm message of last Friday President Johnson pointed to certain overall gains in total, gross farm income but candidly conceded that these statistics fail to portray the true picture.

The people of Nebraska, where the basic industry is agriculture, are far more concerned with the fact that the farmer is failing to keep pace with the economic well-being of his urban cousin, than they are with billion-dollar figures of overall agricultural income. Indeed, they only wonder the more why they are not receiving their share.

If a new wheat program is not enacted, it has been estimated, net farm income in Nebraska could be about 5 percent, or \$20 million, below last year. The total farm income in Nebraska over the past several years has been approximating \$1.4 billion of which wheat has provided about one-tenth. But net income has been running at an annual rate of only about \$400 million.

The wheatgrowers of America were emphatic in their decision in the referendum of last May. It was a vote against the Freeman strict-control wheat plan and against the efforts and methods used in an attempt to force it upon them.

As a result, virtually every plan to be proposed since then has carefully avoided any reference to controls. Almost every bill is labeled a "voluntary" program. Mr. Chairman, I urge that the committee consider carefully what is meant by the word, "voluntary." It is described in the dictionary as "performed or done of one's own free will, impulse or choice; not constrained, prompted or suggested by others."

Some of the legislation proposed, I submit, fails to meet that definition. There is nothing voluntary about a program which leaves the farmer no real choice. The take-it-or-leave-it provision of some of these bills are about as voluntary as a man leaping from a burning building.

As the distinguished ranking minority member of this committee, Senator Aiken, put it on the floor of the Senate the other day, "A close scrutiny of these programs reveals the fact that 'voluntary' means the farmer will either volunteer or else."

Since 1961 we have heard a great deal about something called supply management. The magic words this year seem to be "compensatory payments." Just as we discovered that "supply management" did not mean what it says, so we are discovering that "compensatory payments" means something other than what it says.

Compensate for what? Why are we not honest enough to admit that we are talking about a Federal endowment, the cost of which nobody knows except that it will reach many billions of dollars?

Mr. Chairman, probably no other member of our society is as independent by nature as the farmer. He doesn't want a Federal handout. He doesn't want to be on some slogan-disguised relief program. He wants a chance to work his land, raise a crop and sell it for a price that will enable him to make a decent living.

He will not accept warmed over and thinly disguised versions of such discredited schemes as the Brannan plan of the thirties.

What is required, Mr. Chairman and members of the committee, is a bill which allows the farmer to participate or not, as he desires. If he chooses not

to participate in the program, he must not be saddled with unbearable penalties and economic punishment. That would not be a voluntary program because the farmer would not have a free choice, only a choice between participation and ruin.

The program must be voluntary because to offer anything else is to ignore the clear mandate of last May and the even more impressive fact that by and large, growers this year have planted within their acreage allotments of last year.

As the committee knows, I have jointed a bipartisan group of Senators headed by Senators Hickenlooper, Aiken, Holland, and Anderson in sponsorship of a bill which deals not only with wheat, but with feed grains as well.

As I said on the floor of the Senate, my cosponsorship of that bill does not constitute an unyielding approval of the measure in its entirety or in all of its aspects and provisions. I am perfectly willing to leave the settlement of the details and the precise language to the members of this committee which has among its members some of the best-informed, most knowledgeable, and capable experts in agriculture in our Nation.

I know that the committee, in writing a bill, will consult with other Members of the Congress, in both Houses, with expert witnesses from the Department of Agriculture, the great farm organizations, and hopefully, with individual growers themselves.

Members of the committee, I am sure, have been receiving the same type of mail as I: an insistent appeal for sensible, workable, and uncomplicated wheat legislation. We must respond to this plea.

For whatever its value to the committee, I suggest that a reexamination of the farm policies of the past several years—ranging into both Democratic and Republican administrations—have failed because they neglected to recognize some basic truths about agriculture.

The first is that agriculture is a highly competitive industry. The only things that will dull that competition are highly restrictive and repressive measures visited upon the farmers by the heavy hand of Federal control. The second truth is that modern science and technology have irrevocably committed us to a course of abundant production. There can be no turning back; instead, we must seek progress in the direction of using that abundance effectively, not as an embarrassing economic millstone around our necks.

And the third truth is that the laws of economics are natural laws, as immutable as the laws of physics or mathematics. They were not devised by man, but result from human behavior in a free society. These laws, like the law of gravity, can be overcome, but only by control amounting to enslavement.

If we accept these basic truths, Mr. Chairman, then it is clear that we must direct our farm programs in the direction of less, not more control. Have we not yet learned the bitter lesson of the past three decades? Can we not confess that Government controls, particularly the harsh and unrelenting type proposed by the current Secretary of Agriculture, have led to our present critical difficulties?

This is not to say that the Government, having placed the farmer in the disadvantageous economic position he now occupies, can abandon him. But it is to say that we can change directions and embrace a long-range transition which will restore the farmer to a place of competitiveness with other segments of our economy.

We must not allow, Mr. Chairman, the club of Government retaliation to be raised over the head of American agriculture. We saw an example of that last year by the administration's refusal to consider new wheat legislation after its own programs had been repudiated. We may be seeing it again in the reluctance of the Secretary, at first to recognize that the American livestock industry was being dangerously damaged by skyrocketing imports of beef and veal into this country, and now by his resistance to the congressional authority to curb imports.

The livestock industry has stoutly and steadfastly resisted efforts to bring it under the same restrictive controls wielded over other areas of agriculture. One wonders if the Secretary's unenthusiastic approach to its current problems results from this resistance.

Mr. Chairman, I am most appreciative of your invitation to make this statement. I pledge to you and the committee my continuing support and would welcome the opportunity to be of whatever assistance the committee feels I can render.

The CHAIRMAN. I would like to suggest this: That permission will be granted to anyone who desires to put a statement that would be helpful to us on or before the 13th of this month at 2 o'clock.

Senator JORDAN. Mr. Chairman, I just want to say that I heartily approve of the expeditious manner in which you are taking up both wheat and cotton, because I think it is imperative that something be done before they get their crop in the ground or make their plans.

I think it would be a disaster if some kind of legislation is not enacted early this year, because there is no telling what the Secretary of Agriculture will do regarding prices with what he has got, as you well know, Senator.

The CHAIRMAN. I think I express the views of all of our committee members that we want to move as expeditiously as we can in order to get the problem behind us before the Senate gets tangled up in a filibuster, because there will be a filibuster on civil rights.

(Discussion off the record.)

Senator JORDAN. I will do all I can to help get this wheat legislation through as well as the cotton legislation because they are both important to our economy.

Senator AIKEN. In the same bill?

Senator JORDAN. I think they should be separated. That is my opinion.

Senator AIKEN. That would be safer.

Senator JORDAN. Whatever the majority thinks but I think they ought to be separated. That is my understanding right now. I think each one would have a better chance of getting through particularly in the House.

Senator AIKEN. As an innocent bystander, I would say that cotton legislation would be desirable if you can get the cotton people to agree on legislation.

The CHAIRMAN. You won't have any cotton legislation if you expect that.

Senator JORDAN. That is coming along pretty good.

The CHAIRMAN. I don't know, I have looked up the record of the hearings we had in May, and I have been here all of last week, and I dare anyone to take cotton legislation and draft it that would suit the majority of the witnesses who testified here.

Senator JORDAN. I think they are getting along pretty well as I understand it.

The CHAIRMAN. They had better hurry.

Senator JORDAN. I think they are. I was informed of that, and I hope they are. You have got the same proposition with wheat, haven't you, Senator Young?

Senator YOUNG. There is a lot of difference of opinion. I note that you think wheat and cotton legislation should be separate; I think it would be all right if they were, but don't separate them too far. Don't have the wheat legislation too far behind cotton.

Senator JORDAN. I intend to support you every way I know how. If it is together, all right, if they are separate, all right.

Senator AIKEN. If we could have, as a subcommittee of the Senate, Senators Anderson, Eastland, Jordan and Talmadge, and they got together, we could get their cotton bill out and voted on easily.

(Discussion off the record.)

The CHAIRMAN. The first witness for this morning is Mr. Graham. Will you step forward please, sir.

Mr. GRAHAM. I would like to have Mr. Denslow, the associate counsel of the National Grange, with me too, with your permission.

The CHAIRMAN. Be seated.

STATEMENT OF HARRY L. GRAHAM, LEGISLATIVE ASSISTANT TO MASTER, NATIONAL GRANGE

Mr. GRAHAM. First let me express the regrets of the master of the National Grange that he is unable to be here, due to a longstanding commitment in Spokane, Wash., where he is speaking today.

Secondly, I would like to add our voice to that which has already been expressed of the necessity for quick action on this wheat legislation, and at the same time place in the record a statement that was issued by nine farm organizations on the 13th of December in 1963, in which the following, which are the Grain Sorghum Producers Association, Missouri Farmers Association, the National Association of Wheat Growers, the National Corn Growers Association, the National Council of Farmer Cooperatives, the National Farmers Organization, the National Farmers Union, the National Federation of Grain Cooperatives, and the National Grange met together and urged immediate action on the wheat program or on the wheat legislation, action that would take place before the first of March in 1964.

Senator AIKEN. All support the same bill, the same type legislation?

Mr. GRAHAM. Pretty generally so. I will cover that in the next one. If I might get that in the record, Mr. Chairman.

The CHAIRMAN. Without objection it will be placed in the record at this point.

(The document referred to follows:)

WASHINGTON, D.C.—Nine organizations met December 12 and 13 in Washington, under the auspices of the National Grange, to deal with the adverse economic impact that farmers can expect in the absence of an effective Federal farm program for the 1964 crop of wheat. Invited to the meeting were 10 of the Nation's organizations representing the interest of wheat and feed grain producing areas on national legislation.

Organizations attending the meeting were the Grain Sorghum Producers Association, Missouri Farmers Association, National Association of Wheat Growers, National Corn Growers Association, National Council of Farmer Cooperatives, National Farmers Organization, National Farmers Union, National Federation of Grain Cooperatives, and the National Grange.

Representatives speaking for these organizations commended the action of the House Wheat Subcommittee in beginning new congressional hearings now, leading to the immediate development of a program for the 1964 wheat crop. Alternative programs were reviewed and revision of the 1964 program was considered. Conferees unanimously agreed that any change of program needs to be enacted and made available to farmers prior to March 1, 1964.

"We strongly support the objectives of President Lyndon B. Johnson and Secretary of Agriculture Orville L. Freeman in preventing the expected sharp drop in the income of wheat farmers. We pledge our support in obtaining early congressional approval of wheat legislation, with the corresponding helpful effect of maintaining the present highly successful and effective feed grain program. Failure to act now on a wheat program jeopardizes the voluntary feed grain program."

"National economic growth cannot be expanded unless farm income is maintained and improved. The drag on the economy posed by an expected \$600 million loss in farm income in the absence of an effective farm program would be disastrous. Prevention of this loss is therefore of prime concern to farmers,

Main Street businesses in rural America, and factory workers whose jobs and livelihood depend on a healthy farm economy that must continue to contribute to the strength of the Nation's economy, receiving in the process its equitable share of the Nation's income."

Mr. GRAHAM. Then on January 10, most of the same farm organizations met again, with the exception that two of them had to send telegrams of support, and after this meeting we also sent the members of this committee, the statement that we issued at that time on the urgency of wheat legislation, which if it has not been put in the record by some member of the committee, I would like to have that put in the record also.

The CHAIRMAN. That will be checked, and if it hasn't been put in the record, we will add this to it.

(The statement referred to follows:)

URGENCY OF WHEAT LEGISLATION

The farm organizations and producers' representatives here personally (or by statement) are united in their desire for quick passage of a voluntary wheat certificate program, which will maintain and improve farm income, by preserving the stability of the market, removing the threat to other farm programs, and reducing the problems which threaten chaos in world markets, by reason of the difficulty of preventing U.S. violation of the International Wheat Agreement in the absence of any new effective wheat legislation in 1964.

Any program to apply to the 1964 crop must be enacted prior to March 1, in order to be effective before harvest time.

Growing evidence is apparent that the price of wheat will drop close to the price of the 50 percent of parity level, with an additional income loss of roughly \$600 million in 1964, without such legislation.

The adverse effect of this economic loss on our total economy would substantially reduce the beneficial results of any tax reduction that may be forthcoming, as well as all other efforts to stimulate the economy and generate further employment.

It is therefore the responsibility of farm groups and responsible rural leadership, as well as of the Congress, to prevent such disastrous loss in farm income; threatening, as it would, to terminate the period of unparalleled prosperity in other segments of the economy; as we firmly believe the disastrous drop in farm income would do, and as it has done in the past.

The political problems of regaining the previous level of income would be very difficult ones; hence, there is real urgency of acting now to prevent further drop in either income or prices, as a very minimum objective.

The effect of no legislation would be to scuttle the feed grains program, and terminate its desirable effects.

The gains of the past 3 years, in increased income, reduced stocks, and diminished Government storage costs, as well as in expanded markets, would be lost without such legislation.

Reports from the field, our respective members, and from meetings of the various organizations here represented, indicate strong support for a voluntary but attractive and effective program, to maintain and increase farm income. Even those who opposed the referendum on the compulsory or mandatory certificate program submitted for referendum last spring, held out the promise of new and effective legislation in the event of the failure of the referendum.

The reports that over 75 percent of Winter wheat producers planted within their acreage allotments, thus protecting their allotments, indicate that farmers expect (and want) a wheat program, and that they intend to participate in one.

Failure to enact legislation will seriously jeopardize our whole international effort to advance the cause of increasing economic cooperation between the non-Communist segments of the world; diminish our attempts to further expand market potential for U.S. agriculture, and, indeed, be a serious obstacle to reasonable U.S. success in connection with the forthcoming Kennedy round of negotiations in the General Agreement on Tariffs and Trade, and will substantially lessen the prospect of stabilizing our own American market for agricultural markets in general, including meat products.

The urgency seems so complete and universal that it is difficult to understand why there is any difference of opinion on the necessity of legislation,

even though we concede that there are several differences of opinion as to the most desirable combination of legislative provisions. Under such circumstances, however, the compelling necessity of recognizing the fundamental soundness of the traditional American concept of arriving at legislative decision through full discussion and reasonable concession and compromise on points of difference has dictated this renewed joint effort on the part of those of us here today to underscore the compulsion of effective action; to present to this committee our wide areas of agreement on purposes and objectives; to give you anew our collective, though somewhat different, opinions, as to the best ways of obtaining those objectives and, finally, to assure this committee of the Congress our abiding faith in the American system, to the effect that we will, in all probability, give support to the collective judgment of this committee, as to the ways in which these objectives should be approached, in legislation early in this session, reserving, as we feel that Americans not only have the right to do, but have the responsibility to do, a subsequent right, then, to seek further improvement and any correction that may be necessary, at a later date.

Let us therefore make further legislative progress now, and dedicate ourselves, individually and collectively, to continuing efforts in the future.

Organizations represented at the January 20 meeting were the National Association of Wheat Growers, National Farmers Organization, National Farmers Union, U.S. Corn Growers Association, and National Grange.

Telegrams of support came from Grain Sorghum Producers Association and Missouri Farmers Association.

Mr. GRAHAM. I think it was put in the Congressional Record but it probably should be in the hearings record also.

The CHAIRMAN. You have quite a long statement here.

Mr. GRAHAM. I am going to condense that, sir.

The CHAIRMAN. I wish you would, not that I am trying to cut you off. I know that you have appeared here before.

Mr. GRAHAM. Yes.

The CHAIRMAN. Last year.

Mr. GRAHAM. The first part of this is a general restatement of our thinking in terms of the necessity of getting legislation reasonably soon, soon enough that it can be applied to the 1964 crop, and that means that it almost has to be before the first of March or very close to that.

The CHAIRMAN. As I remember, the National Grange supported the present law.

Mr. GRAHAM. During the legislation in 1962.

The CHAIRMAN. That was enacted.

Mr. GRAHAM. That is correct.

The CHAIRMAN. What is your position on it now? Do you say anything about it there in your statement?

Mr. GRAHAM. Yes. I think probably it would be just as well that we enter the statement and then let me abbreviate what I have tried to say in here. Then we will let you ask the questions as we go along and it will save time for the committee.

The CHAIRMAN. You just highlight it. I don't want to anticipate you. You might cover the points that I would like to get from you.

Mr. GRAHAM. I think we will get those before we get done in pretty good shape. First of all, I would say just quickly that the \$600 million figure of loss that was used last year looks like it might be more valid than some of us thought at that time in case there is no additional wheat legislation, primarily because there was less wheat planted than anticipated and you come up with a lower price too. This would get an income situation which would be intolerable.

The CHAIRMAN. When you say \$600 million, that means loss in income.

Mr. GRAHAM. Yes.

The CHAIRMAN. Farmers' income, all right.

Mr. GRAHAM. We think in general that attempts that the Congress is making to stimulate our economy are correct, but if we would turn around and do something which would create an unusually heavy loss in our farm income, then we would at the same time remove the purchasing power which we think is necessary to have a stable prosperity, and this is primarily the purchasing power of agriculture. We would point out that the steady decline in farm population, about 3 percent a year, means that we have lost 28 percent since 1954. We would not want to approve any program which would force the acceleration of this departure from the land at this time. We would oppose any kind of a program which would make actually bankruptcy a fundamental part of farm policy, or that makes capital reserves the major basis for survival. We think there are problems involved with the International Wheat Agreement, and at the time we are getting ready into the Kennedy round of negotiations in GATT is not the time to begin to get ourselves in trouble in international agreements, with the people who have become part of international agreements.

Just as a matter of policy, we would state also that in general we are not in agreement that we can or should have a completely free market either at home or internationally. We think there should be regulations and restrictions to prevent, as the senior Senator from Vermont said in a speech the other day, the unnecessary speculator controls in terms of the monopoly people that would be involved in a completely free market. This is not a verbatim report of your speech, Senator. We believe the Government activity in the marketplace cannot be eliminated in the field of foreign trade and that it cannot be substantially reduced domestically as long as the U.S. Government through the Commodity Credit Corporation is the major purchaser of agricultural commodities in surplus supply and is required by law to hold and to pay the storage cost for the total production of these commodities without taking cognizance of the difference in the marketing and end use of the commodities.

In other words, what we are trying to say, that the place to begin to get the Government out of agriculture is at this point, and we must do it in terms of bringing our supplies into a reasonable balance with the market demands. Historically the so-called free market has not operated efficiently except when there was a reasonable balance between supplies and market demands. We would also suggest that the attempt to write legislation should be made which would eliminate the necessity for export subsidies in any form which will generate the basis for Government interference in the normal processes of international trade as provided for in our trade agreements.

This one has some of the implications that Senator Aiken I think was alluding to a minute ago. We believe, and this is basic to the Grange position, that such legislation as we are trying to get today in general in terms of farm programs should contain the economic stimulation toward compliance rather than administrative compulsion.

We supported the act of 1962, with some reservations because of what appeared to be an extremely serious situation developing. But in general, you gentlemen recognize that we have not made mandatory

controls a very important part of Grange policy, and we would prefer that in the case of wheat, for instance, that the part that is needed bring a higher price than the surplus, and high enough difference between the wheat that we need for our domestic market and for export, this wheat bring a high enough price that it will be enough difference between that of the surplus wheat and the feed grain wheat that the people who are given the choice of complying with the program or not complying with it can have an economic basis for wanting to comply rather than simply a rule saying you have to comply.

The CHAIRMAN. Do I understand you to mean that you would want to get price supports on wheat that is produced for domestic use, and all that is produced over and above that, that it be sold free on the market? Is that what you are talking about now?

Mr. GRAHAM. What we would prefer to do is to have the certificates carry the burden of getting the price up for the domestic wheat, and then a price support for the remainder that is produced under the program at about the level of the price the wheat would bring on the farm for that part that is used for the export market, the difference between the farm and the——

The CHAIRMAN. That is the two-price system.

Mr. GRAHAM. This is the two-price system but that which is produced——

The CHAIRMAN. Such a program has been kicking around for 27 years now since I have been on this committee.

Mr. GRAHAM. You got it passed once.

The CHAIRMAN. I know, but your Republican President vetoed it. I don't know that it would work.

But it would seem to me that any program that veers away from the one you now have on the statute books, you will never get it through by March 1.

Mr. GRAHAM. We don't think it has to have too much variance, and I will make a suggestion a little later on as to how it can be done.

The CHAIRMAN. All right, go ahead.

Mr. GRAHAM. One of the things we are primarily concerned about, and this committee is also, is this matter of income.

The high point of net farm income was reached in 1947 with \$17.3 billion.

The CHAIRMAN. That is gross.

Senator JORDAN. Is that on wheat?

The CHAIRMAN. That is gross.

Mr. GRAHAM. Net farm income.

Senator JORDAN. On all products?

Mr. GRAHAM. It was net farm on all products.

The CHAIRMAN. Net?

Mr. GRAHAM. Yes.

The CHAIRMAN. What year was that?

Mr. GRAHAM. 1947.

The CHAIRMAN. Oh, yes.

Mr. GRAHAM. The net declined because the cost of production inputs has risen faster than the realized gross of farm income. This is according to the reports we had in November. We are probably going to have lower net income in 1964 than in 1963 because again we have this same problem of input being higher than what we would gain. Now over against that we have had the net spendable income, the average

weekly income of workers with three dependents in the United States increased from \$56.36 in 1965 to approximately \$82.19 in 1963. The point I am making is that I don't think we have to continually rely on the Federal Government for the money that should be available to farmers for the production of their food in the midst of what is generally conceded a fairly prosperous economy; and where the purchasing power of the consumer has rapidly increased and the amount that he uses for food has steadily decreased until today it is down to about 19 percent of his total income.

In the case of wheat, in 1963 farmers received 3.1 cents from the ingredients in a 1-pound loaf of bread, two-tenths of 1 percent less than the 1947-49 average. Wheat accounted for 2.5 cents of the ingredients total, or one-tenth of a cent less than in 1962 and 2 percent of a cent less than in the 1947-49 period.

At the same time the loaf of bread had gone up to 21.6 cents in 1963, an alltime high. What we are saying that the income of farmers from what goes into our food products has declined while the cost of the food products has gone steadily up. I have in my statement some of this same argument in the statistics and I will leave that for you to read at your pleasure.

The CHAIRMAN. At your what?

Mr. GRAHAM. Your pleasure or your opportunity.

Senator JORDAN. I thought he was going to say leisure.

Mr. GRAHAM. I thought you might have more pleasure than leisure the way you are working at the present time.

Again as a statement of policy, the primary objective of a sound program for agriculture and the longtime goal of the National Grange for agriculture is to enable the producers of food and fiber, the most vital commodities in our national life, to receive a return in the marketplace that permits the producer who receives for his labor-management risk and capital investment in terms which bear a reasonable relationship for that which is received for these same factors in other segments of our economy and which will permit him to purchase from the American market the machinery goods and services which are necessary for a continuation of his productive capacity. We know there are some political implications in this position but we believe the time has come when the American consumer and taxpayer as well as the farmer must make his choice between whether our food is going to be paid for in the marketplace, where it should be, or whether it is going to be paid for through the Federal Treasury, but not to force him to pay both ways. I don't think we can continue to sweep this problem under the rug because it is always going to come back and haunt us.

In some way in our estimations we must find a way that will enable us to move toward a parity pricing or at least a parity of income for farm commodities as rapidly as possible.

We support—and as you well know most segments of our society have—the attempts to improve the price of labor; and we shall continue to do so because we have got enough sense to know that you can't sell your products to people who don't have any money.

We think they have got money enough now to buy these products, for no more than the extra cost would be, if we could begin to move in that direction.

We have three alternatives I think before us in the direction we are going to move with farm programs.

Senator HICKENLOOPER. Mr. Chairman, did you ask not to be interrupted?

Mr. GRAHAM. No; I did not. Interrupt any time.

Senator HICKENLOOPER. Is it possible we are painting ourselves into a corner on that particular situation, because, as people have more money to buy products, then if we increase the price of products, doesn't the demand for increased wages go up on the cost-of-living basis, and we get into that vicious circle where there is no balance.

Mr. GRAHAM. I don't think so.

Senator HICKENLOOPER. Hasn't that been the case in the past? Hasn't that been the history?

Mr. GRAHAM. Not as much. The statistics when we analyze them don't indicate that has been quite so true in terms of the cost of farm products. There has been the increase in the cost of the food product to the consumer. But this has been an increase in the spread of the processor, the marketing system and the distribution. In the case of the bread, milk, and meat——

Senator HICKENLOOPER. Well, what is the difference? How do you differentiate?

Mr. GRAHAM. We would say this. That we at least ought to move the farm price up once in a while when they move the total price up steadily.

Senator HICKENLOOPER. Yes; but when you move the farm price up, which I think ought to be done—I am certainly in favor of that, I am not arguing it—when you move the farm price up, it escalates right through the cost of distribution and retail sales and everything else, and thereafter wages go up because the price of living has gone up, the total price of food. That is why I say we are painting ourselves into a corner substantially on that; aren't we? How do you level this off? How do you hold it even?

Mr. GRAHAM. No. 1, we have held it even in terms of the wholesale price of the cost of living index. We have been at an even level at this point for 10 years. We have been on dead center for 4 years. But prices have continued to go up and the food has still moved.

Senator HICKENLOOPER. What good does it do to talk about the wholesale price being on dead level if the price which the fellow has got to pay out of his pocket keeps going up? I can't quite square that.

Mr. GRAHAM. The point is that this price in our estimation is going to continue to go up. The question is whether or not we are going to try to get part of it for agriculture, which we haven't got for 10 years. In the case of milk, for instance—and this is almost identical with what has happened in wheat—the price to the producer has gone down 2 cents a quart in 10 years and the price to the consumer has gone up 10.

Senator HICKENLOOPER. Yes; exactly.

Mr. GRAHAM. I don't think we have to be too much afraid of the parity level on wheat in terms of its effect on the price of a loaf of bread, which would be less than 1 cent in my rather quick figuring, which says it would cost about 58 cents a year to bring wheat up to a parity level out of the \$400 a year that is spent for food.

Now this is a mighty small percentage, one-eighth of 1 percent would give us a parity level on wheat. Now how much labor-management is going to add to that——

Senator HICKENLOOPER. What would that do to the end price of the fellow who has to buy and eat it; that is the point.

Mr. GRAHAM. From what we heard from some of the bakers they are going to put it up about a penny this year anyway.

Senator HICKENLOOPER. Yes.

Mr. GRAHAM. So I don't think we can continue to worry about that end price all the time to the exclusion of the farmer getting his fair share. It seems to me we have simply got to come to a place where we go after a fair share of the market precisely the way labor and distributors and all the rest have done, and properly so. I am not quarreling with them.

Senator HICKENLOOPER. I don't disagree with you in the least on that score. I am talking about the whole economic turnover proposition.

Mr. GRAHAM. We are going to solve this problem in one of three ways it seems to me. We are going to solve it by following the CED program of forcing a third of the people—the farmers—off the land, in the hopes that those that are left can have enough of this pie, even though it is a very small margin, that they can make a living, or we can go the way of putting a price that we think the consumer will pay, and adding the balance of a parity level of income from the Government Treasury.

This is less desirable to us than the way we have been talking about.

The third way is to move in the market toward a parity price. As the last part of this testimony will show, that we think that this can be done by writing an escalator clause into the present legislation, Mr. Chairman, that would steadily and rather rapidly, over a period of not too much time, raise the value of the certificates up to parity.

This has two or three advantages. One is that it adopts a program that has been used successfully by labor, and I see no reason why we shouldn't do something they have done successfully. When they have gone for minimum wages, they have not said we are going to increase these wages tomorrow.

They have said let's increase these wages a year from next September or something like that. This is the kind of thing which we think can possibly be done and properly be done, and move us out of this place where we are in, because right now we are boxed into a corner.

That is we have no way to move unless we decide to do one of the things which some people say we shouldn't do. You can't increase farm income in our judgment, and you can't reduce Government cost and you can't hold the cost to the consumer at the same level all at the same time.

One of those three has got to give. We prefer that it be at the consumer level, the end year of the product. This is precisely what has happened to us in terms of tractors, for instance. When labor costs have gone up and management and all the rest of it has gone up nobody has said we must keep the price of tractors at the same price. Otherwise the consumer of tractors is going to object. They don't ask us whether we object or not. They simply push this tractor price up and machinery, and we get the price.

Senator YOUNG. It is pushed up every year.

Mr. GRAHAM. It goes up every year steadily, about 2 percent, and it will go up another 2 percent this next year according to the estimates we are getting.

The CHAIRMAN. It will take more than parity wheat to give you a return equal to what the average worker, factory worker, is paid.

Mr. GRAHAM. We recognize that.

The CHAIRMAN. Of course.

Mr. GRAHAM. I don't know how we can go for more than parity though. If we could get to parity we could begin to live.

The CHAIRMAN. You are not starving now.

Mr. GRAHAM. No; thank goodness I am not making all my money off the land right now either.

Senator YOUNG. Could I ask a question there?

The CHAIRMAN. Yes, Senator.

Senator YOUNG. Would you explain your proposed escalator clause in more detail?

Mr. GRAHAM. I would think that this could be added to the present legislation. You are going to be amending it some anyway. That is write in another clause that the value of the certificated wheat would increase on a formula basis. It will be about 80 percent of parity under the legislation that has been proposed in the House, and basically about that under the McGovern bill, as I understand it. Then it should be increased by 5 percent a year for 4 years or something of that percentage, and tie this value of the certificates eventually to a formula instead of to a price, because we are still going to be coming back otherwise in terms of this changing of the production costs and throwing the whole parity relationship out of balance in terms of price. If we do it on the basis of formula, we have got a chance to not have to annoy Congress every year to change this legislation.

But if we do it on the basis of a price, for instance if we go from \$2 this year to \$2.20 next year, \$2.40 the next year, \$2.55 the next year, then 5 years from now we would again be into a problem in terms of our parity relationships.

The CHAIRMAN. Proceed.

Mr. GRAHAM. Let me come down to the last two pages which I think I will read and then be done with my testimony.

The Grange believes that a sound program for wheat requires the use of a certificate system as a means of maximizing farm income by recognizing that wheat properly has a higher value for primary human food use than it has for other or secondary uses.

At the same time, we believe that any such program should be designed to maximize the producer's freedom from Government controls. To accomplish these objectives, we have long advocated the enactment of appropriate legislation to implement our voluntary wheat certificate plan. Many of the principles of this plan were incorporated in the mandatory program authorized by the Food and Agriculture Act of 1962, and we supported that measure, notwithstanding its mandatory features, in the belief that they might be justifiable during a transitional period to check and reduce the alarming buildup of Commodity Credit Corporation's stocks and the costs to Government attendant thereon.

As originally conceived by the Grange, however, the wheat certificate plan was designed to be operative on a voluntary basis, and we

do not believe it at all necessary that it be made mandatory to be effective at the present time.

We recommend that remedial legislation be enacted immediately to remove the mandatory aspects of the program presently authorized, thereby removing the necessity for another referendum.

For reasons already stated, we find the price level for the certificated wheat under existing legislation to be inadequate to represent the kind of income level to which we believe the American wheat farmers are entitled. Even the addition of export certificates and diversion payments leaves us considerably short of desirable goals.

The Senator from Vermont asked me about these organizations, that were meeting before about this, and this is an area in which there is entire agreement.

We believe there is no really acceptable long-term answer to many of the problems we have discussed except placing a value equal to 100 percent of parity on that part of the domestic wheat crop which is consumed for food on the domestic market and issuing certificates for the difference between the market price and the 100 percent of parity goal. This program has the advantage of simplicity, fairness, economy, and still recognizes the functions of the market.

Senator YOUNG. Will you yield there? In effect you are supporting the bill introduced by myself, Senator Carlson, and Senator Mundt which is almost identical with the legislation proposed by the Grange for a number of years, isn't that right?

Mr. GRAHAM. Yes; this is the end result that we would like to try to get to. That is what we say in this next paragraph.

We are not going to strenuously oppose the use of diversion payments and export subsidies during a transitional period, although we question the long-term desirability of these devices. However, we hope that this Congress will write into this legislation a formula for moving the value of the certificates toward full parity in a very few years, eliminating the economic need for export certificates and retaining only enough diversion payments to provide incentives toward compliance with the program and as they may be needed to stabilize the feed grain program. It should be possible to eliminate payments-in-kind provisions as income improves and Government stocks decline.

Eliminate basically the need for support except to keep the wheat that goes into export market up to about the world market price.

Senator YOUNG. I would like to eliminate the export subsidy too. I don't think it is really necessary. Do you have some amendments or would you have an amendment drawn which would accomplish what you are advocating here?

Mr. GRAHAM. I think taking the certificate up to parity should also have with it the condition that the export subsidy would be removed.

Senator YOUNG. Yes, that is right.

Mr. GRAHAM. So one would go one way and one the other.

The CHAIRMAN. He is asking for an amendment.

Mr. GRAHAM. Would we prepare it?

Senator YOUNG. Yes.

Mr. GRAHAM. Yes, I think so.

The CHAIRMAN. Have it ready and we will put it in the record on the 13th before 3 o'clock.

Mr. GRAHAM. We will do that.

The CHAIRMAN. All right, I think there is some work being done on that in the department too, Senator, at the present time.

Any further questions?

(The information requested above and the prepared statement of Mr. Graham follows:)

WASHINGTON, D.C., February 13, 1964.

HON. ALLEN J. ELLENDER,
Chairman, Committee on Agriculture and Forestry,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: AS I promised you and Senator Young during our testimony on wheat legislation February 10, I am submitting a short statement which I think would cover the suggestions which I had made, if it is inserted into the wheat legislation.

Our counsel's office reports to me that they would have difficulty in drafting more precise terms for legislation until they know the kind of legislation which is going to be reported out by your committee. For instance, the McGovern bill would require one type of language, and the so-called Purcell bill another. Therefore we think this general statement will cover what we want, and, if need be, may be adapted in the language of the legislation which you finally decide is most appropriate.

The suggestion is as follows:

"It is hereby declared to be the policy of Congress that the Secretary of Agriculture, in administering a wheat program, give full consideration to:

"1. That the objective of this program shall be to achieve full parity for that part of the wheat which is consumed domestically as food, to the maximum extent practicable, consistent with maintaining fair and reasonable prices to the consumers; and

"2. Reducing the cost of the Federal wheat program by reducing the diversion payments and export subsidies, and maintaining and improving farm income by increasing the value of domestic marketing certificates at the discretion of the Secretary."

In our opinion, this would remove the psychological problem of using export subsidies in our trade dealings with Communist-bloc nations, at the same time it should serve to increase the exports by eliminating some of the problems. It would be simple to administer, it would remove the question of taxpayers paying twice for their bread, and it would improve farm income while making substantial savings possible for the Federal Government.

We would suggest also, as in the "Purcell bill," provision should be granted to the Secretary of Agriculture to require export certificates for the difference between the price of unsupported American wheat and the world market price.

Thus, you see, we foresee the time when all supports could be eliminated in terms of the wheat program.

In the light of recent developments in the House of Representatives, it is our judgment that the wheat and cotton legislation should be sent to the House at the same time. We believe that this would enhance the prospects for passage of the wheat bill.

Thanking you and the committee for your courtesy and consideration to us at all times, I remain,

Respectfully yours,

HARRY L. GRAHAM,

Legislative Assistant to the National Master, National Grange.

My name is Harry L. Graham. I am legislative assistant to the master of the National Grange.

The National Grange appreciates the opportunity of appearing before this committee to discuss with its members the problems confronting wheat producers and the Government in relationship to wheat legislation for the current year. In our estimation some of the problems are acute and need to be answered promptly if we are to avoid an extremely heavy loss in farm income in the near future. However we would also point out that some of the problems which are faced are also long term and with your permission I would like to discuss both the **short-term, or emergency problems and the long-term problems**, in the hope that whatever this committee is able to recommend will alleviate some of the acute short-term problems without jeopardizing the proper answer to the long-term considerations which must always be before us.

Immediately before us is the necessity of enacting legislation which will apply to the 1964 crop year and the obvious fact that if this is going to be properly administered by the U.S. Department of Agriculture, this legislation needs to be enacted by the first of March 1964, or very close to that date. This will allow the farmers properly to gage their planting of spring wheat and also to plow down or graze off their overplantings of winter wheat to bring them into compliance with the program, and avoid the necessity of cutting, and otherwise destroying, mature crops.

The Grange seeks enactment of legislation changing the present law in such way that the Secretary would not be required to submit the present law to another referendum, which, if defeated, would drop all supports to 50 percent of parity for the second year in a row. Despite the firmness in the market in the past few weeks, we believe that there is increasing evidence that by the end of the harvest period in 1964, wheat prices will drop to close to the support level. It is safe to say that we would, in that instance, get a drop in farm income of at least \$400 million, and it could possibly go to \$600 million even in 1964. In such an event, the Congress would face a year from now a much more compelling situation than the one it faces today.

The \$600 million figure which was used last year is looking more valid today than it did at that time, primarily because of the fact that about 80 percent of producers stayed within their acreage allotments, which would mean that not only would they have a smaller per-bushel price, but also less wheat to sell than was anticipated a year ago. The disastrous effect of such a development upon the feed-grain programs is evidenced by the concern which has been shown in meetings which we have held to discuss this possibility. Members of the Grain Sorghum Producers Association, the National Corn Growers Association, and the National Federation of Grain Cooperatives are all very much concerned with the serious situation if no remedial legislation is passed.

The failure to pass wheat legislation and the adverse effect from this action upon the feed-grain program would not only result in the loss of recent gains in terms of farm income, reduction of Government stocks, and reduction of Government storage costs; but could lead to the end of all Government agricultural programs. The abandonment of these would, according to recent studies by the University of Iowa, Cornell University, and the University of North Carolina, result in a decrease in farm income of about 40 percent. Such a \$5 billion annual loss of farm income would save the Government only about \$1 billion of expenditure.

However, in our estimation, in the light of the attempts to stimulate the economy and by various economic devices being considered by the Congress at the present time, the failure to try to adopt a program which would prevent a decline in farm income of this proportion would be unthinkable.

As part of the long-term consideration, we would point out that once this accelerated economic loss began, it would be extremely difficult to stop and to keep its effects from spreading to the meat, dairy, and poultry industries. We have already seen part of the results of a campaign for cheap feed being evidenced in the amount of beef which has been moving to market in recent weeks with almost disastrous effects upon cattle breeders and feeders.

We would also point out that once this drop had been made, the political difficulties of regaining the present or improved levels of income would be extremely great. This would be partly because it would be so extremely expensive to overcome the effects of such a drop in purchasing power and, in our estimation, would be a long step toward the concentration of productive power in the hands of a few.

The National Grange hereby categorically states that it will not give its consent to any program which makes farm bankruptcy an integral part of farm policy. Nor will we approve a program which makes capital reserves the major basis for survival, leading to the destruction of the owner-operator farm structure, which has an efficiency of production unmatched in the world.

We have seen a steady decline of farm population of about 3 percent per year. The number of farms in 1964 is 28 percent under the number in 1954. The adoption of any program which would force the acceleration of this departure from the land would be sociologically and economically unsound. The threat to the family-type farm is a threat not only to our being able to continue to produce an abundance of food and fiber for our people at home and our friends around the world, but it is also a threat to our political and economic system, which is the envy of all the world.

The second long-term problem would be the effect on our obligations under the International Wheat Agreement. Failure to provide some means of preventing American surplus wheat from entering the market at a price substantially below the terms of the International Wheat Agreement, would put us in violation of a solemn treaty obligation and seriously jeopardize our attempts to increase our market abroad as we approach the Kennedy round of negotiations at Geneva. The Grange would seek to move toward a solution of its agricultural trade problems by means of various devices in the form of agreements through negotiation with other producing nations which are faced with the same problems of maintaining income which we face here at home. To replace these negotiations with economic aggression would, in our estimation, be untimely and unwise, and the first step toward an economic warfare campaign which could end, as others have, with a diminished prospect of the kind of international cooperation which must be our aim.

Before outlining our proposals for legislation in this important commodity, we would like to suggest to this committee the objectives that appear to us to be desirable and the ultimate ends toward any legislation should be directed. In the field of government, we believe that it is our duty, and at the same time we are convinced that it is the sincere desire of the members of this committee, to reduce the cost of Government. We believe that this properly is the mood of our time and the sincere desire of most of the taxpayers of the Nation. Although the cost of the agricultural programs have been relatively small compared to the benefits derived therefrom, we must recognize the fact that these have been subject to the most vigorous criticism of any part of the Government budget. We are prepared to defend this expenditure of money in the past, and the expenditure of whatever is necessary in the future. However, we are not prepared to defend excessive governmental costs when alternative means of obtaining the same objectives are available.

A major issue has been made over the amount of Government controls over agricultural production and marketing. Much of the criticism has been unjustified, and a great deal of it has been a simple misstatement of facts. Government regulations that have been proposed and approved by a two-thirds majority of the producers of the commodity involved should properly be labeled as producer controls that are administered by the Government as the only practical means of exercising those controls. None of us, however, want to have unnecessary restrictions upon the freedom to manage our production and marketing.

Although we do not believe that complete freedom in the marketplace is either attainable or desirable, in the midst of the complex marketing structures—both domestically and internationally—we will agree that these regulations and restrictions should be held to the minimum necessary to insure that the market is not subject entirely to the control of speculators, processing interests, and those who would monopolize the market, thus denying a proper return to the producer, or a fair price to the consumer. We believe that Government activity in the marketplace cannot be eliminated in the field of foreign trade, and that it cannot be substantially reduced domestically as long as the U.S. Government, through the Commodity Credit Corporation, is the major purchaser of agricultural commodities in surplus supply, and is required by law to hold and to pay the storage costs for the total production of these commodities, without taking cognizance of the differences in the marketings and end use of the commodities.

The place to begin to get Government out of agriculture is at this point; and it cannot be accomplished until agricultural supplies, according to market and price, are brought into line with the demands of the specific market. It is historically true that the producer of any community which is in surplus supply cannot get his just return by submitting all his sales to the simple law of supply and demand. The so-called free market operates most efficiently only when there is a reasonable balance between supplies and market demands. Even then, it is necessary, in our judgment, for the Government to exercise vigilance to prevent monopolistic abuses and frauds in the marketplace. The "salad oil scandal" is a case in point.

Another desirable objective is the stimulation of international trade and expanded access to the controlled markets of much of the world. We believe that it is necessary to honor and extend our international agreements and to set up a situation in which this can be done economically to our Government and to the governments and peoples of other nations. We should be just as vigorous about attempts to remove our impediments to international trade

which are a part of our own governmental structure as we are about removing the roadblocks which are currently being erected by other countries.

To this end, we should attempt to write legislation which will eliminate the necessity for export subsidies in any form which will generate the basis for Government interference in the normal processes of international trade as provided for in our treaty agreements. It seems to us that we should recognize that we have no thoroughly satisfactory way of living up to our International Wheat Agreement commitments under the existing legislative structure.

The Grange has always believed that legislation such as we are considering at this time should contain the economic stimulation toward compliance rather than administrative compulsion. In order to obtain a compliance which will reduce our stocks to a strategic reserve level, it is necessary to make it profitable to participate in the program, and, except for a relatively few producers who feed all the wheat they produce, make it unprofitable to stay outside the program.

Since the surplus wheat beyond domestic food and export needs is basically only feed grain, this should be supported at a price which bears a close relationship to feed grain prices and low enough that it does not provide an economic umbrella over the noncompliance wheat.

The primary problem facing the producers of food and fiber in this country is one of income. This problem is not as simple as the problem of pricing although the prices which farmers receive for their products is an important part of the total problem.

A proper consideration of the problem must include a study of farm costs, farm prices, and the relationship of agricultural prices to the price level of the total economy. The high point of net farm income was reached in 1947 with \$17.3 billion net income. Since that time it has tended to decline because the cost of production inputs have risen faster than realized gross farm income, leaving a smaller percentage as realized net income.

After an increase in net farm income in 1961 and 1962 there was a drop of about 2.5 percent in 1963. Realized farm net income in 1964 will probably be lower than in 1963, largely as a result of sharply reduced income from wheat and a continued rise in farm production expenses unless new wheat legislation can be forthcoming, which will protect us from the predicted drop of farm income from the sale of wheat. If there is no legislation to improve the situation in wheat, dairy, and cotton, there will probably be a 5-percent decrease in net farm income in 1964 under the 1963 level (Farm Income Situation Reports).

During this period of generally declining farm income since 1947 we have seen a steady increase both in the wage levels of American labor and in the profit levels of American industry. Just a couple of weeks ago the Secretary of the Treasury predicted that the United States has already embarked upon a period of 3 or 4 of the best business years that it has ever experienced in peacetime. Since 1950, we have seen the net spendable average weekly earnings of workers with three dependents in the United States increase from \$56.36 to approximately \$82.19 in 1963.

Agriculture has not shared in any of the increase in prosperity since the end of World War I. The average of all wholesale prices today is only 2.5 percent higher than 13 years ago and it has been at a dead standstill since 1957. Cost-of-living gains are in prices which farm or factory efficiency curves will not reduce—the repairman's fee, the hospital bill, real estate taxes, distribution costs, and depreciation allowances.

Nor does the wholesale price index itself tell the whole story. The American farmer has received a declining part of the food dollar, averaging 37 percent in 1962 and standing at about 36 percent at the present time. This is the lowest level since 1934 when it was 34 percent.

Prices farmers received for the farm products equivalent to the foods in the market basket averaged 4 percent lower in 1963 than in 1962. At the same time retail prices of farm-originated food products averaged 1 percent higher in 1963 than in 1962. Charges for marketing farm-originated food products averaged 4 percent higher in 1963 than in 1962, as measured by the spread between the retail cost and the farm value of the farm food market basket. This was double the annual increase that occurred in the previous 10 years.

Farmers received 3.1 cents in 1963 from the ingredients in a 1-pound loaf of bread, the same as in 1962, but 0.2 cents less than in 1947-49. Wheat accounted for 2.5 cents of the ingredients total, 0.1 cent less than in 1962 and 0.2 cent less than in 1947-49.

The average retail price of a 1-pound loaf of white bread was 21.6 cents in 1963, an alltime high. This was 60 percent higher than the 1947-49 average, over twice the average rise in prices of all foods and nearly double the rise in the Consumer Price Index, while at the same time the price of the wheat in the loaf was declining 8 percent.

An increase in the baker-wholesaler spread accounted for 72 percent of the rise in the retail price of bread. Rising labor cost were the major factor increasing this spread. Output per man-hour by production workers in the baking industry rose less than their hourly earnings, and output by nonproduction workers—sales and delivery personnel—declined.

The spread taken by the other major agencies in the marketing process also increased. The total farm-retail spread increased to 18.5 cents in 1963 from 18.1 cents in 1962. This was an increase of 80 percent over the 1947-49 spread of 10.2 cents. (Marketing and Transportation Situation, Feb. 7, 1964.)

What I am saying is that the consumer today is eating more of a higher quality food of a greater variety than ever in history. He is spending about 19 percent of his net spendable income on this food. Marketing, handling, processing, distribution, and retailing agencies have all received an increased share of the food dollar. Yet the farmer, the major producer of new wealth, is being squeezed between market forces and political expediency on one hand and higher and higher costs of production on the other hand into a semipoverty.

Let us now examine the costs of production and their implications. We have during the past 30 years legislatively improved and protected the income of both labor and industry as well as those who work in the service fields of our economy. These costs are transmitted directly to the farmer in increased costs of production. As a result of this, farm production expenses through September of 1963 were nearly 2 percent or about \$500 million higher than a year earlier. Farm production expenses in 1963 are estimated to be \$28.7 billion compared with the previous record high expenditure in 1962 of \$28.2 billion. The total production expenses have increased 57 percent from 1947-49 levels to 1962. The outlook for 1964 points to a rise in total production expenses at least equal to the 2-percent rise experienced this year.

The increased cost is the result of the change in the productive patterns of American agriculture and the requirements of the technology that has made our production the envy of the world. We are purchasing at the present time 20 percent more of our input needs than we did in 1950 and the nonpurchased production factors have declined by about 24 percent. Production expenditures for several of these important purchased items are expected to increase this year. These include feed, fertilizer, taxes, interest on indebtedness, and depreciation charges. Compared with the year earlier, farm machine prices averaged 2 percent higher in 1963 and are expected to continue upward in 1964.

The net result of all of this is that in 1963 the parity ratio between the prices received by farmers and the prices paid by farmers has declined to 77 percent, which is the lowest point since August 1940, and within 3 points of being the lowest since 1937. What I am saying is that agricultural producers have been in the midst of a deep depression and continue in this situation while the rest of the economy booms.

The primary objective of a sound program for agriculture and the longtime goal of the National Grange for agriculture in the United States is to enable the producers of food and fiber, the most vital commodities in our national life, to receive a return in the marketplace that permits the producer to receive for his labor, management, risk, and capital investment, a return which bears a reasonable relationship to that which is received for these same factors in other segments of our economy and which will permit him to purchase from the American market the machinery, goods, and services which are necessary for a continuation of his productive capacity.

We recognize the political implications of this position, but we believe the time has come when the American consumer must begin to make his choice between whether or not he wants to pay for his food or fiber in the marketplace where he should and where he can pay for them with a minimum of cost or whether he wants to pay for them through the Federal Treasury. He should not be compelled to pay both ways.

We cannot continue to sweep this problem under the rug. We believe that the American taxpayer is intelligent enough that he can be made to understand the problem. The costs of Government are passed on to the consumer; costs of labor, as they are increased, are passed on to the consumer, as the farmers well

know when they start purchasing in the marketplace. Manufacturing and distribution costs are passed on to the consumer, and many contracts call for escalator clauses to compensate consumers for increases in the cost of living in the terms of wage increases. Why, we would like to know, is it impossible to realize a just return for that part of our production which is consumed in the primary American market for all farmers? Why is he alone denied a proper return for the economic factors of production?

The National Grange has historically supported the attempts of labor to improve and protect its wages. We have supported the right of manufacturers and processors to a fair return for their products and attempts to protect them through tariff regulations and through tax concessions. We have paid a heavy penalty for this increased cost of production as reflected in the prices farmers pay on the factors of production. However, we still are in complete agreement that only a prosperous consuming public can purchase the products of the American farm. As we previously pointed out, we believe that we have this prosperous consuming public and we believe we have a right to a fair return for that which our American public consumes.

It is our conviction that there is general agreement that the economic injustices which have been inflicted on American agriculture should be corrected, not only as a matter of ethics and morality, but because there can be no general prosperity as long as this major segment of our economy is in the midst of a prolonged depression. The question which is perplexing many of you who are legislators as well as a number of our farm leaders, is not whether this should be done, but rather how. The alternatives held before us are basically only three.

The first of these and the one which is getting the most attention from newspapers and the general public, and which was proposed a couple of years ago in the CED report and which is the basis of the farm program of one of the major farm organizations, is to let farm prices fall to their natural level, as is reflected in the "marketplace" thereby bankrupting a substantial number of American agricultural producers, and leaving a smaller number to divide up the total market pie. As a result all of them would be prosperous or so it is contended.

This, to the National Grange, is economically unsound in that it ignores the increasing cost of production, it ignores the fact that market prices can be adjusted by the action of the producers, and, above all, such a program would cause a decline of prices of such magnitude that it would be impossible or highly improbable to ever regain the level of prices we have at the present time.

If we were to withdraw the price support system and "get the Government out of agriculture," we would reduce in a very few years the farm income from its projected level which is extremely low at the present time of \$12.7 billion per year by about \$5.7 billion a year, or down to \$7 billion. This is enough to throw our whole economy into an economic tailspin and cancel out all the attempts that are being made at the present time to stabilize our economy and to maintain our prosperity. After the disastrous experiences of the 1920's, many of us do not want to experience again the manifold blessings which the "free market" bestowed on us at that time.

Beyond this consideration, there are others as valid to us. First of all, such a program would not be designed to permit the efficient farmers to stay in production because most of them are the ones that have already increased their indebtedness in an attempt to become efficient and they would be the first farms to be wiped out by this steady decline in farm prices.

What does happen in a situation like this, as we know from past experience, is that capital reserves become the only basis of survival. In other words, the big get bigger and the small get smaller. What these people are asking for is permission for a massive economic aggression against helpless people which would end in a return to a feudalistic system, a landed aristocracy with peasant labor, monopolistic control of the factors of food production, with the resulting alternatives of nationalization of the land or food costs completely out of reach of the average consumer.

Both sociologically and economically, we believe that it is highly important that we should not manufacture a situation which forces farmers off the land more rapidly than they have been moving during the past few years. Our present unemployment is almost the exact number of people who have left the land since 1950.

Another alternative is to allow all producers to place all they produce on the market at whatever price the market will bear and to charge the difference be-

tween this and a parity income level to the Federal Treasury. Although we are not afraid of Government, we believe that this would lead to unnecessarily strict and unacceptable Government controls. It would make all taxpayers pay for the food which was consumed regardless of their own wishes about the amount or type of food they consume themselves. It would make farm income subject to political considerations and would undoubtedly become a political football. In the resulting hassle, the farmers, who represent a decreasingly small percentage of our total population, would undoubtedly be outvoted by those who are the consumers of agricultural products. The National Grange has never refused to consider the use of supplementary payments of various kinds as a way to improve farm income, but we contend that these should not be necessary as long as there are alternative means of maintaining farm income without this Government device.

Whatever economic answers are found to this present farm problem, they must be consistent with the rest of the economic situation in which agriculture is placed and to which we have a relationship that is indivisible.

For many decades American industry has sold its products to the American market at a higher price than it received for these same products on foreign markets. All of our labor laws are designed to establish American laborers' wages at a level considerably higher than that enjoyed by labor in other segments of the labor community of the world. Both of these important segments of our economy depend upon the American market for the primary source of their income.

The National Grange believes that most American farm income should come from the primary American market or from those who consume products in America and the price received for these products should be reasonably related to the prices now received by other segments of our economy for the same factors of production.

I would also point out to you that if we could by some such mechanism bring farm income up to a parity level, we would add \$3.9 billion per year to farm purchasing power. Some of this undoubtedly would be used for soft consumer goods and to enable our farm people to purchase as luxuries some of the things which our nonfarm population has long considered necessities. However, according to all the information we have, the biggest share of this would be spent in capital improvements, modernization, and the purchase of new machinery. If only 50 percent of this is spent in the purchase of tractors and automobiles, it would mean our industrial plants would produce and sell 200,000 more tractors and 300,000 more cars or trucks or their equivalent. This would stimulate our economy at precisely the point that it needs stimulating and would do more to maintain and improve our general prosperity than any single economic program that could be adopted by this or any other Congress.

Wheat farmers could obtain this parity of income without Government costs for an average cost to the American consumers of about 58 cents per year, about 1 cent per person per week. This is only a small part of the savings they already have realized from the fantastic abundance of the food and fiber produced on American farms.

The Grange believes that a sound program for wheat requires the use of a certificate system as a means of maximizing farm income by recognizing that wheat properly has a higher value for primary human food use than it has for other or secondary uses. At the same time, we believe that any such program should be designed to maximize the producer's freedom from Government controls. To accomplish these objectives, we have long advocated the enactment of appropriate legislation to implement our voluntary wheat certificate plan. Many of the principles of this plan were incorporated in the mandatory program authorized by the Food and Agriculture Act of 1962, and we supported that measure, notwithstanding its mandatory features, in the belief that they might be justifiable during a transitional period to check and reduce the alarming buildup of Commodity Credit Corporation's stocks and the costs to Government attendant thereon.

As originally conceived by the Grange, however, the wheat certificate plan was designed to be operative on a voluntary basis, and we do not believe it at all necessary that it be made mandatory to be effective at the present time.

We recommend that remedial legislation be enacted immediately to remove the mandatory aspects of the program presently authorized, thereby removing the necessity for another referendum.

For reasons already stated, we find the price level for the certificated wheat under existing legislation to be inadequate to represent the kind of income level

to which we believe the American wheat farmers are entitled. Even the addition of export certificates and diversion payments leaves us considerably short of desirable goals.

We believe there is no really acceptable long-term answer to many of the problems we have discussed except placing a value equal to 100 percent of parity on that part of the domestic wheat crop which is consumed for food on the domestic market and issuing certificates for the difference between the market price and the 100 percent of parity goal. This program has the advantages of simplicity, fairness, economy, and still recognizes the functions of the market.

We will not strenuously oppose the use of diversion payments and export subsidies during a transitional period, although we question the long-term desirability of these devices. However, we hope that this Congress will write into this legislation a formula for moving the value of the certificates toward full parity in a very few years, eliminating the economic need for export certificates and retaining only enough diversion payments to provide incentives toward compliance with the program and as they may be needed to stabilize the feed grain program. It should be possible to eliminate payments-in-kind provisions as income improves and Government stocks decline.

Price supports equal to the farm value of export wheat should be continued and made available only to that part of the crop which is produced by those who participate in the program.

Not the least important part of our considerations is the relieving this body of the necessity of making frequent and periodic decisions which are politically unpleasant as well as time consuming.

The National Grange hopes that you, in your wisdom, will decide to follow this course of action, thus writing a long-term program which will recognize the needs of the domestic and foreign markets, the income rights of the farmer-producer, a fair and equitable price to the consumers, the need both economically and politically to remove the Government from market functions and storage responsibilities as far as is consistent with the general welfare of the Nation, eliminate Government costs, and permit the operation of American farms within the spirit of democracy and the framework of freedom.

The CHAIRMAN. Senator Young?

Senator YOUNG. Could I ask one more question? How do you interpret the Purcell bill approved by the House Wheat Subcommittee as to the blended price the farmer would receive?

What blended price do you think this would provide?

Mr. GRAHAM. Somewhere around \$1.85. We would be lucky if we got any more than that.

Senator YOUNG. I read a statement by Congressman Dole, of Kansas, who is a member of that subcommittee. He believes this bill would give a blended price of only about \$1.70. Do you figure the blended price would be about \$1.80?

Mr. GRAHAM. I think the Department figures are about at that level. You will hear from the Department tomorrow. They will give you, I think, more accurate figures. We don't have that breakdown.

Senator YOUNG. Do you support the Purcell bill as is or with some recommendations?

Mr. GRAHAM. We would support it if it can be used as a basis for moving into the type of legislation which you and Senator Carlson have introduced here, and which Congressmen Andrews and Jensen have introduced on the other side.

Senator YOUNG. Thank you.

The CHAIRMAN. Thank you very much, sir. All right, Mr. Horning and Mr. Kendrick. Will both of you identify yourselves? Do you have separate statements?

Mr. HORNING. Mr. Kendrick does not have a statement. I have a separate statement.

The CHAIRMAN. Will you identify yourself?

Mr. HORNING. Mr. Kendrick is our executive vice president stationed in Washington at our office.

**STATEMENT OF ANSON HORNING, PRESIDENT, NATIONAL
ASSOCIATION OF WHEAT GROWERS, LARNED, KANS.**

Mr. HORNING. Mr. Chairman, and members of the committee, my name is Anson Horning and I am president of the National Association of Wheat Growers. I live at Larned, Kans., and operate a family-size wheat and feed grain farm.

May I commend you, Mr. Chairman, for holding these hearings on wheat. I appreciate this opportunity to appear before you.

Senator HICKENLOOPER. Mr. Horning, do you mind an interruption?

Mr. HORNING. Not at all.

Senator HICKENLOOPER. How big is your farm?

Mr. HORNING. I have an allotment of 470 acres of wheat and a little larger allotment of feed grain.

Senator HICKENLOOPER. How much?

Mr. HORNING. About 700.

Senator HICKENLOOPER. The reason I asked is we have had discussions here over the years about what is a family-sized farm, and you said you operated a family-sized farm. I was just trying to get your idea of what a family-sized farm is.

Senator JORDAN. I have got to get the North Carolina farmer bootied up to that family-sized farm. I believe I run about 3,500 acres.

Senator HICKENLOOPER. That is about 1,100 acres. I don't know just what yardstick we use on a family-sized farm.

Mr. HORNING. It might make a little difference as to exactly how many of those acres you plant also.

The CHAIRMAN. This is is fine place to grow wheat in Kansas.

Mr. HORNING. That is right.

The CHAIRMAN. One of the finest, I suppose.

Mr. HORNING. I believe so. I might say that on one of these units, for your information, I have a 27-acre wheat allotment on a section of ground.

Senator JORDAN. How many sections do you have?

Mr. HORNING. My total operation is about 1,800 acres.

Senator YOUNG. It makes a lot of difference in an area in which you live.

Mr. HORNING. Sure.

Senator YOUNG. A half-section farm in the Red River Valley, of North Dakota, probably would be equivalent to a section and a half in the western part of the State and possibly five sections in some parts of the State such as the Badlands.

Mr. HORNING. I may add further for your information, I started farming, truck farming, in order to get enough money to buy some tractors so that I could go into farming just a few years back, and raising 10 acres of cantaloups and trucking them around all over the State of Kansas requires as much labor possibly or more than quite

a number of acres used for wheat and feed grain production. So there is this difference that we must recognize.

Senator HICKENLOOPER. I am not criticizing your operation. I am just wondering what a family-sized farm is.

Senator JORDAN. We have never been able to arrive at that answer yet, have we?

Senator HICKENLOOPER. We have never found it.

The CHAIRMAN. Even in the allotted area there is that much difference in the production on acreage there.

Mr. HORNING. You mean the number of wheat acres allowed?

The CHAIRMAN. Yes.

Mr. HORNING. Yes. That is the reason I am a wheat and feed grain farmer. This was originally used for feed grain on this particular plot of ground.

The CHAIRMAN. I am somewhat familiar with the Larned, Kans., area.

Mr. HORNING. Yes, I know.

The CHAIRMAN. Because I pitched wheat there in 1910.

Mr. HORNING. That is fine.

The CHAIRMAN. On a farm around Larned. I don't believe there is a better area, on the whole, in Kansas.

Mr. HORNING. That is right.

The CHAIRMAN. Than the Larned area. You may proceed, sir.

Mr. HORNING. Thank you, Mr. Chairman. I would concur.

Serious consideration of wheat legislation at this time is extremely important to wheat producers and all wheat producing areas. I am sure the committee is aware, too, that unless wheat legislation is passed prior to the 1964 harvest, wheat income will take a drastic reduction. We feel, that if this is allowed to happen, it will have a very adverse effect on many other segments of our economy, particularly those that are closely related to the wheat industry. Many rural businesses and factory workers will feel the impact of reduced farm income.

Senator YOUNG. May I interrupt there?

Mr. HORNING. Yes, indeed.

Senator YOUNG. You say it should be passed before the 1964 harvest. If no legislation is passed under the present law, farmers will have to vote again on the existing program.

Mr. HORNING. This is correct.

Senator YOUNG. Another referendum must be held on the compulsory wheat certificate law prior to June 15?

Mr. HORNING. This is correct, and we feel this would be very unfortunate.

Senator YOUNG. They will both have to be before June 15?

Mr. HORNING. For the 1965 crop.

There are those who are saying that because the present market price of wheat is above the support price—there is really little need of a wheat program. The facts, in our opinion, simply do not support this theory. Even with prospects of exporting 900 million bushels of wheat this marketing year—we would still have approximately 800 million bushels of wheat on hand—plus an estimate crop of about 1.3 billion bushels with harvest beginning about the first of

June. Thus by August we will have something over 2 billion bushels of wheat placing downward pressure on the market. If we do not get a new program and the support price remains at a \$1.25 per bushel as is now indicated, we certainly believe that by August 1, the market price will be close to the support price. Growers simply cannot stay in business very long with \$1.25 wheat and present production costs continuing to rise each year. I am sure, too, the committee realizes that once the support price of wheat is maintained for a season at \$1.25 per bushel, it would be most difficult to raise the price to profitable levels again. Farmers will have been badly hurt and consumers will not benefit since bread prices will not go down with wheat prices. This is another reason, Mr. Chairman, we feel there is urgent need for immediate action on wheat.

There are some who say that if we just abolish all farm programs and let the farmer produce more he would improve his net income. As you know, Mr. Chairman, during the past several years a number of studies have been made by our agricultural economists both in the Department of Agriculture and in our land-grant colleges, on what would happen to prices and net farm income if we abolish all farm programs? Without exception these studies indicate that farm programs have made an important contribution to farm income in recent years—they show that it is a great misconception to believe that farm income would be improved in the near future if Government programs were abolished—and indicate that serious loss of farm income would be the result. In fact they show that farmers net income would drop from 35 to 50 percent within 5 years.

More recently, Professor Heady, executive director of the Center for Agricultural and Economic Adjustment, Iowa State University and his associates find that after allowing for the effect of lower prices on production, if all price supports, diversion, conservation, and export subsidy programs were discontinued for feed grains and wheat, within the next 5 years, net farm income would fall by 40 percent.

On the other hand, they conclude, if a combination of price support, acreage diversion, and export subsidy programs are continued, farm income can be maintained at current levels without further increase in Government costs. Mr. Chairman, we believe that is the route we should take.

We do not agree with those who say the "No" vote of last May indicated that farmers are opposed to all programs. We believe the vote was in opposition to a mandatory program. The very fact that most all wheat growers seeded within their allotments in 1963 to avoid a 6 to 8 percent loss of wheat history, is further proof that farmers did want and expect a wheat program. If they had not wanted a wheat program, why should they have been concerned at all about their wheat history?

The National Association of Wheat Growers joined with eight other general and commodity organizations on December 13, 1963, in urging prompt passage by the Congress of voluntary wheat legislation in 1964.

The CHAIRMAN. Does that mean that your association is willing for the Congress to let the law as it is now written stand, and make it on a voluntary basis rather than compulsory?

Mr. HORNING. Mr. Chairman, yes, and just a little bit farther here I will analyze the entire situation of our association.

It is the next paragraph.

On January 10, 1964, the National Association of Wheat Growers completed their 14th annual convention. The wheat grower delegates unanimously endorsed the voluntary certificate plan for wheat and urged its prompt enactment into law.

There are a number of bills before the Senate which embrace the voluntary certificate approach. Senator McGovern introduced the first of these bills last July. The bill introduced by Senator Young of this committee and cosponsored by Senator Carlson of Kansas includes the essential features of a voluntary certificate program. Senator Burdick's bill introduced last week contains many features acceptable to our association.

The National Association of Wheat Growers is on record in support of a McGovern type voluntary certificate program. We have confidence in the Congress and in this committee to write a good wheat certificate program, using the best features of several bills now before the committee.

It is our opinion that in order to be effective 80 to 90 percent participation in any program is necessary. The value of the certificate will have to be high enough to encourage participation. Substantial improvement in farm income is the key to the success of any voluntary program.

Mr. Chairman, we sincerely believe that a voluntary certificate plan will accomplish the following for wheatgrowers:

1. Substantially improve income over present prospects.
2. Cost less than programs of recent years.
3. Continue to reduce Commodity Credit Corporation costs.
4. Will strengthen the voluntary feed grain program.

May we respectfully urge the committee to give serious consideration to this approach for a wheat program for 1964 and later years.

The CHAIRMAN. Now are you able to answer my question?

Mr. HORNING. Yes, we do support it.

The CHAIRMAN. As written on a voluntary basis?

Mr. HORNING. On a voluntary basis, definitely.

I would like to insert this. This is a house concurrent resolution passed by the Kansas Legislature by the committee on agriculture passed by, I believe, about a 78 to 19 vote. It is memorializing the Congress of the United States, U.S. Secretary of Agriculture to provide for a voluntary-type wheat program which will improve the economic condition of wheat producers in the United States.

The CHAIRMAN. Does it mention the present law now?

Mr. HORNING. They did not mention the present law. I would like to have that inserted.

The CHAIRMAN. Do they state what they would like?

Mr. HORNING. Very much along the line where they could not possibly get into that but it is stated very much along the lines of what we have.

The CHAIRMAN. Without objection it will be placed in the record at this point.

(House Concurrent Resolution No. 12 follows:)

[Budget Session of 1964]

HOUSE CONCURRENT RESOLUTION No. 12

(By Committee on Agriculture)

A CONCURRENT RESOLUTION memorializing the Congress of the United States and the United States Secretary of Agriculture to provide for a voluntary type of wheat program which will improve the economic condition of wheat producers in the United States

Whereas the production of hard red winter wheat of superior breadmaking quality is the largest agricultural industry in the State of Kansas, and is one of the basic industries of our Nation; and

Whereas the economy of the State of Kansas is largely dependent upon the prosperity of the wheat industry; and

Whereas many businesses such as transportation, milling, storage and merchandising, baking, wholesaling, and retailing, and all working people, as well as a vast field of agribusinesses are affected adversely by losses of income in the wheat industry; and

Whereas any adverse effect in our economy will affect State budgets and revenues and prevent accomplishment of the will of the people through governmental activities; and

Whereas a similar situation exists in all major wheat-producing States: Now, therefore,

Be it resolved by the House of Representatives of the State of Kansas, the Senate concurring therein, That we respectfully urge and request the Congress of the United States and the Secretary of the United States Department of Agriculture to provide a voluntary type wheat program for the wheat producers of the Nation. Any new legislation recommended and passed should provide for the maintenance and improvement of income and also allow some of our wheat production to be competitive in the markets of the world.

Be it further resolved, That the secretary of state be directed to transmit enrolled copies of this resolution to the President and to the Secretary of Agriculture of the United States, and to each member of the Kansas delegation in the Congress of the United States.

The CHAIRMAN. Any further questions?

If not, we thank you very much.

Mr. HORNING. Mr. Chairman, I do have with me the president of the Washington Wheat Growers Association who would like very much to present a very, very short statement at this time if it meets with your approval.

The CHAIRMAN. Sure, let him step forward and place it in the record if he desires and comment on it if he wishes.

You may proceed.

**STATEMENT OF JOHN V. FISHER, PRESIDENT, WASHINGTON
ASSOCIATION OF WHEAT GROWERS, LIND, WASH.**

Mr. FISHER. I am John V. Fisher of Lind, Wash., operator of a family-sized wheat farm. As president of the Washington Association of Wheat Growers, I represent our 3,200 members here today.

Senator YOUNG. How big is that farm? This is a question we have been asking other witnesses.

Mr. FISHER. I use the definition of the Department of Agriculture under this. My understanding is that the farmers do not use more than 1½ additional man-years of labor to qualify under their definition of a family-sized farm. I have one man full time. We hire two boys in harvest to drive the trucks of our wheat harvest.

The CHAIRMAN. What is the size of that farm?

Mr. FISHER. You mean in acres?

The CHAIRMAN. Yes.

Mr. FISHER. We will run about 1,500 acres of crop this year.

Senator JORDAN. Do you follow the practice of a great many of the large farmers who are employing commercial people to plow your fields and to harvest, both?

Mr. FISHER. No, sir. We do all the work on our place. I run one tractor and the other man runs the other. I run one combine and he runs the other. We use two combines in harvest. In the Pacific Northwest we have to use combines which compensate for the hills. These are not the kind of machines that custom harvesters use in the Plains area.

It costs us about twice as much to harvest our land. These machines cost roughly \$5,000 more than the prairie-type machine. The acres are all located in one relatively small area and the combine people do not come through. There is very little custom work done. There is some in the basin, the Columbia Basin under the irrigation.

Occasionally a man will go across the fence and help his neighbor if the man is sick or gets behind for some reason, but I would say almost 100 percent of the work is done on farms in this area by the person that is operating it with machinery that he owns.

Occasionally they will own a piece of equipment together that is not very frequently used, you see, and share the cost as well. Have I answered?

Senator JORDAN. Yes.

The CHAIRMAN. What do you grow aside from wheat?

Mr. FISHER. I do grow a little barley because of the allotment program. We are at the present time partly in the soil bank program too, and we would be interested in what Congress is going to do with this.

The CHAIRMAN. The soil bank?

Mr. FISHER. Yes.

The CHAIRMAN. You are not for that, are you?

Mr. FISHER. Well, in our area, that is what I am trying to explain here, but in our area barley is so unprofitable, let me put it this way, an uncertain crop and so there is participation in the soil bank because we do not like to grow barley.

Senator YOUNG. You do not have many other crops you can raise in this particular area?

Mr. FISHER. That is correct. We can grow rye. The point I make here is we don't like rye because it gets in our ground and then we don't grow a good quality of wheat because we have rye in the wheat.

Senator YOUNG. It is hard to keep it out of the wheat.

Mr. FISHER. Our State is a member of the National Association of Wheat Growers. We support good new voluntary wheat legislation of a multiple-price nature to start with the 1964 crop. I wish to supplement briefly the remarks of Mr. Horning in a couple of areas.

1. Substitution clause: Of particular importance to us is the substitution clause, the right to grow wheat on feed grain base acres. A substitution clause should be in any new wheat legislation. It is especially needed in our drier areas for reasons of soil conservation and good farming practices. Under the past programs we first turned to barley as an alternative crop. Its agronomic characteristics of less hardiness and shorter roots make it a far more uncertain crop. With

a poor crop there is little stubble to control wind erosion, so land starts blowing away the following year when the field is in summer fallow. Nature's ordinary method of preventing blowing by crusting the ground with a rain shower does not happen in our area because we only rarely receive any rain during the summer. Once blowing has started, it is next to impossible to stop.

Many growers then turned to rye for their feed grain base acres because it produces more straw. This has resulted in a serious volunteer rye situation with fields spotted with rye. In some areas this rye infestation is bad enough to reduce the grade of the wheat, with a monetary loss to the farmer. Land values also drop in areas of rye infestation. It seems wrong that our Government program should directly cause wind erosion difficulties and rye infestation.

From a management viewpoint a single crop is more economical to produce. There are less odds and ends of remaining seed, no mixing of grains in drills, trucks, and combines, and fewer commingling errors in storage. A single crop in our area results in a higher quality product.

Realizing the substitution clause should not add to the wheat surplus problem, we recommend that the low price in a multiple price plan be set so that wheat grown on these feed grain acres is truly competitive on a feed value basis.

The wheat growers of Washington, therefore, urge you to include a substitution clause in new wheat legislation.

2. Permanent legislation: New wheat legislation should be permanent legislation. This would permit better planning and more efficient farm operations in our area where we farm with a summer fallow cycle and must make decisions a year ahead. By making new legislation permanent we would also prevent reverting to the present mandatory legislation which is unacceptable to our wheatgrowers.

3. Anfuso amendment: From the farmer's point of view no new wheat bill would be truly voluntary if the Anfuso amendment provisions are permitted to apply. We believe a proper voluntary program would permit a farmer to overseed without the penalty of reducing his wheat base, although, of course, he should not be able to enlarge his wheat base by overseeding. The Washington Association of Wheat Growers, therefore, recommends that the Anfuso amendment be modified to eliminate the penalty provision while retaining the control feature.

I thank you for this opportunity to appear before the committee.

The CHAIRMAN. Thank you. Any questions?

Senator JORDAN. May I ask one question?

The CHAIRMAN. Surely.

Senator JORDAN. How much does a little rye mixed into your wheat penalize you?

Mr. FISHER. It depends entirely on the mixture of how much, but if it is enough to count, it will cost you 2 cents a bushel, I mean the smallest amount. Then, of course, if you get up to where it is sample grade, this can cost you 15 cents a bushel.

Senator JORDAN. What do you mean sample grade?

Mr. FISHER. This is, I believe, when it is 5 percent of the grain is sample. I am not too sure but they just changed it. That is why I can't be sure.

Senator JORDAN. What does that do, throw it into feed grain rather than edible flour?

Mr. FISHER. No, it makes it very difficult, because the miller doesn't want it. He can usually get enough grain that does not have a mixture to use it. And frequently where normally you might have a choice of selling it to three people you may only have one miller who is willing to accept grain that has rye in with it, you see.

Then you aren't sure whether you can just get the grain standard dockage or whether he will say "I will give you a nickel less for it, because you don't have the others to go to."

Senator JORDAN. It doesn't hurt the bread itself?

Mr. FISHER. No, I don't believe so. It is just in their milling operation. And they can buy it cheaper.

Senator JORDAN. It just gives them an excuse to buy it a little cheaper; is that the idea?

Mr. FISHER. And then, also, rye gets in the ground, you will probably have this problem, you see.

Senator JORDAN. I know, you would have voluntary rye come up right along. I don't see how it hurts the milling properties or the bread, either one.

Mr. FISHER. You are correct. I agree.

The CHAIRMAN. How does it affect the price support?

Mr. FISHER. There is a schedule in the price support.

The CHAIRMAN. Depending on the quality?

Mr. FISHER. Depending on the quality and quantity.

Mr. HORNING. Mr. Chairman, we do have that problem at times and have it in our area. It does cut down on the milling quality of the wheat in our area if there is too much rye, and it really starts cutting down. It is not as good a product.

Senator YOUNG. It is very difficult to screen out, too?

Mr. HORNING. Yes.

Mr. FISHER. Yes.

(Discussion off the record.)

The CHAIRMAN. Thank you very much.

Senator YOUNG. Mr. Chairman, I would like to ask a question on the Anfuso amendment. How do you intend to, or how would you recommend modifying that? These are good witnesses, Mr. Chairman. They are actual wheat farmers. They live with these problems.

Mr. FISHER. The Anfuso amendment, as I understand it, was put in originally to keep a man from building up his base by overseeding.

Senator YOUNG. That is right.

Mr. FISHER. Now, it is turned around that, for example, in this coming year if a man exceeds his allotment, then in future years his allotment becomes his base, which then means that he hasn't got the free choice of staying within his allotment or not. We would suggest that that provision be taken off, you see. If he exceeds his allotment, his base would remain the same. But on the other hand, if he exceeded his base by planting, he would not be able to build up his base. As it used to be in 1957 I believe—

Senator YOUNG. Which would probably be the case if you simply repealed the Anfuso amendment.

Mr. FISHER. I don't know the technical language of how to do that. I don't know the answer to that.

Senator YOUNG. Thank you, Mr. Chairman.

Mr. HORNING. Mr. Chairman, I would like to make one comment. I am not sure on this, but on this Anfuso amendment it is a purely voluntary program. I think it possibly sort of takes care of that deal in that it is not active. It would not increase or decrease the allotments if a man did not choose to go into the program.

Senator YOUNG. This is a question that comes up.

Mr. HORNING. Yes.

Senator YOUNG. It comes up much in North Dakota. In fact we are the State that lost the most acreage before this was put into effect when other States overseeded, and we didn't. We stayed within our allotments. We lost acreage while other States gained. Since the Anfuso amendment has been in effect we have been gaining back a little of the acreage that we lost in previous years. But I can see your point that it is truly a voluntary program and you probably shouldn't lose acreage.

Senator HICKENLOOPER. Mr. Chairman, one question I would like to ask Mr. Fisher. With respect to the substitution clause, I understand that you advocate permitting the growing of wheat on feed grain acres allotment.

Won't that contribute to additional wheat?

Mr. FISHER. It will contribute to additional wheat but it will reduce the amount of feed grain produced, so the total tonnage of grains would be very nearly the same.

You see you are growing it on acres where you would be growing this barley or the rye.

Senator HICKENLOOPER. I am just wondering why, if there is a feed grain allotment and a wheat allotment, why one shouldn't stick to those allotments.

Mr. FISHER. The only reason we are growing barley now is because we were prohibited from having wheat. We would be all wheat and it used to be before the program, I mean 100 percent.

We never grew any feed grains at all. The only reason we are growing barley at all is that they took away the right for us to grow wheat on all our acres.

You see we are growing barley on the acres that were diverted and the barley man to the northern end of the State is growing wheat on his acres he is diverting from barley.

The only overall gain is the little bit less efficient we are in growing barley than he is and he is a little less efficient in growing wheat than he is barley. So there is a slight gain here.

Senator JORDAN. Can you grow any corn in your area?

Mr. FISHER. We get about 91½ inches of rain. We can't grow corn where we are.

Senator JORDAN. You don't have any irrigation?

Mr. FISHER. No, sir.

Senator HICKENLOOPER. Wasn't the basic purpose to reduce production, and don't you defeat that purpose by this kind of suggestion?

Mr. FISHER. No, because you are substituting one for the other. We want to grow wheat—

Senator HICKENLOOPER. I understand, but it all contributes to the feed units produced in the country.

Mr. FISHER. As I say, I think it would be just the exchange of one group for the other.

Senator HICKENLOOPER. I understand, but that runs counter to any idea of reducing total units, doesn't it?

Mr. HORNING. May I comment, Senator?

Senator HICKENLOOPER. Yes.

Mr. HORNING. In my area, for example, as the wheat base was brought down, not the wheat base but from the wheat base his allotment was brought down, east of where I live that just naturally went into feed grains, so those producers have the feed grain base. They have been growing it. Now as it is cut down, it has gradually increased more and more feed grain, and especially in areas where the potential of irrigation, that has come up, and actually by squeezing down on this, we have had more feed grain produced.

As far as feeding units is concerned, in a large number of areas you can get more feeding units produced per acre than you can by growing wheat, and this is definitely true on my farm.

Mr. FISHER. This would be true in our heavier rainfall areas. They would not use the substitution clause in the high rain areas in the wheat producing areas of Washington. It is only in the dry areas where the substitution clause would be helpful.

Senator HICKENLOOPER. I am just wondering what the basic philosophy is. Is it to reduce the surpluses or is it to continue the production of surpluses in various grains, wheat and feed grain?

Senator YOUNG. If we have a voluntary program the farmers can raise all they want to. If we had a control program, with mandatory controls, I think it would be bad to let them increase their production. But under this program you don't attempt to force them to cut down.

Senator HICKENLOOPER. Not a voluntary program.

Mr. FISHER. The voluntary program as I understand it, the farmer is faced with a very simple situation. He needs so many acres that he doesn't grow crops on, a certain sized inducement to do this, and he compiles certificate. If he takes this cutback of land with nothing being grown on it then you offer him this and he has the choice to make up his mind.

If he decides to seed all his acres to whatever grain he wants, then he doesn't get this.

The CHAIRMAN. All right.

Any further questions? If not, we thank you both very much.

Senator YOUNG. You have done a good job.

The CHAIRMAN. Mr. Creed.

STATEMENT OF JOSEPH M. CREED, GENERAL COUNSEL, AMERICAN BAKERS ASSOCIATION AND BISCUIT & CRACKER MANUFACTURERS' ASSOCIATION

Mr. CREED. Members of the committee, my name is Joseph M. Creed. I am general counsel to the American Bakers Association and the Biscuit & Cracker Manufacturers' Association on whose behalf I appear today.

As the largest domestic users of what flour in the manufacture of bakery products, we have a direct interest in any legislation which controls the production and distribution of wheat. The baking industry uses as wheat flour approximately two-thirds of the 600 million bushels of wheat consumed annually in the United States.

I intend to direct my testimony primarily to an area in which there seems to be considerable misunderstanding, with the hope that the relationship between the price levels of wheat and bakery products, particularly bread, can be clarified.

In connection with pending wheat legislation, such as H.R. 9780 which is now before the House Agriculture Committee, there have been many references from various sources that the certificate plan, in effect, will be a "bread tax." Proponents of the plan have denied this would be so, and both sides refer to statements and comments by the industry which source is not further identified.

We believe it will be helpful to the committee in its consideration of this important piece of legislation to have this issue put in proper perspective to avoid misunderstanding as to the impact of wheat prices on bread prices.

As has been frequently pointed out by the Department of Agriculture, the value of the wheat in a 1-pound loaf of bread at current prices is approximately 3 cents. If the price of wheat were the only cost consideration in a loaf of bread, an increase per bushel of wheat of approximately 60 cents would be required to raise that value by another cent.

The loan value of wheat for the current year is \$1.82 a bushel. A program which would increase the farmer's guaranteed return to \$1.95 or \$2 per bushel obviously falls short of the 60 cents per bushel which is estimated to be necessary to bring about a direct 1-cent increase in the baker's cost of manufacture of a pound of bread. Wheat is just one component of the many costs which enter into its manufacture and sale, and ordinarily would never be the sole determinant as to whether the price would be increased or decreased.

The point is that many other considerations enter into the determination of the selling price of a loaf of bread, including the costs of manufacture, distribution, other ingredients, packaging and wrapping, advertising and promotion, wages and salaries, and transportation. No one of them, any more than the price of wheat, is the sole determinant in the price of a loaf of bread. It is the sum total of all of them and they are all calculated in fractions of a cent.

These other costs constitute a much larger percentage of the total cost than does wheat, even though wheat flour comprises two-thirds of the ingredients in a loaf of bread. Because all of these costs are generally in a rising trend, it is entirely conceivable that bread prices could rise, whether the price of wheat went up or down.

It is unrealistic and a distortion of economic realities to blame either the wheat farmer or the baker by relating a price increase in bread to fluctuations in the price level of wheat when it requires, as I have pointed out, an increase of 60 cents a bushel to effect a direct increase of 1 cent in the cost of manufacture of a pound of bread.

The wheat certificates plan now under consideration may be a sound solution to our surplus wheat problem as its proponents claim. It may be a bad plan and unworkable as its opponents charge. The baking industry cannot say whether the proposed certificate plan is the best possible solution to a difficult problem; but we favor a workable plan which will provide some assurance to the wheat farmer of a fair return for his crop. At the same time, such a plan should not impose an unfair burden on the consumer.

We are concerned that the certificate plan seems to have elements of a processing tax on flour which would undoubtedly be passed on to the baker, thus adding to his overall costs. What the ultimate effect of such a tax—if that be the proper term—might be, we don't know. In fact, the entire technique involved in the use of certificates poses many questions, the answers to which cannot be foreseen. Possibly the flour milling industry will have serious problems and added costs under such a system which will necessarily be passed on to the bakers. Only time can provide the full answer.

It would be an injustice, however, to both the wheat farmer and the baker to attempt to lay at their doorstep the cause for higher bread prices when so many cost factors other than the price of wheat enter into the determination of the price of a loaf of bread. These other cost factors referred to above are areas over which the baker has little control.

At this point we would like to inject a further thought for the committee's consideration. Although this proposed legislation is designed primarily for wheat surpluses, perhaps the time is nearer than we might suppose when we should be more concerned over prospects of adequate supplies in the future.

For example, soft wheat this year with an anticipated carryover of only 4 million bushels, roughly 2 weeks' supply, is perilously close to a deficit position even though officials at the Department of Agriculture assure us no Public Law 480 shipments of this variety are being made.

All exports, we are advised, are regular commercial transaction for dollars. The supply picture of soft wheat for the balance of this crop year is causing serious problems for many cake, and biscuit, and cracker bakers. As we and other witnesses at previous hearings have pointed out, soft wheat and hard wheat are not interchangeable for their end uses.

Senator YOUNG. Are you referring to both Soft Red and White wheats?

Mr. CREED. Red and White; yes, sir.

Senator YOUNG. Won't there be more of a carryover than you indicated of Soft White wheat?

Mr. CREED. Sir, the latest figures that we have most recently checked with Agriculture is a carryover of soft wheat of 4 million bushels.

Senator YOUNG. That includes all of the Pacific Northwest wheat?

Mr. CREED. Well, the Pacific Northwest, that is really not usable in the Midwest and eastern areas because of transportation. This is usually exported.

Senator YOUNG. You are talking of soft wheat production, say, east of the Mississippi River?

Mr. CREED. Right, yes.

Senator YOUNG. All right, thank you.

Mr. CREED. Each variety has its role in the manufacture of bakery products. For example, the hard wheats which are in surplus supply are principally the bread wheats. The Soft Red and White wheats are the essential wheats for cakes and cookies. Without these soft wheats, many small specialty bakers of these products would be out of business. We urge this committee, therefore, in view of this current tight supply situation to give consideration to the necessity of an adequate supply of soft wheat.

In a quite illuminating publication entitled "Man, Land, and Food," the Department of Agriculture has recently emphasized the significance of a far-reaching and portentous development; namely, North America is emerging as the breadbasket of the world. In great measure this is occurring because the less developed world is steadily losing the capacity to feed itself. This, despite the great technological advances of recent years. With reference to cereals, the publication points out that per capita grain production in the less developed world is now lower than it was before World War II.

The import of these facts should not be overlooked nor underestimated. We may already have reached the turning point without being fully aware of it, and the problem of grain scarcity might be the force to contend with in the not-too-distant future. The time for a complete reappraisal by the Congress of our posture on food supplies in the light of our increasing role as the world's breadbasket may be at hand.

The CHAIRMAN. To what extent would the certificate plan affect the cost of wheat in contrast to the regular price supporting program we have had in the past.

Mr. CREED. Well, Senator, under present support level, \$1.82, and the plans that have been advanced range from \$1.95 to \$2 support price, the Purcell bill, and Senator Burdick have suggested that it be to a level of \$2.50, but if we take the bill that is now before the House Agriculture Committee, that would work out to 18 cents maximum.

Senator JORDAN. Excuse me, you lost me, 18 cents on what?

Mr. CREED. \$1.80 per bushel, \$1.82 which is the present loan price.

Senator JORDAN. Right.

Mr. CREED. As against the \$2 loan level that is contemplated by the Purcell bill.

Senator JORDAN. Oh, yes.

Mr. CREED. Of course, under present law, if Congress does not change it, the loan level drops to \$1.25; whether or not the price would drop that low on wheat is something else again.

The CHAIRMAN. What I had in mind was not under the present law but the old law under which we—before we put in the present law.

Mr. CREED. Yes.

The CHAIRMAN. In that case, the price support was fixed at a given rate.

Mr. CREED. Yes, sir.

The CHAIRMAN. And what advantage is it to have it that way than the certificate plan insofar as price is concerned?

Mr. CREED. In terms of price as such there may be little or no advantage.

The CHAIRMAN. That is what I thought, that is why I am asking the question.

Mr. CREED. This plan presumably is intended to devise a different technique which it is hoped will ease the surplus supply of wheat.

The CHAIRMAN. Suppose it is geared to the planting of, say, not less than a billion bushels but with a price support fixed at so much which in my judgment would result in almost the same price supports, that is the method of figuring as you had under the law which preceded the present law.

Mr. CREED. I think generally speaking that would be pretty much the case.

The CHAIRMAN. Yes.

Are there any further questions?

If not, we thank you very much—

Senator JORDAN. I was very interested in that soft wheat carryover thing. That is the type wheat we grow entirely, isn't it, down in North Carolina?

Mr. CREED. Yes, it is in Piedmont.

Senator JORDAN. In the Piedmont area. Incidentally, Senator Young, in this export of wheat to Russia wasn't there a lot of our Durum wheat shipped?

Senator YOUNG. Yes. I will tell you, Senator, we were almost out of production about 5 or 6 years ago because of a new type of rust that infected Durum wheat. I got special Durum wheat legislation passed in 3 different years to increase the production.

Senator JORDAN. I know you did, right.

Senator YOUNG. Now they have developed a new variety which was even more rust resistant than our Hard Spring wheat this year and the yields have been very good and the price has been very good so the production has increased sharply. So, this year we had an expected carryover, I believe, of around 60 million bushels.

Senator JORDAN. And prior to that we were about to have a shortage.

Senator YOUNG. We did have a shortage.

Senator JORDAN. Didn't we exempt the California acreage entirely?

Senator YOUNG. There is a little area, Tulare, that produced Durum.

Senator JORDAN. They were exempt.

Senator YOUNG. There was special legislation to exempt them.

The CHAIRMAN. It was limited to acreage.

Senator YOUNG. I think it was 8,000 acres.

Senator JORDAN. I was reading about all this Durum wheat exporting, and you had special legislation to take care of Durum because of a shortage a few years back.

Senator YOUNG. The shortage was so bad that the makers of spaghetti and other products had to blend in other, less desirable types of wheat.

Senator JORDAN. The only thing was to see that we didn't sell too much Durum and get ourselves into another shortage.

Senator YOUNG. I don't think this will be the case. There will be sizable exports, the total sold is now around 21 million bushels. We will have an estimated carryover next July, I believe, of about 60 million bushels.

The CHAIRMAN. Any further questions?

Senator AIKEN. I think Mr. Creed has been helpful in pointing out the increased need for wheat throughout the world, with the population increasing about 70 million a year. This calls for an increase of roughly, I would say, 200 million bushels a year, and production is nowhere near keeping up with that over recent years. I don't think we want to get down below a year's domestic supply of wheat for our own needs here.

Mr. CREED. We are a little concerned, Senator, that the whole picture might be gradually shifting even as we are contending immediately with surpluses, and before we know it, the demands on our re-

sources of wheat might become so large that we could be scrambling around for adequate supplies.

Senator AIKEN. I think it is justified.

Senator HICKENLOOPER. Do you see any possibility we will not be able to raise enough wheat in this country to meet our domestic needs?

Mr. CREED. Our own domestic needs, no, I do not, Senator.

The CHAIRMAN. Under Public Law 480 we have been giving out a lot, and under the International Wheat Agreement, we pay a heavy subsidy on that. I was looking over the figures the other day and find that since 1933, the cost of the wheat program has been the largest of any commodity. It is around \$11 billion through June 30, through these various programs, of Public Law 480 and the International Wheat Agreement.

Mr. CREED. That is one of the interesting features, incidentally, of the Russian wheat arrangement, that Russia is able to buy the wheat from the United States at prices less than what our own citizens can buy the same wheat for, and that is an area, too, that we think is one of some concern.

The CHAIRMAN. That would hurt you if you import but you don't import.

Mr. CREED. No.

The CHAIRMAN. Of course not.

Senator YOUNG. It is not only the Russians, the rest of the world can buy our wheat under these terms.

Mr. CREED. Every one can.

The CHAIRMAN. The rest of the world.

Mr. CREED. But I think we usually think of the Russians in a little bit different category.

The CHAIRMAN. Yet we couldn't sell any of this wheat abroad except at world prices.

Mr. CREED. That is correct, sir.

The CHAIRMAN. And you sell your products here to a society that is so far ahead of all other societies, that is as far as economy is concerned, that you make a fair profit. If you had to sell, oh, in an economy geared to the Japanese or free China or even to England, you might have cause to complain.

Mr. CREED. I concur with your underlying concept, Senator, but since you raised the question of profit and referred to ours as a fair profit, I would like to point out that the baking industry's profit currently range from zero to about 2 or 3 percent on sales. Just for the record.

Senator HICKENLOOPER. May I ask you this question?

Mr. CREED. Yes, Senator Hickenlooper.

Senator HICKENLOOPER. Is it true that a number of—some, anyway—European countries are buying American wheat, processing it and sending it back here in bakery goods and selling it cheaper than we can make it here? It seems to me that was the case a year or 2 ago.

Mr. CREED. That can be done in the case, and is being done in the case, of biscuits and crackers. The quantity involved is not too great in the biscuits and crackers.

Senator HICKENLOOPER. Well, it is great enough that some manufacturers have had to seriously consider whether they can stay in business or not, isn't it?

Mr. CREED. I don't think that that is quite the case insofar as the biscuit and cracker manufacturers are concerned. There are imports coming in, they have been—they have been a thorn in the side of localized areas.

For example, I know that from Canada there have been shipments in by truck that go very far into many States, and they have offered some pretty rough competition for domestic manufacturers.

Senator HICKENLOOPER. How about Scandinavian countries and the low countries, Holland, Belgium, Denmark, Sweden, and Norway?

Mr. CREED. Usually those are specialty items, Senator, that come in and I have not heard any serious complaints against those.

Senator HICKENLOOPER. I will have to show you some of my letters.

Senator JORDAN. Mr. Creed, may I ask you one question?

Mr. CREED. I would like to see them, because it is a problem.

Senator JORDAN. One question, maybe more than one.

Do I understand you to say the contents of a loaf of bread is two-thirds wheat, if it is wheat bread product?

Mr. CREED. Two-thirds flour.

Senator JORDAN. That would be what flour?

Mr. CREED. Wheat flour.

Senator JORDAN. What is the other third? I know you have some salt in it.

Mr. CREED. Salt, yes, sir, yeast, water, milk, shortening.

Senator YOUNG. Potatoes?

Mr. CREED. If you have potato bread it would run about 3 percent of the bread, 3 to 6 percent. But the Food and Drug definition of bread makes, as the mandatory ingredients flour, salt, yeast, and water and the maximum percentage of water is 38 percent in bread.

Now, part of that——

Senator JORDAN. 38 percent water?

Mr. CREED. That is right.

The CHAIRMAN. You mean after you cook it it is still——

Mr. CREED. No; in the mixing process.

Senator JORDAN. Oh, well, I thought you would be dripping when you got to the house with it. [Laughter.]

The CHAIRMAN. It is in fixing a batch.

Mr. CREED. That is right.

The CHAIRMAN. Any further questions?

If not, we thank you very much, Mr. Creed.

Mr. CREED. Thank you, Senator.

The CHAIRMAN. Has Mr. Mennel come in?

Has Mr. Woodworth come in?

The committee will stand in recess until 3 o'clock.

(Whereupon, at 11:45 a.m., the committee recessed, to reconvene at 3 p.m., the same day.)

AFTERNOON SESSION

The CHAIRMAN. The committee will come to order.

Mr. Mennel, you may have a seat, sir.

**STATEMENT OF DONALD M. MENNEL, CHAIRMAN, GRAIN AND
LEGISLATIVE COMMITTEE, NATIONAL SOFT WHEAT MILLERS
ASSOCIATION, FOSTORIA, OHIO**

Mr. MENNEL. I have Mr. Huffman with me. He is my statistician and expert.

The CHAIRMAN. Will you identify yourself for the record, please, and proceed with your statement.

Mr. MENNEL. My name is Donald M. Mennel. I am president of the Mennel Milling Co., of Fostoria, Ohio, and I am here today representing the National Soft Wheat Millers Association as chairman of their Grain and Legislative Committee.

The CHAIRMAN. Did you appear before this committee previously?

Mr. MENNEL. Yes, sir.

The CHAIRMAN. Have you anything different to say?

Mr. MENNEL. Yes, sir; I believe I do.

The CHAIRMAN. I wish you would add something new instead of repeating what you said before, if you don't mind.

Mr. MENNEL. I have tried very hard to do that.

Senator JORDAN. I don't remember what he said the other time.

The CHAIRMAN. Well, it is in writing.

Mr. MENNEL. The National Soft Wheat Millers Association has member companies representing approximately 80 percent of the total commercial Soft wheat milling production of the United States.

I want to thank you very much for granting me this opportunity. Our association appears in the past during other hearings. We hope, because of our intense interest in Soft wheat and the welfare of the eastern farmer who raises it, that we will be back again when there is a need for it.

In our earlier presentations we have repeatedly tried to prove that the idea that "wheat is wheat" is wrong. We have presented at length to your committee the very great differences in end use, in geographic origins, and in farm types raising the different kinds of wheat.

It is vital to the welfare of this Nation to keep wheat growing east of the Mississippi River on the many small farms where it has been a major crop since long before the areas raising the great surpluses of Hard Red Winter wheat were populated.

Soft Red Winter and Eastern White wheats are raised for a purpose. They are primarily consumed in the domestic market. They are not in surplus. They are not a problem. They are raised on the majority of the farms by a majority of the farmers in the United States. Any solution that fails to allow for this vital difference cannot possibly succeed.

At some time and in some way we must face the problem squarely. We have studied all the major proposals currently being considered and we do not feel any one of them, taken alone, will effect the cure.

President Johnson's annual Economic Report to Congress states:

The contribution of our Nation's economic growth made by rising agricultural productivity is too often overlooked.

We believe the job the eastern farmer has done of raising wheat for use is also "too often overlooked." Secretary Freeman, in Amarillo, recently asked the question:

Do you produce wheat in order to sit on it or do you produce wheat in order to sell it?

We have been asking this same question for years. We believe many American farmers do not raise wheat to sell to any market other than the Government. We further believe any legislation must recognize this and must take corrective action.

It seems to us that the wheat situation can and should be divided into four component parts in order to simplify and place in proper perspective the many complexities of it.

The first and very obvious component is that of domestic demand. The second is exports to friends with money. The third is exports to the developing nations, hoping to win their friendship. The fourth, then, is exports to our enemies.

I will skip momentarily the first, the domestic issue, because I believe it is the most vital and will come back to it when we have looked at the other three.

We believe that American productivity can be accelerated or decelerated at will by Government subsidies. The history of the Hard Red Winter wheat area has proven this year after year. It naturally follows then that we can raise sufficient wheat for whatever export markets we choose to serve. The choice and size of these markets is a matter for the State Department, the Defense Department, the executive branch, and Congress to make. Thus, exports have no direct relationship with a wheat control program.

So much for exports of wheat. I would like now to return to consideration of the domestic situation.

It seems to us to be of prime importance to raise the kind of wheat needed to supply the domestic demand economically. This need far overshadows any of the problems of exportation.

Any legislation should ultimately create a price structure which encourages production of the proper qualities and quantities of wheat and discourages production of improper qualities and quantities. None of the present and past legislation has done this.

While bringing production into this form of balance, it should include mechanisms to make the transition to logical production as painless as is economically possible.

Farmers who knowingly raise qualities and quantities of wheat which are not needed should not receive the same consideration as farmers who recognize the national welfare and plant wheats for real markets. The farmer who intentionally and repeatedly plants wheat which he is relatively sure will end up in Commodity Credit Corporation inventory has failed to raise a crop for a real market.

The support program was never intended to provide a market, a profitable market, for wheat. Its original concept, with which we have no quarrel, was to prevent disastrous price declines, to create a floor under the market, to reduce farmer risk, to stabilize the market for wheat. It has done all of this, but it has done much more. It has provided a built-in profit for certain farmers, certain warehousemen, and certain processors. It has created market and supply distortions and it has, above all, cost American taxpayers vast sums of money.

This is an old program. We believe it would be pertinent to ask how we have done in recent years. There are huge quantities of statistics on the subject and at the risk of oversimplification we would like to present the following idea. We have used the average domestic disappearance for the last 5 years as our basis. We have reduced usage to a weekly level by dividing by 52 weeks and we have compared the average weekly domestic usage to the carryover of wheat by types as of July 1, 1960, and the October estimates for July 1, 1964. We have also indicated the average weekly domestic usage by millions of bushels and then we have shown the July 1, 1963, ownership of wheat by Commodity Credit Corporation in terms of weekly usage.

Comparisons of wheat types by average weekly domestic usage

Type	Average weekly domestic usage, in millions	Expressed as weeks of domestic usage		
		Carryover September 1, 1960	Carryover September 1, 1964	CCC owned September 1, 1963
Hard Red Winter.....	5.1	196	97	178
Soft Red Winter and Eastern White.....	3.0	4	2	1
Hard Red Spring.....	2.7	81	60	67
Durum.....	.5	36	112	34
Other White.....	.3	217	23	30

There are several points which should be emphasized about this table, please note that Soft Red Winter and Eastern White constituted the second most important domestic demand. Note also that on July 1 last, CCC owned enough Hard Red Winter wheat to last for more than 3 years, but only enough Eastern Soft wheat to last for less than 1 week. It is also interesting to note that only a short 2 years ago Durum was sufficiently scarce to require special legislation and it is now a growing problem.

The CHAIRMAN. Isn't it a fact that the reason why this wheat, as you say, should be grown for the market and not for CCC storage, is that it is sold and not put in the loan program?

Mr. MENNEL. Yes, it is sold because there is a market for it to be sold in.

The CHAIRMAN. Yes. Well, what disturbs me is how would you handle the problem by way of supports? I don't think you are against supports.

Mr. MENNEL. I have a proposal here that I think may be quite interesting.

The CHAIRMAN. All right, proceed.

Mr. MENNEL. I think you have anticipated what I am going to say.

Senator YOUNG. You mentioned that Durum was a growing problem.

Mr. MENNEL. Durum, on the estimated 1964 column on my table, indicates a 112-week supply of domestic usage. I think the reason for this is simply because it is a very small domestic usage and a very small crop, and the new legislation allowed more acreage so that there was more grown, and it didn't take very much to develop a large quantity of surplus. That is the wrong word in this case. It is a half-million-a-week usage, and so it doesn't take many millions of bushels to be a large number of weeks of usage.

Senator YOUNG. Do you think the legislation was the cause of the surplus?

Mr. MENNEL. The legislation allowed more to be grown.

Senator YOUNG. But we had legislation for at least 3 years, it may have been 4, in order to get enough for our own domestic use.

Mr. MENNEL. That is right.

Senator YOUNG. The real reason is we developed new varieties which can withstand the rust and had two unusually good crop years.

Mr. MENNEL. This is the one reason why the kind of control program we have can't take those into account.

Senator YOUNG. This problem was taken care of and this is almost the sole reason why there is a big carryover now. The yields are greater for the first time in 5 or 6 years.

Mr. MENNEL. Which is wonderful.

Senator YOUNG. That is the reason, and not the reason you have given.

Mr. MENNEL. Didn't they also increase their acreage very substantially following the new legislation?

Senator YOUNG. They had a certain allotment, and it did permit them to increase some more.

Mr. MENNEL. The combination of the two.

Senator YOUNG. But we had to do this several times.

Mr. MENNEL. Yes.

Senator YOUNG. And the first three times—in fact, it didn't have any affect until we developed new varieties, at least not much affect. We were still not producing all we needed. I know something about Durum. I have lived with it all my life.

Mr. MENNEL. Yes, I realize that, sir, and I don't pretend to be an expert in the Durum field. The only thing that I had to mention it was because it indicated that there was a substantial surplus of domestic usage.

Senator YOUNG. Yes.

Mr. MENNEL. It was because it indicated that there was a substantial surplus of domestic usage.

Senator YOUNG. Yes.

Mr. MENNEL. And based upon the kind of figures that I was using.

Senator YOUNG. Most of this is disappearing now, with the sales.

Mr. MENNEL. Yes, it is.

Senator JORDAN. Does most of that go into spaghetti?

Senator YOUNG. Macaroni.

Senator JORDAN. Do they use the same kind of wheat for spaghetti and macaroni?

Senator YOUNG. Yes.

Senator JORDAN. It is the same?

Senator YOUNG. When it was short for several years they blended in other wheat, but it doesn't make as good macaroni and spaghetti. It is darker in color and it is more mushy. There is no substitute for good macaroni than Durum wheat.

Mr. MENNEL. Other wheats aren't more substitutable for Durum.

We do not, at this time, propose to tell you what a "normal" supply of various types of wheat might be. We can say, however, with definiteness that 2 weeks is not enough and over 3 years is too much.

We believe that we have exported every bushel of wheat possible during this period. We further believe that many conscientious

efforts and legislative actions have been made to solve the situation, but we seem to be making haste backward.

Because of our interest in the Soft wheat supply situation, we have discussed the problem of legislative needs widely throughout the area. There has been one possible solution suggested by a group of country elevator operators and farmers in the Soft wheat area which is fresh and novel enough to warrant presenting it to your committee.

We do not presume to tell you what form the legislation should take, but we do believe this solution sufficiently attractive from many viewpoints that it should receive consideration.

Mr. Chairman, this is the part that I think may answer the question that you asked me earlier.

Since a major source of the cost to taxpayers is CCC ownership of wheat, the problem should be attacked at this point. The county support price for wheat should be adjusted inversely with the amount of wheat taken over by CCC each spring. Sedimentation or protein premiums have no place in the support level, since the market demand for this will prevent the proper wheats from entering the loans. On the other hand, the grade factor premiums and discounts reasonably reflecting the prevailing market should apply.

The basic county support price should be set as at present, taking into account transportation costs from terminal markets and so forth, and then raised or lowered depending upon the proportion of the wheat raised in the county taken over finally by CCC compared to the total wheat raised in the county. It should be noted this would not prevent farmers from entering the shelter of the support system following harvest to obtain financing and to hold their wheat for more favorable markets later. It would only reflect the wheat which was not later sold and ended up in CCC inventory because there was no other real market for it at that price level.

The CHAIRMAN. Would that not entail quite a lot of administrative work?

Mr. MENNEL. It seems to me that all of the information that would be required is presently in the Department of Agriculture. They set a county support price, and they know what amount has been taken over by CCC by county. It would be simply applying a factor to that to raise or lower the price.

The CHAIRMAN. As I understand from your statement, you put some kind of restrictions on, wouldn't you?

Mr. MENNEL. No acreage restrictions.

The CHAIRMAN. They could grow what they want?

Mr. MENNEL. Grow what they want.

The CHAIRMAN. And give them a support price?

Mr. MENNEL. I suggested in a table here as a starting point, it would take some study by the Department of Agriculture to determine what should be the table, but if less than 1 percent were taken over by CCC, I would suggest increasing the support price at 5 percent. If there was 1 to 10 percent takeover, don't change it; 11 to 25, reduce it 5 percent.

The CHAIRMAN. How would you do that? When will you make the determination of this?

Mr. MENNEL. I would think this could be made the month following the takeover date.

The CHAIRMAN. Who would lose the 5 percent or increase the 5 percent that you speak of? How would that be handled?

Mr. MENNEL. The farmer who had planted the wheat already. This would be done on the crop that was growing or coming. Your support price is announced on July 1, I believe, of the new year.

The CHAIRMAN. That is correct, but the point I was making is when will you find out percentagewise about the quantity that would be put into the Commodity Credit Corporation that would have the effect of reducing or increasing the price that he would be paid, the support price that he would receive for his wheat?

Mr. MENNEL. This lags on, is it March 31, in most States, when the final takeover date is?

Senator YOUNG. I think that is true.

Mr. MENNEL. I believe it is March 31. So as soon as the Department had put their statistics together, they would know how many bushels were taken over by county. This information is available to them, and at that point that would then be the new support price which they would announce.

The CHAIRMAN. The following year?

Mr. MENNEL. No, for the crop that was going to be harvested.

The CHAIRMAN. The support price is announced before the crop is made?

Mr. MENNEL. Your basic support price could be——

The CHAIRMAN. That is correct, isn't it?

Senator YOUNG. I think that the support price under the new law, it has to be announced by April 5.

The CHAIRMAN. Yes, it is in advance of production.

Senator YOUNG. The staff can correct that if it isn't true.

Mr. MENNEL. Is this April 15, say 1964, for the 1964 crop?

The CHAIRMAN. Yes, but the point is that the support price is announced before the crop is even planted, or should be announced. That is the theory under which the law works.

Mr. MENNEL. This theoretically could have a year's delay. I would not recommend a year's delay on this, however, because this would allow too many distortions.

The CHAIRMAN. Not only that, but the administrative part of this would be difficult if I understand what you are trying to do there.

Mr. MENNEL. I don't feel it would be nearly as difficult as the certificate program. They have all of this information available now.

The CHAIRMAN. As I understand it, you are against the certificate program.

Mr. MENNEL. Yes, sir. I have some comment on that.

The CHAIRMAN. All right, go ahead, but I will tell you, I don't believe that it would be possible to pass a brandnew wheat law this year unless you take the law as it now stands and——

Mr. MENNEL. I suspect this is perfectly true. I also believe, however, that if we get some new ideas fed into the ultimate legislative channel, we will still be hashing on these problems 20 years hence.

The CHAIRMAN. Oh, yes, the same as we have in the past. I agree with you that if we could work out a system whereby the farmers would be encouraged to plant and produce wheat for the market, and not for Uncle Sam——

Mr. MENNEL. Right, this is the idea. This came from a group of country elevator men in Ohio, and I wanted to pass it on because I thought it had some merit.

Senator YOUNG. There is a shortage of Soft wheat produced principally east of the Mississippi River. I have realized that for several years.

Mr. MENNEL. That is correct.

Senator YOUNG. What States would be included, all east of the Mississippi River?

Mr. MENNEL. Generally speaking, Soft wheat is raised in all of them east of the Mississippi River. Ohio, Indiana, Illinois, and Michigan are the largest producers.

Senator YOUNG. The farm organizations, and particularly the Farm Bureau tell our people in North Dakota that if we do away with price supports, the people east of the Mississippi River would quit raising wheat, and the production would go back to the commercial wheat-producing areas, such as ours. You wouldn't agree with that?

Mr. MENNEL. No, sir, I wouldn't. There is a market for it now. We are paying \$2.20 a bushel for wheat in our area right now.

Senator YOUNG. I think you are right because you are close to the market. We think we produce a better wheat though.

Mr. MENNEL. It is a very substantial price above the price support.

Senator AIKEN. About 40 cents a bushel higher.

Mr. MENNEL. 38 cents a bushel above the price support right now.

Senator AIKEN. 38 cents above the support level.

Senator JORDAN. I understand the same situation prevails with our millers in North Carolina.

Mr. MENNEL. Yes, that is certainly true.

Senator AIKEN. What is the reason for it?

Mr. MENNEL. Not enough wheat.

Senator JORDAN. They can't get enough wheat locally.

The CHAIRMAN. They grow the quality they want.

Mr. MENNEL. They raise the quality in the East on the very small farms. When they reduce acreage allotments, this thing is in very close balance. When they reduce acreage allotments, then there is just not enough wheat, period.

Senator AIKEN. How does the yield per acre compare with Hard Spring or White wheat?

Mr. MENNEL. Substantially above it.

Senator AIKEN. It is above it?

Mr. MENNEL. Yes, sir.

Senator AIKEN. Is it because they find soybeans more profitable, or is it because small farms have gone out of raising Soft wheat? Perhaps they have quit raising it.

Mr. MENNEL. This is a part of it, of course.

Senator AIKEN. Does increased demand have something to do with it?

Mr. MENNEL. There is increased demand in it. There is reduced acreage through takeover by highway programs and such things. We lose farms every year to this.

Senator AIKEN. Do you have increased export demand for Soft wheat?

Mr. MENNEL. There is a beautiful export demand for hard dollars.

Senator AIKEN. In Western Europe?

Mr. MENNEL. Western Europe, Spain.

Senator AIKEN. Yes.

Mr. MENNEL. I understand this year that we are going to export approximately 70 million bushels of Soft Red wheat, and only 5 million of this went out under Public Law 480 soft currency.

Senator AIKEN. The planting of that last fall, has there been any increase in planting?

Mr. MENNEL. No, sir; it is practically the same.

Senator AIKEN. The increase has been in the Hard Winter wheat?

Mr. MENNEL. As I understand it, yes, whatever increase there is. It is a very close thing. We also in Ohio and Indiana have had a very, very dry winter and dry fall.

Senator AIKEN. So you think it may be short next year?

Mr. MENNEL. We could well be.

Senator JORDAN. Is the subsidy the same on the soft wheat as it is the Hard Winter?

Mr. MENNEL. Yes, it is now, yes.

Senator JORDAN. It is the same.

Senator YOUNG. Export subsidy? I think the export subsidy on Soft Red Winter Wheat runs lower.

Senator AIKEN. No.

Senator YOUNG. Doesn't that export subsidy run lower?

Mr. HUFFMAN. I think right now it is the same at Atlantic ports and the gulf.

Mr. MENNEL. I think they equalized the ports this year.

Senator AIKEN. I hope they aren't paying an export subsidy on the kind that is short in this country.

Mr. MENNEL. There is only this about it. There is an historic export market for soft wheat.

Senator AIKEN. To Western Europe, the United Kingdom, Spain.

Mr. MENNEL. Yes, and it seems to me to be very unfair to subsidize heavily other kinds of wheat going out and not allow the eastern farmer to at least have his historic hard dollar.

Senator AIKEN. So we subsidize our merchant marine.

Mr. MENNEL. Any hard dollar export is subsidized unfortunately.

Senator YOUNG. Mr. Chairman, could we have the figures put in the record as to the amount of export subsidies for the various kinds of wheat at this point?

The CHAIRMAN. Yes, indeed.

Senator YOUNG. So we have it correct.

Senator JORDAN. At the different ports.

Senator YOUNG. Yes.

Senator JORDAN. That would be at New York, Houston, and New Orleans.

Senator AIKEN. What does your wheat sell for? Hard Spring wheat has been bringing a high price, hasn't it?

Senator YOUNG. Hard Spring wheat consistently sells over the support price, practically all of it. The highest percentage of any wheat produced that goes into baking is Hard Spring wheat.

Mr. MENNEL. I have some interesting statistics later on in here that bear that out. This county-by-county proposal that I made, the percentages in here were not picked at random.

While we believe additional studies should be made by the Department of Agriculture or others to determine the proper levels of premiums and discounts, we suggest the following as a starting point:

Percent of production taken over by CCC:	Change in county support price:
Less than 1.....	Plus 5 percent.
1 to 10.....	No change.
11 to 25.....	Minus 5 percent.
26 to 50.....	Minus 10 percent.
51 to 75.....	Minus 20 percent.
76 to 100.....	Minus 30 percent.

These percentages have not been picked at random, but are intended to reflect, at the bottom of the range, an approximation of the world market price backed off the country level, and at the top, a sufficient premium to be of value to farmers, without offering such a large inducement that other problems will be created later. Our suggestion is a continuing proposal which would require revaluation annually, and as such would be self-policing and self-regulating.

In addition we believe the CCC sales price minimum should be 110 percent of the basic support price plus reasonable carrying charges and without restriction as to use.

Senator YOUNG. Let me ask a question at this point. The Farm Bureau and the GTA, which is a farmers union terminal association at St. Paul, are both advocating 115 percent of parity as the selling price for CCC wheat. Do think that 110 would be better than 115?

Mr. MENNEL. We took the figure of 110 simply to make it sufficiently higher above the market or above the quantities in the warehouse to keep it from being dumped. The 115 would be perfectly satisfactory with us, but 105 would be getting too low.

Senator YOUNG. Which it is now. I think it might be well to try out 110 to see how it works.

Senator AIKEN. Yes.

Senator YOUNG. There are some advantages to a little higher sales price.

The CHAIRMAN. Wouldn't that tend to force the Commodity Credit to keep more of its stocks on hand than necessary?

Senator AIKEN. They have only a year's domestic supply on hand anyway.

The CHAIRMAN. I know, but that is because of the recent sales.

Senator AIKEN. Yes, but they are selling abroad next year, too, anticipating exports of about 900 million bushels.

The CHAIRMAN. That is problematical. It depends on weather conditions.

Senator YOUNG. It would mean a higher export subsidy, but some of the advantages would be that the cash market would operate more freely. The cash price would be above the support levels, and farmers wouldn't be putting as much grain under loans. There would be several advantages such as this.

The CHAIRMAN. Mr. Freeman is going to be here tomorrow afternoon.

Senator YOUNG. Yes.

The CHAIRMAN. We might go into that.

Senator AIKEN. Here is a man representing the buyers of wheat.

Suppose there is no wheat legislation enacted in this Congress. What do you estimate the price of wheat will be next summer and fall when the new crop comes up?

Mr. MENNEL. On soft wheat, with the amount of acreage out and the dry growing conditions and so on, I honestly do not expect much reduction in price.

Senator AIKEN. Any reduction?

Mr. MENNEL. We paid at harvest this last year \$1.75 at our mill. It has gone up to \$2.20.

Senator AIKEN. That covers handling and storage charges?

Mr. MENNEL. And scarcities.

Senator AIKEN. Plus this increase.

Mr. MENNEL. Yes. I would not expect it to be much below \$1.75 at harvest.

Senator AIKEN. What did you pay at harvest time this year, Mr. Mennel?

Mr. MENNEL. \$1.75.

Senator AIKEN. The same?

Mr. MENNEL. Last July.

Senator AIKEN. You would buy for less if you can?

Mr. MENNEL. Not necessarily. We would much rather pay more and have enough acreage to be sure of supply.

Senator AIKEN. Do you buy other wheat, too?

Mr. MENNEL. Yes, we buy Hard Winter and Spring.

Senator AIKEN. What do you estimate the price of that is going to be?

Mr. MENNEL. Hard Winter I would estimate would be very low.

Senator AIKEN. \$1?

Mr. MENNEL. I don't know. I really don't buy enough of it to know, but I would think it would be the world market price, whatever that is, \$1.30.

Senator AIKEN. Production is supposed to be 200 million bushels short of requirements for the next marketing year. How would that push the price down? Would the trade take advantage of a lower Government support?

Mr. MENNEL. I don't know. There is no real surplus of high quality Hard Winter wheat.

Senator AIKEN. I am asking for information. If the trade is going to try to beat the price down to \$1.25 or \$1.30 a bushel, then I certainly should support a Government support level higher than that. But if they will let the market take its natural course without any collaboration or concerted effort to beat the price down, then I would say let the free market prevail without legislation. But if there is any indication that buyers will get together to push the price down, then I think the Government has to step in.

Mr. MENNEL. That is illegal.

Senator YOUNG. Senator Aiken, one of the reasons why prices can't go very high is that the Government will have 700 to 750 million bushels of wheat that can be purchased.

Senator AIKEN. That is right.

Senator YOUNG. All of which is available at 105 percent of price support plus reasonable carrying charges.

Senator AIKEN. You don't think the Commodity Credit would dump that on the market for the purpose of pushing the price down?

Senator YOUNG. Anyone wanting to buy it can buy it at this price.

Senator AIKEN. 115 percent.

Senator YOUNG. 105 percent plus carrying charges.

The CHAIRMAN. They couldn't dump it except if they got all their money back.

Senator YOUNG. Yes.

Senator AIKEN. Do they have to sell it at that price?

Senator YOUNG. Yes, they have to.

Senator AIKEN. It would be up to the trade whether they wanted to take that out of storage and beat the price down or not?

The CHAIRMAN. That is what I was going to ask the witness. You say that at harvest time you paid \$1.75 a bushel?

Mr. MENNEL. This year, yes.

The CHAIRMAN. Where are you getting the wheat now? The farmers have sold it.

Mr. MENNEL. The farmers have sold it, and it is going into the country or terminal elevators.

The CHAIRMAN. You mean private brokers bought it?

Mr. MENNEL. Yes.

The CHAIRMAN. Are making that difference?

Mr. MENNEL. Yes.

The CHAIRMAN. Between \$1.75 and \$2.35?

Mr. MENNEL. \$1.75 and \$2.20.

The CHAIRMAN. \$2.20?

Mr. MENNEL. Yes.

The CHAIRMAN. And have you bought any through the Commodity Credit Corporation?

Mr. MENNEL. They have none.

The CHAIRMAN. They have none?

Senator JORDAN. You are talking about soft wheat?

Mr. MENNEL. Soft wheat; yes.

The CHAIRMAN. So that the private concerns that have bought it I presume as cheap as you have, maybe cheaper—

Mr. MENNEL. I hope not; but maybe.

The CHAIRMAN. I am pretty sure they have, and they stored that and you are now paying through the nose.

Mr. MENNEL. Yes, sir; because there is no carryover. It was down to 4 million or 2 million, depending upon the statistics that we see.

Senator YOUNG. And there is practically none of it in Government stocks.

Mr. MENNEL. None of it. As of last July, what was it, 1 week in Government stocks, 2 or 3 million bushels, something like that. That could just be lost in the bottom of some bins somewhere.

CCC out-of-condition sales should be at the best market prices obtainable by bidding through the marketplace and should be kept to a minimum.

Under our proposal acreage diversion would only be required, if at all, during the initial transition stages, since planting freedom is an integral part of maximization of farm profits.

The House Wheat Subcommittee recently reported "without recommendation" a bill very similar to the McGovern bill. This is a bill "to provide a voluntary marketing certificate program for the 1964 and 1965 crops of wheat."

MR. MENNEL . . .

The main difference as we understand it between the House and the McGovern bills is the size of the certificate payments.

We believe the proposals are not voluntary for wheat farmers, wheat millers, or wheat consumers.

To us, one of the most interesting features of the bill is that much the same so-called benefits, which the farmers rejected, are provided, but the opportunity for the farmers to reject it again is eliminated.

We do not believe this bill is voluntary for farmers. It creates economic compulsion. The choice between \$2 and \$1.30 wheat is not a free one. My farmer friends tell me they consider this to be a choice with only one alternative.

It can be argued that the choice is up to the farmer, and if the certificate were only worth 10 cents such an argument might not be challenged. But what if the certificate were worth \$1.90 and support price were only 10 cents.

There is certainly nothing "voluntary" to us in the wheat industry. Reduced to its simplest terms, we as wheat processors would have to pay the Government 70 cents per bushel for the "privilege" of transforming wheat into a usable form for domestic consumption and possibly a different amount for the same "privilege" for exported wheat or flour.

The CHAIRMAN. If that were done you wouldn't pay as much for your wheat as you are now paying.

Mr. MENNEL. Probably not.

The CHAIRMAN. Wouldn't that be a protection to you?

Mr. MENNEL. We would become tax collectors in this case, wouldn't we?

The CHAIRMAN. No; I don't think so. I think you assure the farmer that \$2 rather than \$1.75 you paid him, and the brokers are now getting the \$2.20. That is what it would do.

Mr. MENNEL. Of course we can solve the problem that we have this year by building more storage.

The CHAIRMAN. Yes.

Mr. MENNEL. And applying it ourselves.

The CHAIRMAN. Yes; in that event, of course, the farmer——

Mr. MENNEL. The farmer still doesn't get it.

The CHAIRMAN. That is right.

Mr. MENNEL. Unless he can hold it off the market.

The CHAIRMAN. That is right; and the average farmer can't.

Senator JORDAN. Incidentally, how much flour do we export, any great amount?

Mr. RONDAL M. HUFFMAN (National Soft Wheat Millers Association). It is usually 2 to 3 million hundredweight of Soft Red wheat flour. I don't know the total.

Senator YOUNG. It is a sizable amount.

Senator AIKEN. The Commodity Credit Corporation doesn't have to sell at 105 percent of the loan price plus carrying charges, do they?

Senator YOUNG. Yes.

Senator AIKEN. Isn't that a minimum? You mean they would have to sell for \$1.30 a bushel?

The CHAIRMAN. They would have to sell it as I understand it, if there is a demand for it and it can't be obtained on the market. When they do sell it, they sell it for 105 percent above the support price plus carrying charges.

Senator YOUNG. The Department of Agriculture has no choice as I understand it.

The CHAIRMAN. No.

Senator YOUNG. If anyone offers them 105 percent plus carrying charges, they have to sell.

The CHAIRMAN. Right.

Senator AIKEN. How are they controlling the exports now to keep from having the exporters buy Commodity Credit Corporation wheat instead of free wheat?

Mr. MENNEL. The market does that.

The CHAIRMAN. They can't sell free wheat on world markets.

Senator AIKEN. They can't?

The CHAIRMAN. No; they can't. It is too high. That is why they receive this cheaper price, that is world prices.

Senator YOUNG. The exporters buy wherever they can buy the cheapest. If they can buy free wheat cheaper, they buy this. If they can buy Commodity Credit Corporation wheat cheaper, they buy this.

Senator AIKEN. If CCC has to sell what wheat it has in storage in the domestic market, it is going to have just about enough to supply the domestic market for a year. They could use what the Commodity Credit Corporation has on hand then, to drive down the price of free wheat. Is that what you are worried about, Senator Young?

Senator YOUNG. Of course this is a depressing thing on the market as long as the Government has the wheat and it has to be sold. But the millers or the exporters, whoever it is, I think prefer to buy on the open market when wheat is available. But if the price on the open market is much higher than the price of Government wheat, they will buy Government wheat; am I correct? You folks would know.

Mr. MENNEL. If in Soft wheat, for instance, there was a supply of Soft wheat in CCC hands, we would buy it at the statutory minimum.

Senator YOUNG. Yes.

Mr. MENNEL. Whatever that is. We wouldn't be paying 20 or 38 cents over the market.

Senator AIKEN. They don't have any for you to buy.

Mr. MENNEL. They don't.

Senator AIKEN. You have to buy yours on the open market.

Mr. MENNEL. We buy it on the open market, right. An exporter does the same thing on Hard Winter wheat. If the free market price is below the statutory minimum, why he buys on the free market. The minute the free market becomes above the statutory minimum, why then he buys from CCC.

Senator AIKEN. The trouble lies in requiring the Commodity Credit Corporation to sell at 105 percent plus carrying charges; am I correct? They are only permitted to charge 1 year's storage?

Mr. MENNEL. I believe this is correct.

The CHAIRMAN. If you would increase that to 110, you would make it worse; wouldn't you?

Senator AIKEN. No.

The CHAIRMAN. Yet at 110 percent you would increase the price.

Senator AIKEN. They would have to pay \$1.45 instead of \$1.30.

The CHAIRMAN. They wouldn't pay any more, George. It is only when they sell it that they would have to sell it at \$1.10 plus carrying charges.

Senator JORDAN. I thought the support price is \$1.82.

The CHAIRMAN. Percent, not \$1.10. It is 110 percent of the support price plus carrying charges.

Senator JORDAN. Yes.

Senator AIKEN. That is, come the first of July they wouldn't have to charge \$1.82 plus 5 percent. They would have to charge \$1.25 plus 5 percent, plus carrying charges.

Senator JORDAN. You are talking about——

Senator AIKEN. I am talking about this year's crop.

Senator JORDAN. Yes.

The CHAIRMAN. That is different for this year.

Senator JORDAN. Yes.

The CHAIRMAN. If you don't have any program. That is why I believe it is important that we have a program for this coming year.

Senator JORDAN. Yes.

The CHAIRMAN. We have a law on the statute books now that the farmers could vote themselves into a program if they wanted to.

Mr. MENNEL. This would be for the 1965 crop; would it not?

The CHAIRMAN. Yes; but planted in 1964.

Mr. MENNEL. Yes.

The CHAIRMAN. That is right.

Senator AIKEN. I would think if we had simple legislation to prevent the Commodity Credit wheat from breaking the market and giving the free wheat the preference, that that would suffice, because with the supply of wheat compared with the probable disappearance coming up——

Senator YOUNG. It would boost cash prices.

Senator AIKEN. Would it make any difference whether a buyer buys Commodity Credit wheat for speculative purposes or for use? It doesn't; does it?

Mr. MENNEL. I wouldn't think so.

Senator AIKEN. They could buy Commodity Credit wheat for \$1.50 and then hold it for \$2 to \$2.25.

Senator YOUNG. I have these figures Mr. Casso got on export subsidies. Could he read them into the record?

Mr. HENRY J. CASSO (Senate Committee on Agriculture and Forestry). The Department of Agriculture announces every day at 3:30 what the schedule of export subsidies is going to be for the next 24 hours.

Gulf-east coast, St. Lawrence, or lakes:

Northern Spring:		Cents
Through Apr. 15	-----	69
Apr. 16 to June 30	-----	53
July 1 to Aug. 15	-----	32
Other classes: Hard Red Winter, White wheat, or Soft Red Winter:		
Through May 23	-----	62
May 24 to Dec. 31	-----	10

West coast:

Hard Red Spring:		
Through June 30	-----	53
July 1 to Aug. 15	-----	32
Hard Red Winter:		
Through June 30	-----	63
July 1 to Dec. 31	-----	10
Other classes:		
Through June 30	-----	50
July 1 to Dec. 31	-----	4

The CHAIRMAN. You may proceed, sir.

Senator JORDAN. Let me ask you this before I forget about it: How long will flour keep without getting weevils in it?

The CHAIRMAN. You can keep the weevils out.

Senator JORDAN. I mean that. I opened some flour on the shelf in my apartment since I have been back there at Christmas, and it was full of weevils.

The CHAIRMAN. You have got those weevils in your apartment I suppose.

Senator JORDAN. No, it was a sealed package.

Mr. MENNEL. The only answer I can give to that, sir, is that the gestation period of the weevil is roughly 6 weeks I believe under ideal circumstances, but of course any flour coming out of our mill would not have this problem.

Senator JORDAN. Why?

Mr. MENNEL. We have machinery which is supposed to break all of the eggs and destroy any infestation that there might be in it, and it has been a good many years since we have had infestation complaints in our plants.

Senator JORDAN. Wouldn't all flour mills have that?

Mr. MENNEL. No, sir. Some are more progressive than others.

Senator JORDAN. How big is a weevil egg that you can smash it?

Mr. MENNEL. It is mighty small.

Senator JORDAN. I would think so. I wasn't saying that for the fun of saying it, because I would think that that would be a problem of flour that was being held for any great period of time that would be exported, or anywhere else, that you couldn't keep a great deal of flour ahead.

Mr. MENNEL. That is right.

Senator JORDAN. If that is a problem.

Mr. MENNEL. This is correct. It is a problem. We spend many thousands of dollars a year trying to prevent any infestation.

The CHAIRMAN. I have had some wheat, and I don't remember the name of the company, it might be your company for all I know, I have had it there for a year, and I have never seen any weevils in it. I use it in cooking.

Senator JORDAN. You mean in flour?

The CHAIRMAN. Yes.

Senator JORDAN. I didn't know whether it was in all flour or not. I know cornmeal gets it in it.

Senator AIKEN. What effects are the new grain standards that the Secretary set up the other day going to have on the supply?

The CHAIRMAN. It will improve it.

Mr. MENNEL. I am really only an expert in the soft wheat area. I wouldn't want to pretend to be an expert in any other area. I don't think it will have any effect on supply whatsoever. I think it will have a tendency to be of benefit long term.

Senator AIKEN. It will prevent the addition of foreign material to wheat destined for export.

Mr. MENNEL. This is a large problem again in the Hard Winter wheat area.

Senator AIKEN. Now you put in what, 15 percent?

Mr. MENNEL. It comes higher than that, I believe.

Senator JORDAN. What is it, 15 percent of what?

Mr. MENNEL. Foreign material, wheat seed, screenings, chaff, all of the other kinds of things that might be harvested at the same time wheat is harvested.

Senator AIKEN. Or accumulated after harvest.

Mr. MENNEL. Or accumulated after harvest.

Senator JORDAN. You mean they sell that to somebody?

Senator AIKEN. We had a hearing on that some years ago before you got here, and we discovered some of them, in order to meet competition, had to add foreign material up to, I think, 15 percent at that time on wheat destined for export.

Mr. MENNEL. It now reduces it to approximately 8 percent I think.

Senator AIKEN. It didn't increase your appetite any.

Mr. MENNEL. I think it will be of benefit personally.

Senator AIKEN. I do, too.

Senator JORDAN. That is what is known as loading; loading with something foreign to it.

Mr. MENNEL. It has also been called adulteration.

The CHAIRMAN. Proceed, sir.

Mr. MENNEL. At least one Member of Congress has called this a consumer tax.

The CHAIRMAN. Only one?

Mr. MENNEL. I only heard one.

The CHAIRMAN. I am surprised. He must be from the city.

Mr. MENNEL. Yes, a small city.

We are wondering whether there is not a better way.

Our county-by-county proposal has some attractive features, but we recognize its very freshness will work against it.

The proposed certificate plan violates our sense of fairness in that the eastern farmer who had not raised surpluses of unwanted wheat must now take the same licking as his western counterpart, who has raised wheat primarily for the Government. The uniform distribution of acreage reduction and certificate value without regard to the demands of the Nation to the action of the farmer to the Government ownership of wheat by type or to cost to the taxpayer is not proper.

Would it not be a great deal fairer for the domestic and export certificates to be issued to the farmers raising the kinds of wheat that are in demand domestically, and for both types of export in the proportion that they are used?

For example, according to Department of Agriculture statistics, domestic usage over the years accounts for something over 85 percent of Spring wheat, 70 percent of Soft Red wheat, but only a little over 40 percent of Hard Winter wheat. Additionally, commercial hard-dollar exports account for over 65 percent of all exports of both Soft Red and Spring wheat. In contrast, almost 90 percent of all Hard Winter wheat exports must go out under soft-dollar Government programs.

Surely to reduce acreage and proportion certificates to all farmers equally is unjust. To deny the eastern farmer his historic export market in order to provide a dumping grounds for the western farmer solves nothing.

Suffice it to say that it is vital to the welfare of this Nation to keep wheat growing east of the Mississippi River on the many small farms where it has been a major crop since long before the areas raising the great surpluses of Hard Red Winter wheat were populated.

Soft Red Winter and eastern White wheats are raised for a purpose. They are primarily consumed in the domestic market. They are not in surplus. They are not a problem. They are raised on the majority of the farms by a majority of the farmers in the United States. Any solution that fails to allow for this vital difference cannot possibly succeed.

We want to thank you again for the privilege of presenting our views and we wish you well in your considerations.

Thank you.

The CHAIRMAN. Thank you, sir.

Mr. MENNEL. I don't envy you.

The CHAIRMAN. I have been at it for a long time. I can take it.

Any further questions?

Senator YOUNG. Yes. As I said, I can understand and appreciate your problem east of the Mississippi River. You don't have a surplus. But it seems to me under a program such as this, that if the price was fair, that your farmers would try to produce your requirements. There wouldn't be any restrictions on them.

Mr. MENNEL. I think this is true.

Senator YOUNG. They could plant all they wanted.

Mr. MENNEL. I think this is true.

Senator JORDAN. Would you think that what you are talking about here—and of course it makes a lot of sense for my State—what you say, that the 15-acre farmer is not the fellow who got the wheat in trouble?

Mr. MENNEL. Absolutely not.

Senator JORDAN. That is what they say.

Mr. MENNEL. He has been damned by everybody.

Senator JORDAN. They accuse us 15-acre farmers in North Carolina of wrecking the whole crop.

Senator YOUNG. They make a few speeches and blame you fellows for all the trouble.

Mr. MENNEL. It is a pure coincidence that the surplus of Hard Red Winter is equal to the amount of wheat that is raised on 15-acre farms, and we didn't have the 15-acre farm raising Soft Red Winter wheat and eastern Soft White wheat, why we would have a real scarcity, and we would be in a mess. Cakes, crackers, cookies, pies, and all of the other good things to eat would be mighty scarce.

The CHAIRMAN. Are there any further questions?

If not we thank you very much.

STATEMENTS OF ROBERT C. WOODWORTH, CHAIRMAN, AGRICULTURE COMMITTEE, AND WALTER B. GARVER, MANAGER, AGRICULTURE DEPARTMENT, CHAMBER OF COMMERCE OF THE UNITED STATES

The CHAIRMAN. Mr. Woodworth, will you identify yourself for the record?

Mr. WOODWORTH. I will, Mr. Chairman. My name is Robert C. Woodworth. I am from Minneapolis, and am testifying today on wheat legislation on behalf of the Chamber of Commerce of the United States. I am a member of the national chamber's board of directors, representing agriculture. I am also chairman of the chamber's agri-

culture committee. Sharing the responsibility with me is Mr. Walter B. Garver, manager of the chamber's agriculture department.

Mr. Chairman, we appreciate this opportunity to appear before your committee.

The most important responsibility of the Congress today with respect to wheat, as with all other commodities, is to return all agriculture to primary reliance upon the free market mechanisms of supply, demand, prices, and technology for the guidance of producers and production.

This does not mean that we advocate the abandonment of all farm commodity programs at once. It does mean that we are advocating a transitional farm program to phase the Federal Government out of its intervention in the farm business.

This must be done on a systematic and orderly basis so as to avoid unwanted and unnecessary chaos in the production and marketing of farm products. The transitional program should provide, for some time, continuing assistance to producers. But the assistance should be programed on a gradually decreasing basis. This will give farmers time to adjust gradually to changing economic and market conditions.

Proposals before this committee while labeled "voluntary" require for participation by wheat farmers some compliance with a predetermined reduction in acreage, and implicitly therefore in wheat marketing. The proposals, however, are designed to be so attractive to wheat producers as to make nonparticipation unfavorable to the bulk of producers.

The meaning and significance of the outcome of the 1963 wheat referendum have been subject to a wide range of interpretation. Whatever reasons people may give to explain, or explain away, the thunderous "no" vote of wheat farmers, one thing is clear. The majority of wheat producers do not want further or deeper incursions by the Federal Government into the business of controlling production or the farm business. Every poll or summary of farmers' opinions has made it clear that the predominant sentiment is for less Government intervention and against more.

The CHAIRMAN. Would you say the same thing for cotton?

Mr. WOODWORTH. I would defer to Mr. Garver on cotton, Mr. Chairman. He is better acquainted with it than I.

The CHAIRMAN. Do you know why that resounding vote took place last year?

Mr. WOODWORTH. I can think of a good many reasons.

The CHAIRMAN. It was a brandnew program. Before that the Secretary of Agriculture under the law had to allocate at least 55 million acres of land to the farmer, whether we needed the wheat produced or not. We changed that. It took 5 years to do it.

Mr. WOODWORTH. Yes, I am aware of that.

The CHAIRMAN. Now, this is a brandnew program which I would like to see in effect, to see how it works. If it doesn't work, why we can change it. But what this committee was confronted with was a situation which was almost unbearable. When the Secretary of Agriculture was compelled under the law to allocate 55 million acres of wheat to plant wheat whether we needed it or not, and when this limitation of 55 million acres was put in the law, production was about 13 bushels per acre. Now, it is 25 or 26, and that is what caused us to have such difficulties in the wheat law.

Mr. WOODWORTH. Yes.

The CHAIRMAN. Don't think for a moment that the wheat people don't want some kind of program. If you think so, why you go out on the prairies and talk to them.

Senator YOUNG. Mr. Woodworth, you wouldn't say that the farmers in our area, the Minneapolis area and the upper Midwest, want to do away with price supports, would you?

Mr. WOODWORTH. No, I would not, Senator. Nor are we suggesting it here. We are suggesting, however, a way in which we think it might be better done.

The CHAIRMAN. What length of time do you think it would require to get the farmer to get away from a desire for price supports?

Mr. WOODWORTH. Mr. Chairman, this is certainly in the realm of speculation. Subsequently or later on in this report we set up an example.

The CHAIRMAN. That sets a time?

Mr. WOODWORTH. That would set the time.

The CHAIRMAN. How you would do it?

Mr. WOODWORTH. That is correct, sir.

The CHAIRMAN. All right. I am interested to hear that.

Mr. WOODWORTH. Again there is no pride of authorship, I might say. This is merely an example, and possibly not too far from reality. May I continue?

The CHAIRMAN. Yes, surely.

Mr. WOODWORTH. It may be that——

The CHAIRMAN. You don't mind being interrupted?

Mr. WOODWORTH. Not at all, sir, no.

It may be that this committee and/or the Congress believes that it knows better than farmers what is "good for them" and the wheat economy. On such a basis it may choose to ignore, or explain away, this producer sentiment. Even so, there are compelling reasons why there should be no governmental intervention with respect to the level of wheat production in this country.

We have suddenly become conscious of the increasing demand for wheat. This is not alone the result of the current demand arising from Communist countries. World trade in wheat has been rising for several years. From less than 1 billion bushels, the average for 1955-59, it rose in 1961-62 to over 1.7 billion bushels, an increase of 72 percent. More than three-fourths—546 million bushels—of this increase came in the 4 years from 1957 to 1961.

World production rose from an average of 7,950 million bushels in 1955-59 to 8,465 million in 1962-63. Production in the United Kingdom, Canada, and Western Europe rose during the same period by 12 percent to 20 percent. The U.S.S.R., Argentina, and Australia in total increased their production in the period by 496 million bushels, a 38.5-percent increase. Asia increased its production by more than 200 million bushels.

The annual average U.S. net export of wheat in the 1955-59 period was 426 million bushels. Exports have been running at more than double this rate in recent months. No one could rightly expect the United States to supply all of the increase in world trade. That is not the point we wish to underscore. The important consideration is that our exports have been achieved only by heavily subsidizing them

in order to offset the difference between the price at which we could sell and the artificially supported domestic producer prices.

These are unpleasant facts but they underscore the need for the U.S. wheat economy to get on a rockbottom competitive basis if we expect to remain an important factor in the world's wheat trade. There is serious reason to doubt that a domestic wheat economy can survive in any worthwhile form without a healthy and growing export market. We cannot expect to "hold our own" by continuing to tax citizens and our economy to stay in, let alone to win, the competitive export race.

To be sure, other countries also subsidize their exports. But this could become a race to see which country can "outsubsidize" the rest. Presumably in this kind of an uneconomic race the country providing the biggest subsidy to exports would win out. But we or any other country in such a race would lose out whenever an important competitor country decided to maintain a domestic producer price level enough below our own to minimize internally the export subsidy burden on the public treasury, thus compromising the pressures to accommodate producer and taxpayer conflicts.

The CHAIRMAN. Do you understand the law as it is now written on the statute books?

Mr. WOODWORTH. Yes, sir; I do.

The CHAIRMAN. Don't you think it would be an improvement over what we have had in the past?

Mr. WOODWORTH. Are you speaking now of—

The CHAIRMAN. Of the certificate plan?

Mr. WOODWORTH. The certificate plan?

The CHAIRMAN. Yes.

Mr. WOODWORTH. No, I do not think so.

The CHAIRMAN. You don't think so?

Mr. WOODWORTH. No, sir.

The CHAIRMAN. You are going to tell us why?

Mr. WOODWORTH. We will tell you why.

The CHAIRMAN. You are going to tell us why.

Mr. WOODWORTH. We are going to attempt to tell you why.

The CHAIRMAN. All right, very good. I don't want to anticipate you.

Mr. WOODWORTH. If the United States is truly an economical and efficient wheat-producing nation able to compete successfully and fairly for world wheat markets we should show it and get on that basis as promptly as possible. Meanwhile the American people have a right to ask why they do not share in the benefits of efficiency and effectiveness rather than having to pay higher wheat prices in order to subsidize competition abroad.

The present uncertainties both at home and abroad about production and wheat-growing conditions, and about the size of potential wheat demand make it imperative that the questions of how much wheat acreage and production there should be in this country be left to producers themselves. They, in turn, will and must base their decisions on the best analysis that can be made of markets and growing conditions from all the objective sources available, including those supplied by the U.S. Department of Agriculture and other Federal and private agencies.

It should be obvious that there are wide differences in efficiency and effectiveness between different wheat producers, and therefore in the profit they make from producing wheat. There are also important differences between areas and types of wheat farms that bear upon the character of the problems in the wheat economy. In table 1 there are shown the seven types of wheat-producing farms regularly reported by the U.S. Department of Agriculture. These figures are for 1962 operations. They are taken directly from, or directly calculated from, the reports in "Farm Costs and Returns—Commercial Farms by Type, Size, and Location", U.S. Department of Agriculture, Economic Research Service, Information Bulletin No. 230, August 1963. I won't attempt, Mr. Chairman, to go through the table in detail. I do elaborate somewhat on the table by reference.

The CHAIRMAN. Your whole statement will be put in the record including your table.

(Table 1 referred to follows:)

TABLE 1.—*Wheat farms, selected data, 1962*

Type of farm and location	Cash receipts from wheat	Wheat intensity		Acreage harvested	Yield, bushels per acre	Labor earnings ¹	Labor effectiveness ²	Farm capital, in thousands	Machinery effectiveness ³	Rate on capital (after capital costs) ⁴
		Harvested wheat to total cropland harvested	Ratio of cash receipts, wheat to total							
		<i>Percent</i>	<i>Percent</i>							<i>Percent</i>
Wheat-fallow, Washington and Oregon.....	\$18,792	30	76	270	35.9	\$3.02	\$6.52	\$146.3	\$4.40	7.2
Wheat-pea farms, Washington and Idaho.....	15,510	40	56	153	55.2	3.33	7.56	191.9	4.67	7.1
Wheat-grain sorghums, southern plains.....	10,178	67	54	245	21.6	2.11	5.81	118.5	3.12	6.6
Winter wheat, southern plains.....	10,030	65	61	215	24.2	2.63	5.54	103.4	3.59	8.1
Wheat-small grains-livestock, northern plains.....	8,494	22	54	127	31.3	3.87	5.88	94.1	3.79	15.9
Wheat-roughage-livestock, northern plains.....	5,191	19	38	100	25.7	2.70	4.54	50.5	3.22	13.3
Wheat-corn-livestock, northern plains.....	2,450	15	28	55	21.6	.99	2.48	56.1	1.89	4.1

¹ Returns per hour of operator and family labor used after deducting capital charges.² Dollars of cash receipts per hour of labor used.³ Dollars of cash receipts from crops per dollar of expenditure for machinery purchased and other machinery expense.⁴ Net income per dollar of capital after deducting from net income an allocation of the cost of operator and family labor hours used figured at rates paid for hired labor.

Mr. WOODWORTH. These seven types break readily into larger scale and smaller scale groups. The four largest (at the top of table 1) all received \$10,000 or more from the sale of wheat. The four largest are also more intensive wheat farms. That is, they had either two-thirds or more of their total cropland harvested in wheat, or from one-half to three-fourths of their total cash receipts were from the sale of wheat. All four also had acreages in excess of 150, three of them exceeded 200 acres. The four had farm capital of \$100,000 or more, while the lower three types had less than \$60,000 per farm.

The three types at the bottom of the table had smaller cash receipts from the sale of wheat. They were much less intensely devoted to wheat, either in terms of the proportion of harvested cropland, or the relative importance of wheat in their total cash receipts. They had considerably less than half the acreage in wheat harvested than the larger four.

Yields of wheat per acre are too much subject to the climate and growing conditions in the respective areas to warrant any conclusion about efficiency or effective management. From other data it would appear that other things being equal the larger the acreage harvested in wheat the better the yields.

Labor effectiveness tended to be somewhat greater on the larger types, but the differences are not conclusive. Labor earnings were greatest where the yields were highest almost regardless of size. Effectiveness in the use of machinery appears also to be somewhat greater on the two largest types, but again the differences are not great except for the wheat-corn-livestock combination in the northern plains. In this area particularly the combination of small acreage and relatively low yield helped to produce low labor returns, as well as the lowest return on capital. Let us take this type as an example of factors tending toward poor returns. With only 15 percent of the harvested cropland in wheat, the ratings for machinery effectiveness, labor effectiveness, yields, and the productive use of machinery and equipment were the poorest of the seven types.

The wheat-, small grain-, livestock-type illustrates one of the basic wheat income problems of the northern plains—extreme variation in yields. For this type the yield of wheat per acre averaged 17.8 bushels in 1957–59 and rose to 21 bushels in 1960. It declined to only 9.1 in 1961 and then rose to 31.3 bushels in 1962. A similar condition is illustrated by the northern plains wheat-roughage-livestock farms which averaged 14.7 bushels of wheat per acre in the 2-year period, then ranged from 8.4 to 25.7 bushels per acre.

These and similar problems of some of our wheat areas and types of farm suggest the urgency of study or research on patterns of farming that would yield better and more stable incomes.

Senator YOUNG. Are you suggesting that we go out of the production of wheat up there?

Mr. WOODWORTH. No.

Senator YOUNG. What do you think we should do?

Mr. WOODWORTH. I think the farmers are going to make that decision for themselves, Senator, given the opportunity.

Senator YOUNG. Do you support the CED recommendations?

Mr. WOODWORTH. No, sir; we do not.

The CHAIRMAN. What was that recommendation?

Senator YOUNG. The CED, the Committee for Economic Development.

The CHAIRMAN. What was that recommendation, now? I don't recall it.

Senator YOUNG. It was a huge soil bank or land retirement program, and most of our area would be put in this.

The CHAIRMAN. That is the Farm Bureau?

Senator YOUNG. I think the chamber of commerce had a little to do with that, too, didn't they?

The CHAIRMAN. That is the Farm Bureau, you know. They work together I think. Don't you?

Mr. WOODWORTH. I beg your pardon, sir?

The CHAIRMAN. You and the Farm Bureau work together, the chamber of commerce?

Mr. WOODWORTH. No.

The CHAIRMAN. I thought you did.

Mr. WOODWORTH. We try to work with all. In specific answer to your question, though, Senator Young, "No, very definitely not."

In spite of what is generally contended to be an unsatisfactory farm wheat economy, the data in "Farm Costs and Returns" for 1962 show that each of these seven types increased in size from 1957-59 to 1962. The types added from 24 to 61 acres. Meanwhile the farm capital on all the types increased by \$7,000 to \$23,000 during the approximately 4-year period.

The CHAIRMAN. Is that additions in machinery or because of the cost of it?

Mr. WOODWORTH. Mr. Garver saw the figures.

Mr. GARVER. The increase in farmland buildings which we go into here, some of them showed modest increases in machinery, equipment. All of them showed some increase in livestock, but very minor compared to the total for land and buildings.

There is no way of telling, Senator, how much of this is a higher price tag and how much of it is money paid, capital paid for increased land and buildings. But I did divide this as we show here, to indicate what per acre the increase amounted to for the increase in size.

Mr. WOODWORTH. Most of this is shown as increase in the land and buildings capital. In five of the seven types, however, increases were also shown in the machinery and equipment capital. All seven showed increases in livestock capital.

If we ascribe the increases in land and buildings capital to the acquisition of additional land the value per acre ranges from \$166 on the wheat-roughage-livestock, northern plains farms, and \$264 on the winter wheat, southern plains farms, and up to \$533 per acre on the wheat-pea farms of Washington and Idaho.

A common feature of current wheat proposals is the use of wheat certificates to be paid to farmers for their share of the wheat used for domestic food consumption and representing supposedly the difference between a market price and a supported price of \$2. Certificates would then have to be bought, bushel for bushel, when the grain is processed.

This is a tax to which we are vigorously opposed. It is a tax whether it falls on processors, distributors, or consumers. We see no point in arguing about whom it falls upon or who will pay it,

except to say that with present- and long-time very narrow price margins per unit it is most likely that it would become a consumption tax. Complexities caused by other costs and the small proportion the tax would represent in end product prices do not change the fact that it would be a tax that had to be paid—that there is never something for nothing.

The CHAIRMAN. Would you put the price support in the same category? It is the same thing; isn't it?

Mr. WOODWORTH. Yes; I would say it was.

The CHAIRMAN. So you are against price support also.

Mr. WOODWORTH. Yes, sir.

The CHAIRMAN. All right, proceed.

Mr. WOODWORTH. Unlike other taxes this is not for general revenue. It is for the specific benefit of a limited number of people designated by Government. Its aim is to provide additional gross income or to sustain gross incomes of wheat producers. To the extent that administrators are responsible for deciding eligibility for the certificates their use puts farmer income totals in the hands of administrators.

This is the application of a dangerous taxing principle that could with the same logic be applied to other commodities and to other sectors of income—imposed for the benefit of other groups.

These certificates would not be given to producers on the basis of their effectiveness or efficiency, or even of the kinds or classes of wheat they produce. It is proposed to give them on the basis that the producer has a historical base of producing wheat, subject to his conformity with compliance requirements, and without regard for the proportion of each producer's wheat actually going into domestic human consumption.

Producers in areas where a high proportion of their wheat does in fact go into domestic human consumption have complained of the iniquitous share and share alike approach of the certificate plan. They have repeatedly said that their argument is being suppressed by the contention that the whole certificate scheme has been so delicately put together that any attempt to tinker with it to correct this inequity would run too great a risk of destroying its political chances.

The CHAIRMAN. You know that this plan hasn't been tried yet.

Mr. WOODWORTH. I realize that. It is in the talk stage.

The CHAIRMAN. Well, no. The law is on the statute books, but the only thing is that, as you said a while ago, the farmers, with a resounding "No," said "We don't want any."

Mr. WOODWORTH. Correct, sir.

The CHAIRMAN. And as I understand it, you interpreted that to mean that the farmers were against any kind of price supports?

Mr. WOODWORTH. No, I did not say that.

The CHAIRMAN. Or any kind of regulation or any kind of interference?

Mr. WOODWORTH. I think it could be interpreted that way. I am not saying that that is necessarily the interpretation.

The CHAIRMAN. Well, you had better change your language if you think otherwise. I thought from listening to you reading your statement, that this resounding "No" meant that the farmers did not want any kind of Government interference by way of supports or acreage

allotments or anything of the kind, that they wanted to be free. Isn't that your interpretation?

Mr. GARVER. I think we indicated that they wanted less Government rather than more.

The CHAIRMAN. No, they want less Government but they want support though. You will find that that to be the true situation.

Mr. GARVER. Perhaps less support—

The CHAIRMAN. Well, maybe so. The reason why I asked you about it, in respect to cotton, 94 percent of the farmers who grow cotton voted for the program. That would indicate to me just the contrary to what you have just said as to wheat. This resounding "No" in wheat and a resounding "Yes" in cotton doesn't seem to add up. One wants it and the other doesn't, if I interpret your presentation correctly.

Mr. WOODWORTH. I think, Mr. Chairman, you could probably go on for quite awhile in attempting to size up exactly what prompted the wheat producer to vote "No" so predominantly. I am sure there were many things that concerned him. He probably voted "No" for many reasons.

I think, however, that the board area of the vote and the turn down of the referendum in areas where circumstances would be quite different than they would be in other areas which suggest that through it all there was a common reason.

The CHAIRMAN. In some States the percentage of votes was rather low in contrast to others. In some States, as I remember, some of them went 60 percent or above.

Senator YOUNG. Nearly 66 percent voted "Yes" in North Dakota.

The CHAIRMAN. Nearly 66 in some areas.

Mr. WOODWORTH. Yes.

The CHAIRMAN. You wouldn't find that in Ohio or in Indiana because they grow on small farms there principally, and they grow the kind of wheat that is purchased—

Mr. WOODWORTH. There is a ready market for it.

The CHAIRMAN. That is right.

Senator YOUNG. Senator Ellender, there was a more compelling reason there, this was the first time that 15 acre people were brought under acreage control.

The CHAIRMAN. That is what I was going to say. The 15-acre man is the one who beat the program. It was natural for him to vote "No," because he has had a market for his wheat throughout, and it may be that we are to submit the program to him again this year, that he might vote the same way.

Senator AIKEN. We will submit it if we don't have a new law.

The CHAIRMAN. That is right.

Senator JORDAN. There is something in that.

The CHAIRMAN. There was quite a lot of work done by certain organizations to prevent the farmers from voting.

(Discussion off the record.)

The CHAIRMAN. Proceed.

Mr. WOODWORTH. They say they have been told, in effect, that there is "more for all" with the certificate scheme than without it, and that they should forget the inequities for this general gain and in order to avoid the appearance of dissension among and between wheat growing areas.

This scheme would promote market contraction rather than expansion. Its use would invite substitutes and replacements for wheat by both processors and consumers. It would reward ingenuity in finding ways to avoild the tax or minimize its impact.

It is argued that because the demand for wheat domestically is inelastic (that is, large price increases diminish consumption proportionally less) taxing through the use of certificates will not greatly affect the total demand. This begs the question involved in the principle unless we are prepared to say, contrary to long-established public policy, that in any or every situation of inelastic demand the incomes should be greatly enhanced by throwing away a small portion of the demand.

The scheme is aimed ostensibly at sustaining or enhancing wheat-producer incomes. Our history of such "income benefits" clearly is that they are temporary income gains, but that they are soon capitalized into an asset. Thereafter their continuance is rationally justified on the ground that to terminate them would impose a capital loss on those who hold rights to receive the benefits.

If the certificate system were to be adopted the dubious benefits on the seven types of wheat farms previously discussed are shown in the following table. This is based on 70-cent certificates given on 600 million bushels and applied proportionally to the total 1962 production of each type of farm:

Per farm "benefits" from certificates, per year:

Wheat-fallow farms, Washington and Oregon.....	\$3, 096
Wheat-pea farms, Washington and Idaho.....	2, 698
Wheat-grain-sorghum farms, Southern Plains.....	1, 690
Winter Wheat, Southern Plains.....	1, 662
Wheat-small grains-livestock, Northern Plains.....	1,268
Wheat-roughage-livestock farms, Northern Plains.....	854
Wheat-corn-livestock farms, Northern Plains.....	382

These are the farms that were previously reported in table No. 1.

The CHAIRMAN. You mean the payments?

Mr. WOODWORTH. This is on the basis of 70-cent certificates, based on the production shown earlier in the statement. The certificate system would continue permanently the subsidized dumping of U.S. wheat now being done on a supposedly temporary basis. In countering this point it has been said that other countries are also subsidizing the competition of their wheatgrowers in the world market.

If this Nation is to persist in the competition to see which wheat exporting country can 'outsubsidize' the rest, the world's economic health will suffer and we can win such a race ourselves only at the cost of damage to our own standard of living. Resort to it is an admission, whether justified or not, that the United States cannot compete as a world wheat producer without perpetually subsidizing its production and export.

Senator YOUNG. Could I ask a question at that point?

Mr. WOODWORTH. Yes.

Senator YOUNG. Do you think that we could compete with all of the other countries who subsidize their wheat if we had no program at all? Do you think we could compete favorably in that kind of situation?

Mr. WOODWORTH. Yes I do, in time.

Senator JORDAN. What does Canada subsidize their export wheat for? Do you know?

Senator YOUNG. I think Mr. Woodworth perhaps could tell you. Perhaps I could tell you also. It is a pool arrangement. The Federal Government operates the pool. They set the price each day. The Federal Government gets into, to some extent, supporting the price. In that way, they guarantee a part of the price. But they have other built-in subsidies.

For example, wheat moving from the prairie Provinces to export haven't had a freight rate increase since 1897, so their freight rate is only about 35 percent of ours. Their system works fairly well. When you get big exports any program works.

Mr. GARVER. Senator Young, the studies I have made under the wheat pool, the settlements result in a lower per bushel return to the producers than we are trying to maintain in this country.

Senator YOUNG. That is right, yes, but they have no restrictions now. In fact, they are encouraging their farmers to increase production.

Senator JORDAN. I know they are.

Senator YOUNG. A lot of farmers from my State are going up to Canada and going into the wheat business.

Senator JORDAN. In other words, our subsidy—I know we have to if we sell any wheat in the world market, unless they can't get it anywhere else, then they can sell it for whatever they can.

Senator YOUNG. The Canadian Government sets the price of wheat each day, and they set it at whatever price they think it necessary to sell on the world market. They sometimes undercut ours.

The CHAIRMAN. I think that the certificate plan is meant to take care of the wheatgrower in the domestic market, and insofar as the exports are concerned; that is, the amount of the certificate there would be reduced and would not cover all the wheat sold abroad. That would be the way the law would work eventually.

Mr. WOODWORTH. That is my understanding of the plan.

The CHAIRMAN. Yes. Very well, wouldn't that be a good idea?

Mr. WOODWORTH. I don't think so.

The CHAIRMAN. You just want it free. Just let them sell it for whatever it can get on the world market?

Mr. WOODWORTH. Not in a year. We are indicating and said earlier that we can't go from what we have had to a free market.

The CHAIRMAN. You're coming to that.

Mr. WOODWORTH. That is right.

The CHAIRMAN. All right.

Mr. WOODWORTH. The tax represented by the certificates would also be, like the artificially high support of wheat prices, a regressive tax putting the greatest burden on the heaviest consumers of wheat and its products rather than on the general taxpayer.

The appeal of the certificate scheme lies essentially in its effect of shifting the burden of costly price supports from the highly visible drain upon the Public Treasury to the much more easily hidden tax on the wheat economy, whether at the miller, processor, wholesaler, retailer, or consumer level.

An alternate approach: Instead of the current proposals the national chamber suggests an alternate approach which will have a minimum of the undesirable and destructive consequences of either the price support, supply control, or certificate programs.

We suggest that the Congress institute a transitional program under which wheat farmers can move gradually to free market conditions in

the production and marketing of wheat. Prior to, or at the beginning of, the transitional program all wheat referendum would be eliminated. Acreage allotments and marketing quotas would be abolished and the farmer left free to make his own decisions on the scale of his wheat production.

The transition would be accomplished by a gradually declining price support level carried out by direct adjustment payments. The basis for the payments would be a support target price declining proportionally each year until free market prices completely prevailed. The payments would be made directly to producers in the amount of difference between the target price for a given year and the average annual market price received by farmers for only their 1963 or comparable marketing quota. They would not be paid on any increase in production by anyone.

The CHAIRMAN. Would that be in the nature of a support price?

Mr. WOODWORTH. Yes, sir. To show how the approach affects Federal costs and producer incomes we have used specific figures to illustrate it. For example, starting with the average of 1961-63 as a target, it would decline each year to 95 percent of the average of the previous 3 years' market prices. The direct payments per bushel on the base quota would then work out thus.

The CHAIRMAN. That is the Farm Bureau?

Mr. WOODWORTH. The way they arrive at a support level.

The CHAIRMAN. That is their proposal. That is why I say that the chamber of commerce has worked mighty closely with the Farm Bureau, or the Farm Bureau has worked closely with you, I don't know which, but that is their proposal, to pay a support price 90 percent of the last 3 years' marketing price, sales price.

Mr. GARVER. Senator Ellender, I would like at this moment to interject to set the record straight on your repeated references to the Farm Bureau and the chamber of commerce working together.

We go on for weeks, if not for months, without even speaking to each other. It so happens that on a good many things we think much alike, and this idea, whether it is the Farm Bureau's or yours or somebody else's, we think has high merit in terms of providing stability, and so it has nothing to do with the Farm Bureau or anybody else per se.

The CHAIRMAN. I am not questioning that at all, sir, but I am just telling you that it is the same program that the Farm Bureau has put before this committee.

Mr. GARVER. It is not the same. As I remember it, their figure was 90 percent.

The CHAIRMAN. What have you got? I thought you said 90.

Mr. GARVER. Ninety-five.

The CHAIRMAN. Oh, 95. Well, it is the same theory.

Mr. WOODWORTH. And I think also, Mr. Chairman, let me say that I have had no contact with the Farm Bureau at all in the discussion of this bill.

The CHAIRMAN. I am not saying that, but I do know that the Farm Bureau has worked closely with the chamber of commerce.

Mr. WOODWORTH. They may have. I am not aware of it as to any of this.

The CHAIRMAN. I presume that a great many of the membership of the Farm Bureau are members of your chamber, for all I know.

Mr. WOODWORTH. It may be. I have obviously from time to time read Farm Bureau proposals.

The CHAIRMAN. Yes.

Mr. WOODWORTH. I do not think that I have ever read this proposal. Let me go back to pick this up to show how the approach affects Federal costs and producer incomes. We have used figures to illustrate. The direct payments per bushel on the base quota would then work out thus: For the year 1964, the target price is \$1.846.

The CHAIRMAN. That would be the average.

Mr. WOODWORTH. This comment is based on 95 percent of the 3-year average.

The CHAIRMAN. Of course, as you average——

Mr. WOODWORTH. Continuing with the table:

Year	Target price	Assumed free market price	Direct adjustment payment
			<i>Cents</i>
1964.....	¹ \$1.846	\$1.40	44.6
1965.....	1.754	1.40	35.4
1966.....	1.667	1.40	26.7
1967.....	1.584	1.40	18.4
1968.....	1.505	1.40	10.5
1969.....	1.430	1.40	3.0
1970.....	1.358	1.40	None

¹ Based on 95 percent of the 3-year average of \$1.83 in 1961, \$2.02 in 1962, and \$1.98 in 1963, or \$1.943.

Then we go down to 95 percent for the next 3-year period.

The CHAIRMAN. That is the same principle, the same idea.

Mr. WOODWORTH. Yes.

The CHAIRMAN. You would then end up at the end of 6 or 7 years in lowering the price?

Mr. WOODWORTH. That is correct.

The CHAIRMAN. As I said, I don't know whether you have worked with the Farm Bureau or not, but that is their program. You haven't appeared before this committee as often as the Farm Bureau has, but that is their program. All right, sir.

Mr. WOODWORTH. To make it 90 percent of the last 3 years' average.

The CHAIRMAN. Now you make it 95 percent, which is no change in the program, but you have a little better probably moneywise than they have, but it is the same principle.

Mr. WOODWORTH. I am reasonably certain that some parts of this are different than anything they have had.

The CHAIRMAN. Proceed. Let's see. I might be able to——

Mr. WOODWARD. In the event that the average farm market price in any year should drop below 95 percent of the previous 3 years' average, the direct payments then would also be formulated and made in the same way. This will provide a "floor" permanently against sudden and disorderly decline.

Using these figures the probable public cost can be estimated and compared with the cost of the certificate scheme, assuming no increases were to be made in the basis of eligibility for the certificates.

Then we take the same period of years covered in this table using the base of 600 million bushels and the payments that are proposed here, and the total cost, and then the total cost on the certificate.

Year	Base (bushels)	Payment	Total cost	Certificate total cost
	<i>Millions</i>	<i>Cents</i>	<i>Millions</i>	<i>Millions</i>
1964-----	600	44. 6	\$586. 8	\$420
1965-----	600	35. 4	465. 8	420
1966-----	600	26. 7	351. 3	420
1967-----	600	18. 4	242. 1	420
1968-----	600	10. 5	138. 2	420
1969-----	600	3. 0	39. 4	420
1970-----	600	None	None	420
Total, 7 years-----			1, 823. 6	2, 940

The CHAIRMAN. That is the certificate.

Mr. WOODWORTH. That is correct.

The CHAIRMAN. How do you reach that figure when you have a limited production? You have no control of acres, do you?

Mr. WOODWORTH. No.

The CHAIRMAN. Let them plant whatever, is that right?

Mr. GARVER. No, sir. No limitation.

The CHAIRMAN. That is right.

Mr. WOODWORTH. You have a limitation on what you pay.

The CHAIRMAN. Yes, I understand that.

Mr. GARVER. The 1963 base stays.

The CHAIRMAN. Of course, your price would go down so that it would discourage production, and I presume that is what you have in mind. Make your price so low that the farmers who couldn't make it would simply go by the wayside.

Mr. WOODWORTH. Not necessarily. The result of it might be a much broader export business for the United States, with the increasing demand for wheat in the world.

The CHAIRMAN. I think you are optimistic. Proceed.

Mr. WOODWORTH. This approach would obviously put a substantial part of the burden of adjustment on wheat producers themselves over the 7 years in the form of lower total receipts from wheat unless they were able to expand production for a growing world market.

The CHAIRMAN. How much would the farmers obtain in the 7 years of your program per bushel?

Mr. WOODWORTH. In the seventh year they would get nothing.

The CHAIRMAN. Nothing.

Mr. WOODWORTH. That is right. And in the sixth year they would get 3 cents.

The CHAIRMAN. How much?

Mr. WOODWORTH. Three cents per bushel direct payment.

The CHAIRMAN. But how much would that be? Do you have a figure there to indicate how much the farmer would receive altogether for a bushel of wheat?

Mr. WOODWORTH. Yes.

The CHAIRMAN. How much?

Mr. WOODWORTH. Not for a bushel of wheat, but I can tell you the total cost of the direct payment on 600 million bushels in 1969.

Mr. GARVER. Excuse me, we are assuming the price, Senator Ellender, of \$1.40 which is an assumed parity price, and so he would get \$1.40 in that year.

The CHAIRMAN. I notice here in 1970 that the price would be—

Mr. WOODWORTH. \$1.40.

The CHAIRMAN (continuing). \$1.40.

Mr. GARVER. Target price.

Mr. WOODWORTH. The actual price would be \$1.40.

The CHAIRMAN. That would be the end of any Government payments.

Mr. WOODWORTH. That is on the assumption though that the free market price and the world price is roughly \$1.35.

The CHAIRMAN. Proceed.

Mr. WOODWORTH. In the highly unlikely circumstance that they did not change their farm production pattern or otherwise improve their economic effectiveness by the choice of other enterprises the reduction in targets and payments would also reduce their net incomes below the 1962 level. These range from about one-third for the wheat-fallow farms of Washington and Oregon, down to a reduction of about 15 percent for the wheat-roughage-livestock farms of the Northern Plains, and 12 percent on the wheat-corn-livestock farms in that area.

It is quite possible that some wheat producers would prefer to "discount" this program by making the transition in one step. This could be done by Government purchase of existing bushelage quota rights for probably \$1.10 per bushel, rather than paying out the adjustment payments each year for 6 years. At this price the current individual quotas could be retired and the wheat economy turned to the free market at a total cost of \$1,447 million. Thereafter, the bases would be canceled and there would be no price supports or payments, except for protective price supports against sudden, undue, and temporary declines. Nor would there be any other intervention by Government in the wheat business.

In summary, we urge that your committee and the Congress adopt a positive and forward-looking farm program for wheat that will return the farm business to farmers and permit free markets to operate without Government intervention. We recommend that this be accomplished by a transitional program gradually lowering the target prices for wheat, and supporting these targets by direct payments to farmers on their present quotas, with the payments gradually reduced until they are no longer required.

An approach along the lines, we have illustrated will reduce costs to the Federal Treasury, afford protection against sudden and undue dips in wheat prices, and give wheat a reasonable time in which to adjust their costs, their farming operations, or their occupations if that is their decision.

Thank you very much, Mr. Chairman.

The CHAIRMAN. Thank you very much. I want to correct my statement of a while ago that this program was the same as that of the Farm Bureau. It sounded like it, but your program would envision compensatory payments.

Mr. WOODWORTH. That is correct.

The CHAIRMAN. Of course the Farm Bureau is violently opposed to that.

Mr. WOODWORTH. Of that I am aware.

The CHAIRMAN. Yes, I know. And as I understand the Farm Bureau program, they envision also taking out of production as many as 60 to probably 80 million acres of land, and after that is taken out of production, then let the farmers be free, but let the Government pay on this acreage for keeping it out of cultivation. You don't believe in that.

Mr. WOODWORTH. No.

The CHAIRMAN. And it is your judgment that by paying compensatory payments through 1969 that the rates that you have indicated, that the farmer, the wheat farmer, could adjust his farming operations whereby he would produce the net wheat for both domestic and export production more or less on a free market, a free basis without Government control.

Mr. WOODWORTH. That is correct, sir, and I think I qualified somewhat the earlier part of your statement when I said that after all this is merely a man's judgment, suggestion as to prices. There might be some quarrel of \$1.40 as being a fair market price. You might decide that you wanted to arrive at this thing at the end of 6 years. This is merely an illustration of the way it would work. My personal feeling is that it is not wholly unrealistic at price levels.

The CHAIRMAN. What I failed to understand awhile ago was your 95 percent of the last 3 years' average.

Mr. WOODWORTH. On a continuing, moving average.

The CHAIRMAN. I know that, but the Farm Bureau's proposal is 90 percent of the last 3 years' average.

Mr. WOODWORTH. As a support, yes.

The CHAIRMAN. As a support.

Mr. WOODWORTH. Yes.

The CHAIRMAN. And yours is a direct payment?

Mr. WOODWORTH. That is correct.

The CHAIRMAN. That is the difference. Have you anything further, Senator Jordan?

Senator JORDAN. No, sir. I have no questions.

The CHAIRMAN. We thank you very much.

Mr. WOODWORTH. Thank you, sir.

The CHAIRMAN. And of course you realize that any program that is put on the statute books this year must not vary away too far from the law, the present law, if we are to have any legislation at all.

Mr. WOODWORTH. I think I do.

The CHAIRMAN. Any alternative of course would be to give the farmers another crack at the law that lies on the statute books, because I don't believe that the Congress can enact a brandnew wheat law in time for this year because of legislation that is to come to the Senate within the next 2 or 3 weeks, the civil rights bill. Unless we can get something in before the civil rights bill is taken up, I see—

Mr. GARVER. I assume your law would have to deal with control of acreage and quotas. If you did this, you could do it in the middle of September and still leave them with a very substantial support without interfering with their production.

The CHAIRMAN. You would have no program at all, though, except this planting of all you want, and the direct payments for the first

year. Of course I realize you could put that in. But I doubt that a program of this kind could be put on the statute books either this year or next year, because there would be a lot of opposition to it in my opinion.

Mr. WOODWORTH. I would hope that it would be given a try. I realize that this is something that has been talked of for many years.

The CHAIRMAN. Thank you very much, sir.

Mr. WOODWORTH. Thank you very much.

The CHAIRMAN. I have a statement here to be placed in the record at the request of Senator Mundt, a statement by Joseph Eichinger, of Cresbard, S. Dak. It will be placed in the record at this point.

(The statement referred to follows:)

STATEMENT OF JOSEPH EICHINGER, CRESBARD, S. DAK.

Under this program, the producer would receive 75 to 80 percent of parity on the wheat he produces. A stockpile of carryover should be 500 to 800 million bushels for national security. The Secretary of Agriculture should adjust the acreage from year to year, so the stockpile would not get below the minimum or above the maximum. Storage charges should be reduced to 12.15 cents a year instead of 13.4 or more. The reason the wheat would be 32 percent less in value is that it reduces the cost of insurance in proportion, and also the shrinkage and the deterioration.

The handling charge should remain the same, and protein premium also the same as it was in 1963 or reduced to a 20-cent maximum. Under this program the American miller, baker, and the public, who pay the tax, would be on equal basis as far as cost is concerned, with friends overseas and Soviet Russia. The American people would save about \$300 million from its food budget, which would be a great help for the poor and also the working man. The loan support should be \$1.30 for good Hard Winter wheat and Northern Spring wheat. The undesirable, 15 cents less. The producer who is willing to sign up and cut his acreage 10 percent, will get the first 50-percent payment when he signs up. After the local ASC office has checked and measured his fields, he will get the remainder. For example, a farmer who has 100 acres of wheat allotment under the 55 million national allotment, and his average yield is 22 bushels per acre will receive as illustrated by the following examples:

Formula A:

22 bushels, at \$1.30-----	\$28. 60
11 bushels, at \$1.10-----	12. 10
Total-----	40. 70
Average \$1.85 or 74 percent parity for idle acres \$12.10 per acre. Formula cost \$665.5 million.	

Formula B:

22 bushels, at \$1.30-----	\$28. 60
11 bushels, at \$1.00-----	11. 00
Total-----	39. 60
Average \$1.80 or 72 percent parity for idle acres \$11 per acre. Formula cost \$605 million.	

Formula C:

22 bushels, at \$1.30-----	\$28. 60
10 $\frac{1}{8}$ bushels, at \$1.20-----	12. 15
Total-----	40. 75
Average \$1.85 or 74 percent parity for idle acres \$15 per acre. Formula cost \$675 million.	

The nice part of this program is that the farmer gets an insurance policy along; something no other program has ever offered. In case he gets hailed out or his crop is lost for other reasons, then under formula A he gets \$1,210; formula B, \$1,100; and formula C, \$1,149.

Formula C is the U.S. Senator Milton Young and Karl Mundt program, in which the producer gets 100 percent parity for 46 percent of the wheat and just guesses at the payment on the idle acres.

My thoughts on formulas A and B is that it is so easy for the farmer to understand and for the ASC, much more practical to figure out for payment. Furthermore, wheat certificates would not be needed. All of the redtape would be removed for the local elevator and flour mills. The local ASC office would handle all of the payments to the farmers, as they do now with the corn.

1. The producer would receive 100 percent parity for the wheat for local consumption.

2. He'll get an insurance policy.

3. It will increase the use of wheat.

4. It will give the Government a chance to control the stockpile.

5. It will put the American consumer on equal basis with the foreign countries.

6. We will have a free world market.

7. Our bakers would be able to sell a 1½-pound loaf of bread for 1½ cents less.

The above program is based at \$2.50 for 100 percent parity and 22 bushels per acre national average. It could be 23 bushels which would slightly increase the cost. On any of these formulas, you could use 90 cents, \$1, \$1.10, \$1.20, or \$1.30 per bushel. It depends on how much the Congress would want to spend on this program.

I believe this program is less complicated and easier to administrate than the wheat certificate system.

The CHAIRMAN. I have a statement here by Mr. C. Allen Tom.

STATEMENT OF C. ALLEN TOM, THE DALLES, OREG.

Mr. TOM. Mr. Chairman, I will make it simple and short.

The CHAIRMAN. Proceed.

Mr. TOM. My name is Allen Tom, from The Dalles, Oreg. I am a wheat, feed grain, and cattle farmer in the Columbia Basin which raises 75 percent of the wheat in Oregon and represents an area which voted in favor of the referendum.

I support a voluntary certificate plan for wheat. The simplest way to accomplish this is to amend the present law.

I am in compliance with my allotment for both wheat and feed grain, and most farmers in the wheat area are in compliance with their wheat allotment in Oregon. We are in compliance for one reason, we expect and want Congress to enact voluntary wheat legislation.

If wheat legislation is not enacted, most farmers that I have talked to say they will be forced to seed fence to fence and I feel this will happen all over the country. If this happens and the Anfuso amendment penalties are not forgiven, I am afraid these loss-of-history penalties would prevent maximum participation in any future voluntary program and would ultimately mean its failure.

Farmers are now experiencing credit problems for 1964. In my county in Oregon, over 50 percent of the farmers are renters and those who do not have leases of more than 1 year are not able to get adequate financing and in a few cases are actually planning to liquidate, as banks must use the \$1.25 support price as the basis for any loan.

The cost-price squeeze will be compounded if legislation is not enacted. One very serious problem affects State and local government. Property taxes on my farm jumped from \$1,906 in 1949 to almost \$4,500 in 1963.

The CHAIRMAN. Is that county and State tax?

Mr. TOM. This is county and local taxes, just ad valorem.

The CHAIRMAN. What was the cause of it? Schools?

Mr. TOM. Schools.

The CHAIRMAN. How much land have you got?

Mr. TOM. This particular farm has 4,400 acres in it.

The CHAIRMAN. About \$1 an acre?

Mr. TOM. Fourteen hundred acres of cultivated land each year, summer fallow area. Over 70 percent of this tax is for primary and secondary education and we know it will increase in the future. In addition, we are now faced with the necessity of greatly expanding our vocational education if we are to take care of our unemployment and retraining programs resulting from automation.

These are fixed costs that increase every year and over which we have no control. Also, all other production costs are increasing, which means that it will not be long before the wheat farmer is out of business if wheat is allowed to drop to \$1.25 per bushel.

May I have 60 seconds to comment upon some other testimony?

The CHAIRMAN. Surely. Proceed. We are glad to have it.

Mr. TOM. Mr. Mennel I believe it was commented about undesirable varieties. I am sure that the CCC does not support all varieties. I think there were almost 33 undesirable varieties which were exempt this last year from supports.

Now as to the chamber of commerce, I would say this. If we have to go it alone and they are willing to go it alone, I am willing to take my chances.

The CHAIRMAN. You mean if labor and industry——

Mr. TOM. That is right.

The CHAIRMAN. That has been my contention throughout. I don't presume that the chamber of commerce would advocate that all of the tariffs be taken off, and things like that. I know that, but I didn't want to bring that up.

Mr. TOM. But I feel that this should at least be brought out. Cost-plus contracts, tariffs, quotas, subsidies, maritime, post office, fast writeoff, depreciation allowances, expense accounts, special tax legislation for industry, individuals, and the individual corporations, legislation restricting competition, labor legislation, and so forth. That is all I have to say.

The CHAIRMAN. I have always contended that if the farmers were given an opportunity to start here with everybody else, they wouldn't ask for my privileges.

Mr. TOM. Right.

The CHAIRMAN. Or any price supports. But when you protect labor to the tune of \$1.25 an hour for common labor, and protect industries from outside interference by way of tariffs, we haven't given that up yet, and as long as that stays on, why the farmer has got to get it somewhere, and that is why I have been one of its chief advocates here, and I am going to continue to be as long as I am on this committee.

I am confident that if you permitted the wheat farmers to plant all that they wanted and let wheat go down to \$1.35 or \$1.40 a bushel, that somebody might go hungry some day.

Mr. KEN KENDRICK (National Association of Wheat Growers). Senator, we can grow 2 billion bushels if you just turn us loose, any year.

The CHAIRMAN. You can't grow it at a profit though.

Mr. KENDRICK. I know that.

The CHAIRMAN. I don't think you can.

Mr. TOM. I wanted to make it clear when I stated these things about the chamber of commerce, I am not criticizing the benefits they derive from the Government. I am not discriminating against them, and I don't want them to discriminate against me either.

The CHAIRMAN. I understand. Are there any further questions? Thank you very much. The committee will stand in recess until 10 o'clock in the morning.

(Whereupon, at 4:50 p.m., the committee was adjourned, to reconvene at 10 a.m., Tuesday, February 11, 1964.)

WHEAT PROGRAMS

TUESDAY, FEBRUARY 11, 1964

U. S. SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D.C.

The committee met, pursuant to recess, at 10 a.m., in room 324, New Senate Office Building, Senator Allen J. Ellender (chairman) presiding.

Present: Senators Ellender, Johnston, Eastland, Jordan of North Carolina, Neuberger, Aiken, and Young of North Dakota.

Also present: Representative Paul Jones of Missouri.

The CHAIRMAN. The committee will come to order.

We shall continue the hearings on wheat legislation, and we have this morning as the first witness Senator Burdick.

So you may proceed, Senator.

STATEMENT OF HON. QUENTIN N. BURDICK, A U.S. SENATOR FROM THE STATE OF NORTH DAKOTA

Senator BURDICK. Mr. Chairman, and members of the committee, I appear this morning on behalf of my bill, S. 2492.

First, I want to state that despite the folly of the American farmer at the last referendum, I don't think that we can afford the price drop of an estimated \$600 million of farm income at this particular time.

We have done everything here in Washington we can to stimulate the economy. But if we permit the price level to drop as I think it will do, it will be a cloud on the economy in the great agricultural areas.

Now, I will summarize the essential parts of my bill. May I have unanimous consent to introduce my prepared statement?

The CHAIRMAN. Without objection.

Senator BURDICK. I am just briefly going to touch upon the principal features of the bill.

The theory behind the bill is that 1 billion bushels of production will be supported at a blend price of \$2.25. Half of that will be supported by certificates for the domestic production, and half of it will be supported by a direct payment for the export. That will give a blend price between parity of \$2.50 for domestic consumption, \$2 for the exports and \$1.30 for the overage. The feature dealing with the domestic consumption is almost identical with provisions in the bill introduced by Senator Young of your committee.

The second feature of the bill is almost identical with the export feature in the McGovern bill, except that my bill would employ direct payments.

Now, this legislation has two distinct improvements: One is that diversion payments are eliminated. We found, talking to farmers throughout the area, that the very complicated regulations surrounding diversion payments caused irritations; so we felt that a compensation in price would take care of any loss in revenue resulting from the elimination of diversion payments.

The bill does, however, provide that if there is no surplus of particular grain and the Secretary so finds, that oil seed crops could be raised upon the diverted acres.

The bill has, like the others, most of the others, a 10-percent cut from the 55 million acre national base; it would be on that 10 percent acreage diversion that the oil seed crops, that you are familiar with, could be grown, if they are not in surplus.

The other improvement in the bill is that there is a family farm cutoff set at 12,000 bushels. There may be some obscurity or some conflict in the language of the bill before you, but I am having it clarified; the intention is to give support to only 12,000 bushels, which would be divided equally between the domestic consumption and the grain shipped abroad.

The reason for this provision is that I don't think it was ever the intention of the farm program to subsidize large industrial farming and I regard 12,000 bushels as a reasonable cutoff.

Now, it would take care of a great bulk of the farmers in the country. There are only about 8,000 wheatgrowers that have wheat allotments over 500 acres and a farmer with a 500-acre allotment would have price support for his entire crop, assuming normal production. I feel the cutoff is important because it is a question of philosophy.

And that, Mr. Chairman, is the essence of my bill. I urge favorable consideration.

(The prepared statement of Senator Burdick follows:)

I am pleased to have this opportunity to appear in support of a voluntary wheat program, specifically to urge favorable action on my bill, S. 2492.

The American farmer has made startling advances. A marvel of efficient production, he is the envy of Soviet Russia. He provides food for consumers at bargain prices. He should be the great American success story.

You would think the American farmer would prosper, because most industries in our economy are rewarded with improved income for efficiency and greater productivity.

But it has not turned out that way. The farmer, as a consequence of his greater productivity, faces lower prices and declining income.

A fundamental difference between agriculture and other industries is the great number of agricultural producers—in wheat, there are nearly 2 million.

Faced with decreased demand, a half dozen automobile manufacturers can simply close down a portion of their factories until consumers express a demand for more automobiles. Then they produce more cars. Prices remain stable.

Two million wheatgrowers can't operate in this way. Faced with oversupply and declining prices per bushel, each individual farmer feels he must produce more bushels to maintain his income. As we know, this is a losing proposition, because surplus mounts and prices drop further.

The single effective instrument we have found for obtaining collective action in agriculture to check production and maintain income is a farm program.

Mr. Chairman, many analysts interpreted the vote in the wheat referendum last May as meaning that farmers do not wish to cooperate in controlling production and desire a return to the free market.

Such an interpretation, in my judgment, is in error. I say this in spite of the fact that their rejection of the 1964 program ran counter to my advice and was deeply disappointing to me.

I say this is a mistaken interpretation because I believe farmers were protesting hundreds of individual grievances and irritations with the farm program. I am convinced they did not want to abandon the program in toto. In my State of North Dakota, 65 percent of the farmers voted in favor of the 1964 program, and I feel confident that if another referendum were held today, the percentage would be considerably higher.

It serves no purpose to dwell on the referendum further. The facts are that we face a sharp drop in prices in 1964. The wheat futures are positive indications of impending price loss. As farm income drops, thousands of farmers will be driven out of business—they will not be able to recover the costs of operation. We must face these unpleasant facts and look for the best immediate short-term solution which, in my judgment, must be based on voluntary farmer participation.

I have studied various proposals and have cosponsored bills with two of my Senate colleagues.

Last week, drawing on the best features of these plans, I introduced my own bill, S. 2492. It was designed to fall within the guidelines set by both Presidents Kennedy and Johnson.

My plan, to apply to the 1964 and 1965 crops, would raise farm income more than any proposal analyzed by wheat program experts—to \$2.54 billion, about 5 percent over the 1963 level. In a wheat State like North Dakota, income would be raised \$35 million over 1963 and more than \$100 million over the program we would have under existing law.

The increased income would attract a high percentage of participation by wheatgrowers—90 percent, according to unofficial estimates by the Department of Agriculture.

The program I propose would trim costs \$200 million below 1963 and whittle down surplus.

The plan keeps alive the principle that a farmer is entitled to full parity in the marketplace by insuring him for his share of domestic wheat production a return of \$2.50 a bushel, the amount required under current prices to give him 100 percent of parity. I want the record to show that I believe in parity for the American farmers and that my constituents on the farms of North Dakota, as in all other States, are entitled to receive it.

The plan would simplify administration by eliminating diversion payments, with their complicated formulas and irritating regulations. Paperwork and costs for administration would be substantially reduced.

Producers would be permitted to substitute or interchange wheat and feed grain, introducing a needed flexibility to farming operations, particularly in drought years.

The program also incorporates the principle that price supports should be available only to a reasonable level. They would stop at the 12,000 bushel mark, meaning that producers having up to 500 acres of wheat would have substantially all their production supported.

The program would operate in the following manner:

To qualify, a farmer would have to reduce his acreage 10 percent below his permanent allotment based on 55 million acres, the same requirement as for the 1962 program. Although he would receive no diversion payments, he could grow oilseed crops—guar, sesame, safflower, castor beans, mustard seed, canary seed, soybeans, flax, and others, without price supports, if those crops are not in surplus.

A participating farmer would receive a basic loan rate of \$1.30 a bushel. For his share of the 500 million bushels of wheat required for domestic consumption, he would receive certificates worth \$1.20 a bushel. For his share of the 500 million bushels of export wheat, he would receive an export payment of 70 cents a bushel. For his remaining production, estimated at 200 million bushels, he would receive the \$1.30 basic loan rate. The production goal under the program would be 1,200 million bushels.

Noncooperators would not be eligible for any of the above types of price support.

Under the program, sale by the Commercial Credit Corporation of wheat stocks would be at 115 percent of the support level plus handling charges.

Mr. Chairman, one of President Johnson's guidelines was that the wheat program should not raise the price of bread. There is no reason my plan should do so, since wheat in a loaf of bread currently constitutes only 2.5 cents of the

price, and Department of Agriculture statistics show that wheat would have to be increased to \$2.80 a bushel to justify an increase of 1 cent for wheat costs.

Mr. Chairman, a compelling case for tax reduction was made last week on the Senate floor, because of the need to strengthen the national economy.

The arguments are familiar—that the tax reduction would raise purchasing power, encourage investment, and increase employment. Even the prospect of a tax reduction has speeded up the economy, and the indicators point to prosperity.

In our optimism we must not overlook a cloud on the horizon—the snow-balling effects on the agricultural economy and the national economy of an estimated \$600 million drop in the income of wheatgrowers. There is still time to avert this negative impact, and I am hopeful immediate action will be taken.

I have outlined the plan I think would be best. I would, of course, like to see the committee take favorable action on it.

However, I am keenly aware of the difficulty of obtaining a consensus on wheat legislation, particularly in this race against the clock. I believe my plan would return more income to the farmer, but I will support any other solution that will maintain farm income.

The CHAIRMAN. Now, your bill differs, of course, from the present law in that, as I understand the Secretary leaves the amount to be supported for domestic use and he fixes the supports on exports.

Senator BURDICK. Yes, estimated at \$500 million domestic and not less than \$500 million for export.

The CHAIRMAN. And you want, as I understand it, the export portion of the crop would be supported at \$2 per bushel.

Senator BURDICK. Yes.

The CHAIRMAN. How about the domestic?

Senator BURDICK. With certificates valued at \$1.20.

The CHAIRMAN. Plus?

Senator BURDICK. \$1.30. This is essentially the same as in the Young bill.

The CHAIRMAN. That is 100 percent of parity.

Senator BURDICK. That is right.

The CHAIRMAN. Well, you are asking for enough, all right. [Laughter.]

Senator BURDICK. Thank you.

The CHAIRMAN. All right, Mr. Patton, you may proceed.

STATEMENT OF JAMES G. PATTON, PRESIDENT, NATIONAL FARMERS UNION

Mr. PATTON. Mr. Chairman, I have three of our executive committee here. May they sit up here at the table with me?

The CHAIRMAN. Yes.

Mr. PATTON. For the record, I am James G. Patton, president of the National Farmers Union and I am appearing here today with Mr. Leonard Kenfield, president of the Montana Farmers Union, who is also chairman of the Farmers Union Economic Committee, and with Mr. Lail Schmidt, president of the Rocky Mountain Farmers Union which encompasses Colorado, Wyoming, and New Mexico and Mr. Ed Smith, who is president of the North Dakota Farmers Union and I also have the director of legislative services, Mr. Reuben Johnson.

Mr. Ben Radcliffe, who is president of our South Dakota Farmers Union couldn't be with us today.

Before I start my formal testimony, Mr. Chairman, I hope you will permit me to pay my respects to you, sir, and the leadership you have given over a long number of years.

As you know, of course, you and I have been sitting around this table for a long time and I have always felt that you represented the best interests of agriculture and did your best to do so. And the other important thing to me; is that under your chairmanship, Senator Aiken and Senator Young have given long leadership joining the Democratic side and the Republican side in giving the committee a bipartisan flavor which agriculture has needed.

The CHAIRMAN. And enjoyed.

Mr. PATTON. Yes, the approach has been one which has been necessary, as I see it in agriculture which a minority—

The CHAIRMAN. I hope we can be as successful in the future as we have in the past in getting this legislation through, because as I stated on several occasions, unless we can get a bill to the Senate before the civil rights bill starts, I can see no hope of passing an effective bill this session.

Mr. PATTON. That, Mr. Chairman, is what we are hoping that the House Agriculture Committee would be able to do.

The CHAIRMAN. They won't be bothered with it. They can act on theirs, you see.

Mr. PATTON. I know.

The CHAIRMAN. And if we can get ours enacted then the only thing left would be a conference, and we will use as a vehicle, of course, the House bill we have before us now, and we are hopeful we can work something out. But as I said in the early part of these hearings, it will be almost impossible to write a brandnew cotton bill or a brandnew wheat bill—we are going to have to act on legislation that amends laws we now have.

Mr. PATTON. Of course, I am confident with your long experience and ability in this field that it can be done.

The CHAIRMAN. I will do my best.

Mr. PATTON. I would like to present our statement, I want to present it first for the record and, second, it is that thinking of our people, and as their representative I present it.

The CHAIRMAN. Yes.

Mr. PATTON. We are most encouraged by the fact that President Johnson has expressed the view that farm income must be raised and that his opinion is shared by Secretary Freeman. The operators of the 3.6 million U.S. farms do not receive an equitable share of the Nation's income.

While farm output has increased 21 percent since 1947-49, net farm income has dropped by 21 percent. Farmers have received no reward for their increased efficiency—in fact, they have been penalized because of it. They continue to be grossly disadvantaged notwithstanding the small rise in their gross income.

We believe, Mr. Chairman, the parity ratio of 76 percent on December 15, 1963, is a distress signal which cannot be ignored.

The need for additional farm income and the need to raise prices of agricultural products in the face of the present cost-price squeeze is undeniable. The cost-price squeeze cannot be solved by any other route. To ignore this obvious truth is to turn away from the crux of the problem of poverty in rural America.

It is imperative that there be a wheat program to apply to the 1964 crop. It is apparent to us and to the Nation's wheat farmers that,

without legislation, price support this year will probably drastically drop to the 50 percent of parity level that present law provides. This means about \$1.25 per bushel and up to a \$600 million loss of income from the 1963 level.

Farmers Union wholeheartedly concurs with the statement released on December 13 in Washington by nine general farm and commodity organizations as to the adverse economic impact on the national economy that such a loss would bring. Their statement is as follows:

National economic growth cannot be expanded unless farm income is maintained and improved. The drag on the economy posed by an expected \$600 million loss in farm income, in the absence of an effective farm program, would be disastrous.

Prevention of this loss is therefore of prime concern to farmers, Main Street businesses of rural America, and factory workers whose job and livelihood depend on a healthy farm economy that must continue to contribute to the strength of the Nation's economy, receiving in the process its equitable share of the Nation's income.

We are greatly encouraged by the recent crop report which indicates that compliance with acreage allotments in Winter wheat plantings is the rule. It appears now that overplanting of all wheat may be only slightly above last year. This will mean a crop of about 1.4 billion bushels instead of the estimated 1.6 billion bushels. Present indications are that over 80 percent of the Winter wheat planted is within allotment. This voluntary action on the part of farmers is significant, we believe, because it demonstrates clearly the expectation and interest of farmers in having a workable supply-adjustment program.

Farmers Union has been intensely studying the various wheat program alternatives under discussion the latter part of 1963. We came to no hasty or premature decision as to the kind of program our organization will support.

On December 18, 1963, the executive committee of National Farmers Union met to formulate a program to be submitted for the consideration of Congress. We believe we have a program which will (1) substantially increase farm income, (2) reduce costs to the Government, and (3) simplify and streamline administration. The program is simple and would operate as follows:

- (1) Price support level of \$2.50—100 percent of parity—on domestic consumption and exports for farmers who sign up in the program. The new program is voluntary. Noncooperators would receive no price supports and would sell wheat the the free market price.

- (2) Program would cover 1964 and 1965 to permit congressional consideration of wheat and feed grain program for 1966 and after.

- (3) The program would provide price support through the use of certificates on wheat consumed domestically and direct payments to farmers on the portion of wheat exported.

- (4) To qualify for the program farmers would cut wheat acreage by 10 percent, which nationally would mean 49.5 million acres.

- (5) Family farm cutoff of 12,000 bushels would apply in the allocation of each family's pro rata share of price-support payments and certificates under the proposed program. One bill has been introduced to place the cut or cutoff rather at 12,000 bushels.

- (6) Interchange of wheat and feed grain plantings is permitted if producers participate in both the voluntary wheat and feed grain programs.

(7) Sales by the Commodity Credit Corporation of wheat stocks would be at 115 percent of the support level, plus handling charges.

(8) Cooperators in the program could grow oil seed crops on the 10 percent of diverted acres, but without price support.

Both certificates and payments are called for, with certificates applicable to domestic consumption and direct or price-support payments applicable to exports.

I call the committee's attention to the following table to further illustrate how the program would operate :

Utilization	Busbels (millions)	Price support	CCC loan ¹ level	Payments or certificates
Domestic consumption.....	500	\$2.50	\$1.30	² \$1.20
Exports.....	460	2.50	1.30	³ 1.20
Miscellaneous.....	240	1.30	1.30	-----
Total.....	1,200	⁴ 2.26	-----	-----

¹ Cost to CCC of loan at \$1.30 would be negligible.

² Certificate.

³ Payment.

⁴ Average.

Under this program the total national income of wheatgrowers is calculated at \$2,750 million. This compares with \$2,363 million under the 1963 program and would, therefore, increase gross wheat income in 1964 by \$387 million over 1963.

Significantly, by using certificates on the domestic portion of the 1964 crop and payments on exports, cost to the Government less Public Law 480 shipments, would be about \$516 million. Inasmuch as the \$1.30 loan level would sharply curtail CCC lending operations and move wheat into commercial exports without Government assistance, administrative and storage costs as compared to past years could be reduced, we believe, substantially over several years.

The "National Food Situation" released on February 8 by the Department of Agriculture, states:

Marketing costs constitute a large share of the price of bread and many other wheat products; these costs probably will continue to increase despite the prospective decline in price of wheat * * *.

We have made a very careful study of the effect that the Farmers Union wheat program would have on the cost of bread.

In 1963, the average retail price of a 1-pound loaf of white bread was at an alltime high of 21.6 cents—0.4 cent higher than the 1962 price and 60 percent higher than the 1947–49 average of 13.5 cents.

The national average price for a 1-pound loaf of white bread was 21.6 cents in 1963 (68 loaves of 1 pound each can be produced from flour processed at an extraction rate of 72.5 percent from 60 pounds of wheat).

The farm value of wheat in a 1-pound loaf of bread was 2.5 cents in 1963.

These U.S. average prices, however, mask much variability. For example, in the 20 largest cities the average retail price in 1962 varied from a low of 17.4 cents in Houston to 21 cents in Los Angeles—61 percent higher than in Houston. Even more significant are the following statistics: The price of bread in Houston increased about 5 cents from 1947–49 to 1962 or about 40 percent, while the price in Los Angeles

rose about 14 cents or 100 percent over the same period. It is obvious that the price of wheat has little effect or relationship to the retail price of bread.

In 1962 it would have taken a 40-percent drop in the price of wheat (about 80 cents) to lower the price of bread by 5 percent or by a single cent. Conversely, a 40-percent increase in the price of wheat in 1962 would have increased the price of bread by only 5 percent.

Mr. Chairman, the central point in presenting these facts on wheat costs and bread prices is that the increase in price to the producer called for in the Farmers Union program, should not have material effect on the cost of a loaf of bread.

Furthermore, while I am in total sympathy with the desire of the administration to adjust the Nation's budget downward, I cannot agree that this admirable objective must be accomplished at the further expense of American farm families during a time that we will apparently spend over \$5 billion in the next budget year in a race to the moon.

Strong justification, we believe, for substantially increasing the income level in a voluntary wheat program is the fact that a high percentage of producers would participate. The Department of Agriculture in making the assumptions needed to estimate costs and income of the Farmers Union program, projected 90 percent participation. We believe that this feature of the Farmers Union proposal is highly important.

In behalf of the other members of the board of directors of National Farmers Union, we appreciate the opportunity to appear before you to discuss a wheat program for 1964.

A workable wheat program is essential, not only to wheat farmers, but feed grain producers and all segments of the national economy. We are confident that an increase in farm income would stimulate other sectors of the national economy, providing jobs for many of the 4 million unemployed.

We have always counted it a privilege to come before this committee and its counterpart on the House side, because we believe that you are desirous of maintaining farm programs and the income needed to strengthen and preserve our family farms. We know it has always been your aim to devise the kind of programs that will enable farmers to get their fair share of the Nation's income. We stand ready to cooperate with the committee and the Congress toward this objective and pledge our support in behalf of the earliest possible action in devising and enacting a new wheat program in time to apply to the 1964 crop.

Mr. Kenfield, Mr. Schmidt, and Mr. Smith and I will be happy to respond to any questions members of the committee may have, but before moving on I request permission to insert in the record of these hearings (1) the brief outline of the Farmers Union wheat program attached to this statement, and (2) a statement concerning relations of wheat price supports and exports to bread prices which was compiled by the staff of the division of legislative services of National Farmers Union.

(The information referred to follows:)

FARMERS UNION WHEAT PROGRAM

(Approved by the executive committee, December 20, 1963)

The program outlined below is predicated on the following objectives:

(1) To increase income substantially toward the longtime goal of full parity returns to family farmers.

(2) To reduce the cost of farm programs to the Government.

(3) To simplify farm programs and streamline administration.

Major provisions of the program are as follows:

(1) Voluntary program applicable to 1964 and 1965 crops permitting feed grains and wheat to be considered in combination of 1966 and subsequent crop years.

(2) Both certificates and price-support payments are called for with certificates applicable to domestic consumption and price-support payments applicable to exports. Noncooperators would not be eligible for price support nor price-support payments and certificates.

Utilization	Million bushels	Price support	CCC loan level	Payment or certificates	Cost to Government
Domestic consumption.....	500	\$2.50	\$1.30	¹ \$1.20	(²)
Exports.....	460	2.50	² 1.30	³ 1.20	\$552,000,000
Miscellaneous.....	240	1.30	1.30	-----	(²)
Total.....	1,200	⁴ 2.26	-----	-----	-----

¹ Certificate.

² Cost to CCC of loan at \$1.30 would be negligible.

³ Payment.

⁴ Average.

(3) Ten percent reduction from 55-million-acre national allotment required for price support. This would mean 49.5 million acres in wheat.

(4) No land-diversion payment is called for but the Secretary is authorized to permit the 10-percent diverted acres to be devoted to the production of guar, sesame, safflower, sunflower, castorbeans, mustard seed, canary seed, soybeans, flax, and other oil seeds when such crops are not in surplus supply if permitted to be grown on the 10-percent diverted acres. Such production is not eligible for price support.

(5) A national safety reserve of 600 to 700 million bushels.

(6) A family farm cutoff of 12,000 bushels in the allocation of each family's pro rata share of price support payments and certificates.

(7) Sale by CCC of wheat stocks shall be at 115 percent of the support level plus handling charges.

Under the proposed program, the total national income of wheatgrowers is estimated at \$2,750 million. This compares with \$2,363 million under the 1963 program.

WHEAT EXPORT PROGRAM AND BREAD PRICES

(Supplement No. 2—Legislative analysis memorandum No. 56-4—Prepared by Reuben L. Johnson, director, and Walter A. Hasty, Jr., assistant director, division of legislative services)

The announcement by General Mills, Pillsbury, and others of price increases at \$0.40 per hundred pounds on flour that was purchased and committed even before the Canadian sale of wheat to the Soviets has caused a great deal of concern by consumer interests. This concern was first exemplified by Congressman Charles A. Vanik, Democrat, of Ohio, member of the Consumer Affairs Sub-

committee of the House Committee on Banking and Currency, in a statement made on the floor of the House October 24 in which he said: "It is apparent that manipulators and dealers in wheat futures are greedily parlaying profits from the proposed sale of American wheat to the Soviet Union and its satellites, with the sale price of wheat futures rising almost 10 percent since the Canadian sale of wheat was announced.

"The proposed American sale will provide even further pressure for flour price increases and the additional increase could well exceed another 2 cents per 5-pound bag. A price increase in bread is almost a certainty."

BACKGROUND ON WHEAT EXPORTS AND BREAD PRICES

In response to this announcement by certain millers and bakers concerning flour price increase and the alarm sounded by consumer interests caused by the resulting expectation of bread price increases, National Farmers Union Division of Legislative Services conducted an extensive investigation and study concerning the justification of a bread price increase based on the proposed wheat export policy and the resulting wheat market condition.

According to the wheat situation of October 1963, the wheat and flour exports in 1963-64 are currently estimated at 1 billion bushels, assuming that prospective sales to the Soviet bloc are realized. This estimated record export stems from poor crops in many traditional exporting countries although the world crop is a near record. As a result, if this export volume materializes, the carryover on July 1, 1964, would total about 725 million bushels—about 465 million below a year earlier. While this would mean the smallest carryover since 1953, it is still adequate. The carryover of all classes of wheat, except Durum, would be reduced with the greatest decline in stocks of Hard Winter. (Supply and distribution table No. A attached.)

Prices of most classes of wheat are above their loan rates, reflecting the sharp increase in export demand and the tight supply of privately held wheat. Prices of many classes have been so high that traders have purchased large quantities from the Government at the resale formula price. As a result of the strong market, there has been very little price support loan activity for 1963 crop wheat.

An important factor in American prices is the statutory level of Commodity Credit Corporation sales from its stocks, at 105 percent of the loan plus carrying charges. Some cash prices in a few areas are at the statutory levels, but futures on which 1963 wheat may be delivered are, according to the Southwestern Miller, (a leading trade publication) as much as 20 cents below the statutory sales figures of CCC.

However, as the Southwestern Miller points out, "A powerful strengthening factor in U.S. prices that is becoming increasingly important is the diminishing balance of free supplies, or wheat outside of loan impoundings and CCC stocks, as exports expand. The great enlargement that has developed in export workings is pointing increasingly to a shortage of free wheat. To overcome that deficit, the domestic trade may have to turn more and more to CCC stocks at 105 percent of the loan plus carrying charges. * * * It is conceivable that some wheat not available from CCC, particularly in the case of soft wheat and the top protein ranges, might reach still higher prices if great tightness prevails in the markets."

With reference to hard wheat, CCC-owned stocks are ample and of good quality. There is no shortage of good quality wheat which can be milled into good flour.

Most bread producers buy on a long-range future delivery basis, usually at the beginning of the availability of new crop wheat. In many cases they have arranged for their flour supplies through next March. The purchases were made at prices prevailing in the July-August period, well before Russia began its purchase program.

Millers operate on narrow margins, and prices for flour usually reflect changes in wheat prices on a current basis, taking into account the price of mill feeds. (The mill feed returns are used to offset the price of wheat in computing cost of producing flour.)

The Southwestern Miller in its October 8 issue states that: "The fact that the 1964 wheat program includes only a support rate of \$1.25 a bushel on farms to the growers complying with acreage allotments, as against \$1.82 on the 1963 crop, is a limiting brake on American advance. This difference is leading to inventory planning that will hold down accumulations of the grain and flour as well to a minimum on the eve of the 1964 harvest. The discounts on July 1964 wheat futures are now as much as 38 cents as compared with the old crop May 1964 deliveries. But the impact of the world demand is narrowing their discounts."

According to the trade, wheat markets have not yet completely appraised the influence of the Russian buying of wheat and flour over the world or the trades of current crop year of 1963-64. In fact the aggregate of the Russian purchases is yet to be revealed in the current crop year. However, the wheat futures market has already largely anticipated what is going to happen and has fairly well taken into account the prospective U.S. sales of wheat to Russia. Factors helping to strengthen nearby futures have been the huge exports to countries other than Russia and that the prospect for exports will remain high throughout the current year.

WHEAT PRICE EFFECT ON BREAD PRICE

The national average price for bread in 1963 was 21.6 cents per pound for a loaf of white bread (68 loaves of 1 pound each can be produced from flour processed at an extraction rate of 72.5 percent from 60 pounds of wheat).

The farm value of wheat going into a loaf of bread of 1 pound was 2.5 cents in 1963.

To justify an increase of 1 cent per loaf on the basis of wheat costs alone, the average farm price of \$2 (seasonal average received by producer in 1962 would have to be increased about \$0.75 or \$0.80 for a total of \$2.80 per bushel). However, it could be anticipated that bread prices would be increased a full cent on the basis of an increase of one-half that amount in cost of wheat or about 30 to 40 cents per bushel to about \$2.30 to \$2.40 per bushel at the farm level. The average price received by the producer in September 1963 was \$1.84 per bushel. At Kansas City, a principal market for hard wheat used for bread flour, No. 1 Hard Winter, ordinary protein, averaged \$2.23 per bushel for the 1962-63 crop year and was \$2.09 for September 1963. Since the current bread price is based on 1962 cost of wheat, it would appear that the price of wheat at Kansas City would have to advance to approximately \$2.70 per bushel before a 1-cent increase in a 1-pound loaf of bread could be justified, all other costs remaining unchanged.

Bakers, of course, buy flour from wheats other than Hard Winter ordinary, but the illustration would be relative. It takes 2.3 bushels of wheat to produce 100 pounds of flour.

THE FARMERS' SHARE: 3.1 CENTS

According to a recent study made by the Department of Agriculture and published in a booklet entitled, "The Food We Eat" (publication No. 280, revised August 1963) the wheat used in baking a 21-cent loaf of bread costs 2.6 cents. For all of 1963 this farm value of wheat in a loaf of bread dropped to 2.5 cents. Other farm products used in the bread add \$0.5 cent to its cost.

In 1962, when the retail price of a 1-pound loaf of white bread averaged 21.2 cents:

The farmer received 2.6 cents for his wheat and 0.5 cent for the milk, shortening, and other farm products in the bread; the miller received 1 cent; the baker-wholesaler 11.5 cents; and the retailer 4 cents. The other 1.6 cents went for transportation, storage, handling, and other processing.

TRENDS IN PRICES AND CONSUMPTION

Mr. Kenneth E. Ogren, Marketing Economics Division, ERS, in an address delivered on October 29, 1963, at Peoria, Ill., in discussing "Trends in Prices and Consumption" had this to say about bread prices:

* * * "Now let's go back to bread prices. The data for bread are U.S. averages that also mask much variability. For example, in the 20 large cities prices by BLS the average retail price in 1962 varied from a low of 17.4 cents in Houston to a high of 28 cents in Los Angeles, 61 percent higher than in Houston (table 2, fig. 1). Even more significant are the following statistics: The price of bread in Houston increased about 5 cents from 1947-49 to 1962 or about 40 percent, while the price in Los Angeles rose by 14 cents, or 100 percent * * *."

"What caused the rise in the average U.S. price of bread?

"* * * Primarily, the higher costs of baking and distributing bread (table 2, fig. 2). The difference between the estimated cost to the baker of all ingredients and the wholesale price rose from 6 cents in 1947-49 to 11.5 cents in 1962, an increase of almost 100 percent. Gross spreads of millers and retailers also increased during this period. But these spreads increased by a smaller amount; they also are a much smaller part of the total price of bread, especially the millers'. The price of wheat has little effect or relationship to the retail price of bread. In 1962, it would have taken a 40-percent drop in the price of wheat to lower the price of bread by 5 percent or by a single cent. Conversely, a 40-percent increase in the price of wheat in 1962 would have increased the price of bread by only 1 cent—roughly 5 percent. We have not experienced such a large change in the price of wheat in recent years."

CONCLUSION OF INVESTIGATION AND STUDY

As a result of this investigation and study it is concluded that there is no justification for flour or bread increases based on the present or expected future price of wheat (see table I).

It was further found that proposed sale of wheat to the Soviet Union will not cause any significant shortage of stock for domestic use since the U.S. Government will still have a carryover of about 752 million bushels which would be more than adequate (see table 4). It should also be noted that although there will be an increase in the exportation of wheat caused by the recent decision by the President to permit the sale of wheat to the Soviet Union that an important factor in U.S. prices of wheat is the statutory level of CCC sales reflecting 105 percent of the loan plus carrying charges. The present policy of CCC is that sales generally are made at the higher of market or the formula price. CCC's large inventories of hard wheat is expected to have a stabilizing effect on wheat and flour prices. Hard wheats used for bread flour are in ample supply and are of good quality.

Flour prices will vary and wheat prices will fluctuate but are not expected to rise above last year's level. It is also very significant to note that although flour prices have remained constant for the period 1947-62, that bread prices continued to rise and that decreased flour prices have not resulted in decreases in bread prices (see table 2, fig. 2).

A recent analysis by the Economic Research Service shows a 40-percent increase in the price of wheat in 1962 would have increased the price of bread by only 1 cent—roughly 5 percent.

TABLE NO. 1

Cash wheat prices

	Oct. 21, 1963	Year ago
Kansas City: No. 1 Dark Hard.....	\$2.16 $\frac{1}{4}$, at \$2.54.....	\$2.18 $\frac{1}{4}$, at \$2.65 $\frac{1}{4}$.
Minneapolis: No. 1 Dark Normal.....	\$2.31 $\frac{1}{8}$, at \$2.46 $\frac{1}{8}$	\$2.25 $\frac{1}{2}$, at \$2.65 $\frac{1}{2}$.
St. Louis: No. 2 Red Winter.....	\$2.18, at \$2.19.....	\$2.10 $\frac{3}{8}$, at \$2.11 $\frac{3}{8}$.

Wheat futures prices

	Oct. 21, 1963	Year ago
Kansas City:		
December 1963.....	\$2.12 $\frac{3}{8}$	\$2.13 $\frac{3}{8}$
July 1964.....	1.70	1.91 $\frac{5}{8}$
September 1964.....	1.70 $\frac{1}{4}$	1.93 $\frac{1}{2}$
Minneapolis:		
December 1962.....	2.27 $\frac{1}{8}$	2.33 $\frac{1}{2}$
July 1964.....	2.22 $\frac{3}{4}$	2.22

National average support price for wheat

Year	National average	Season average
1962.....	\$2.....	\$2 (preliminary).
1963.....	\$1.82 (plus \$0.18 price-support payment).	\$1.84 (Sept. 15, 1963).
1964.....	\$1.25.....	

Bakers flour prices

	Oct. 21, 1963	Oct. 22, 1963
Kansas City, Mo.: Hard Winter, Bakers short patent.	\$5.75 to \$5.80 per hundredweight.	\$6 to \$6.05 per hundredweight.
Minneapolis, Minn.: Spring wheat, Bakers patent.	\$6.10 to \$6.20 per hundredweight.	\$6.40 to \$6.45 per hundredweight.

TABLE 2

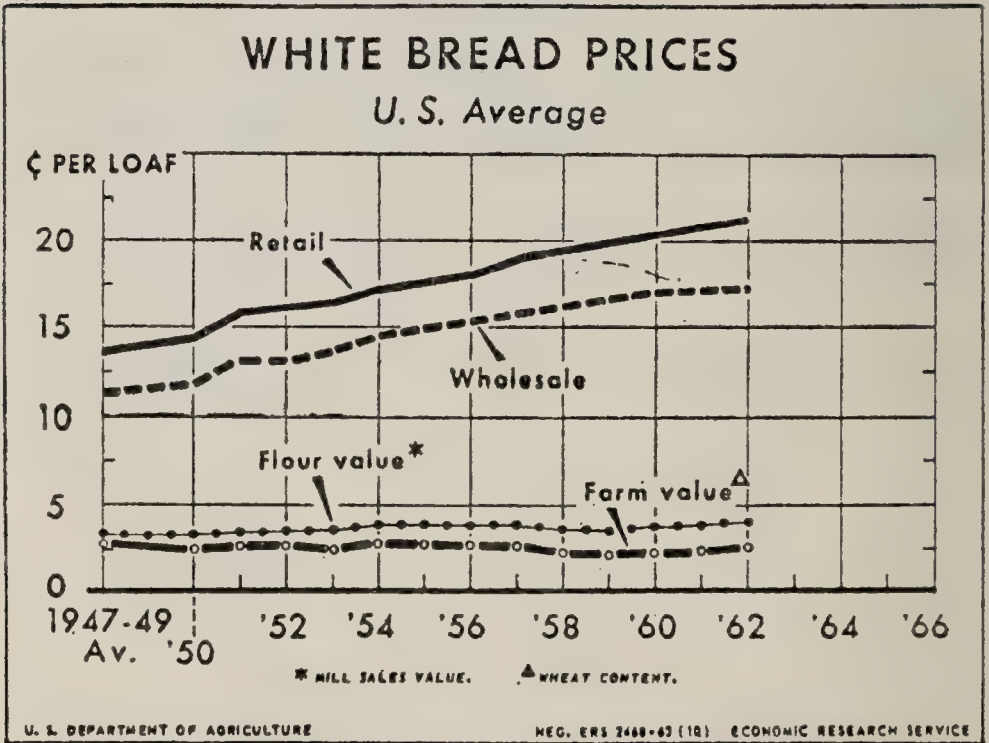
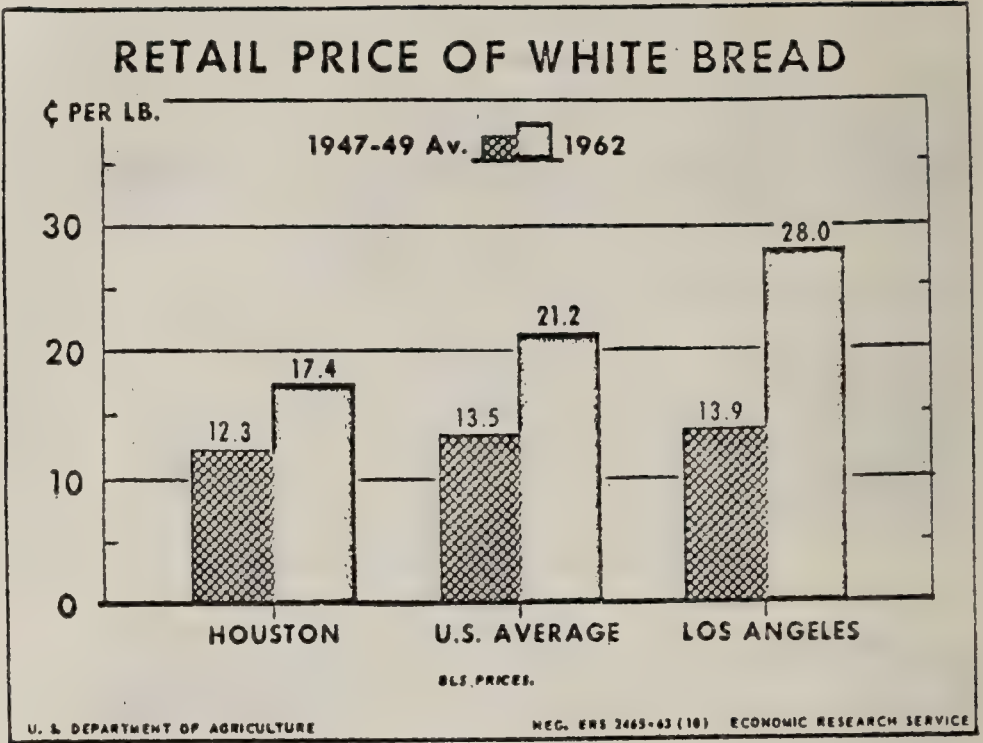


TABLE 3.—*Domestic food use of wheat by type, United States, 1959-60*

Product	Wheat (million bushels)			
	Hard	Soft	Durum	Total
Bread.....	200.15			200.15
Rolls.....	10.27			10.27
Biscuits and muffins.....		2.87		2.87
Crackers.....	3.40	18.53		21.93
Cakes.....		6.11		6.11
Pies.....		2.52		2.52
Other sweet goods.....	11.38	8.10		19.48
Alimentary paste products.....	8.20		22.00	30.20
Flour:				
All purpose.....	85.57	72.33		157.90
Whole wheat.....	2.38			2.38
Cake.....		12.21		12.21
Prepared mixes.....		22.34		22.34
Wheat cereals.....	9.65	1.99		11.64
Total.....	331.00	147.00	22.00	500.00

NOTE.—Commercial users of wheat flour in the United States absorbed a total of 130,160,000 hundredweight of flour (approximately 300,000,000 bushels of wheat) in 1958 according to the last census available; 92,000,000 hundredweight of flour or about 210,000,000 bushels was used for production of bread and related products.

The CHAIRMAN. I presume you would be satisfied with the present law if the supports were raised in accordance with the suggestion made by you in your prepared statement.

Mr. PATTON. Yes, I think in the main. Of course, Mr. Chairman, I want to make it clear so far as I was concerned I was for the law farmers decided they didn't want.

The CHAIRMAN. As I stated before, Mr. Patton, you realize that if we try to present a brandnew wheat bill it will be most difficult to pass this year. The only thing we can do is to add to what we have got, if it is possible to make it workable, or to make it so that it will be passed before the Congress—

Mr. PATTON. Mr. Chairman, I would like to say—

The CHAIRMAN (continuing). Before May.

Mr. PATTON. I would like to say to you and Senator Young, who has also been our friend on this committee, that we recognize the difficult situation, and at the same time we as an organization have to represent the point of view of our people which is a part of the legislative process.

The CHAIRMAN. I understand.

Mr. PATTON. And we appreciate your sympathetic understanding of our position on it also.

The CHAIRMAN. Any further questions?

Senator YOUNG. I assume, Mr. Patton, you take much the same position as I do. You would like to have your bill voted on, and if you can't get yours through you will help write a better bill.

Mr. PATTON. We want a wheat bill, Senator Young. We want something that is going to save the American farmer from a loss of several hundred millions of dollars.

Senator YOUNG. That is the position I am going to take. I am going to vote on mine, but if I can't get this I will help vote on something else.

Mr. PATTON. That has been the history of the Farmers Union in the past, Senator Young, and we appreciate what the chairman and you both have done over the years.

The CHAIRMAN. It may not be what we want but what we get for it.

Mr. PATTON. It is the art of the possible.

The CHAIRMAN. Yes, that is right.

Any further questions?

Any comments?

STATEMENT OF LEONARD KENFIELD, PRESIDENT, MONTANA FARMERS UNION, GREAT FALLS, MONT., ALSO REPRESENTING THE NATIONAL FARMERS UNION

Mr. KENFIELD. Senator, I would just like to call attention to this little demonstration here in support of Mr. Patton's statement on the amount of wheat that goes into a pound loaf of bread.

Here is what the farmer gets for that much wheat. In this jar is the amount required to make a pound loaf of white bread. The farmer gets $21\frac{1}{2}$ cents for his part as the 1963 figures show. Here is what the consumer pays, 21.6 cents. I think there is a little confusion in the public minds about this matter of price and farm programs and it seems to me this clarifies it quite well.

I want to say, Senator, we certainly appreciate an opportunity to be here and present this testimony.

The CHAIRMAN. Well, I am glad that you are, because we tried to hold hearings last week, as you know, we had to cancel them out because of the tax bill being considered by the Senate. But I arranged to stay here, the same as Senator Young. He could be out making speeches on Lincoln's birthday but instead he is here doing his duty as a Senator, and so is Senator Maurine Neuberger there and quite a few others who were here yesterday. We have got—of course, I don't mean she would get out and make some Lincoln Day speeches.

[Laughter.]

The CHAIRMAN. But at the same time she is here, and I resolved last week to remain here in an effort to get all the hearings completed so that come the 18th or 17th when we, when the Congress reconvenes, after the holidays, that we would be able to meet in executive session and try to report a bill out, either that—not later than the 19th so that we can consider it on the 1st of March, before the 1st of March, and if we are able to do that it may be that we can get a bill through, otherwise, I fear that other legislation of less importance will be considered by the Senate.

Senator YOUNG. Mr. Chairman, we have with us today, the president of North Dakota Farmers Union, Mr. Ed Smith, and I would like to tell the committee that he is a very fine person. He and I have some differences of opinion but when we differ he doesn't go around the State misrepresenting my viewpoints and I don't go around the State misrepresenting his viewpoint as some other farm leaders do.

Mr. SMITH. I want to thank you for that, Senator Young.

STATEMENT OF ED SMITH, PRESIDENT, NORTH DAKOTA FARMERS UNION, JAMESTOWN, N. DAK., ALSO REPRESENTING THE NATIONAL FARMERS UNION

Mr. SMITH. I want to thank you for that, Senator Young.

Mr. Chairman, I want to thank you, and Senator Young for what you did in the wheat referendum in the last campaign. Certainly we tried to tell them the facts, and our farmers voted 65.8 percent for that program, although it was defeated, and we feel that conditions that could prevail if there is no emergency legislation coming about now would be rather chaotic, and if farmers are the biggest purchasers of petroleum and tires and steel, certainly these are segments of our economy that ought to be bolstered. We would like to see something done to bring us through this era.

Senator YOUNG. Mr. Chairman, I am amazed at the results of the referendum. There was almost a 66-percent favorable vote in North Dakota, even with the tremendous no-vote campaign that was put on. I never saw a political campaign better financed than the no-vote campaign and I never witnessed more inaccurate propaganda.

There were more inaccurate things said about the certificate program. They didn't get to the real faults and there were many. I am amazed at the yes vote that there was. This is an indication that about 85 to 90 percent of the farmers of North Dakota want some kind of a price support program.

Mr. SMITH. Yes, I would say that is very accurate.

Senator YOUNG. Yes.

The CHAIRMAN. It may be if we can give this measure a trial on a voluntary basis we might be able to take the bugs out of there.

Mr. SMITH. Yes.

The CHAIRMAN. Of course, after the plan is worked out, it may be necessary to put it on another basis, but we can meet that when we come to it.

Mr. SMITH. Certainly.

The CHAIRMAN. I listened to both sides, but I would hesitate to make a voluntary program permanent. I would rather try it out on a voluntary basis and see how it works and then give the farmers the option.

Mr. SMITH. We are in full agreement with you on that, Senator.

The CHAIRMAN. All right.

Any further questions, Senator Neuberger?

Senator NEUBERGER. I just wanted to ask Mr. Patton about this chart on page 6 of this testimony. Is this a pretty realistic amount of the consumption, utilization, 500 million bushels domestic?

Mr. PATTON. Yes, I think it is quite accurate, Senator Neuberger. You might move it down as low as 470 but I think 500—are you talking about the domestic, Senator, did I hear you correctly?

Senator NEUBERGER. And the export of 460, and the miscellaneous, does that include feed grain?

Mr. PATTON. No.

The CHAIRMAN. Just consumption.

Senator NEUBERGER. Does this include the sale of wheat to Russia, any projection?

Mr. PATTON. No.

Senator NEUBERGER. That would, in other words, maybe increase this?

Mr. PATTON. Reuben Johnson points out to me, Senator, that what they use here is an arbitrary figure of 460 million bushels but that we personally feel that the exports would be substantially higher, this is the amount on which direct payments would be made. This is an arbitrary figure as to the amount that would be supported, whatever you get above that would not be supported. Wheat exports are expected to be higher. Most of the miscellaneous wheat—240 million bushels—would probably go into export.

Senator NEUBERGER. Yes, I see.

I was interested in the exchange between Mr. Smith, is it, and Senator Young.

Mr. PATTON. Yes.

Senator NEUBERGER. About that high vote in support of our wheat bill in your State. Is that the position of the Farm Bureau in your State, too, or was it in support of that bill?

Senator YOUNG. I should say not.

Senator NEUBERGER. In other words, this vote reflected a difference of opinion with the Farm Bureau's proposition to get the Government out of the farm business.

Senator YOUNG. Yes. The Farm Bureau was very active in opposing it and they promised farmers that if they voted no that Congress would soon enact a new and better program.

Senator NEUBERGER. What is the membership of farmers in your State, of Farmers Union versus Farm Bureau?

Senator YOUNG. The Farm Bureau, I believe, claims around 16,000 to 18,000 and the Farmers Union has how many?

Mr. SMITH. About 40,000 now. We usually reach 42,000 before the end of the calendar year.

Senator NEUBERGER. All right. Thank you.

The CHAIRMAN. Any further questions?

If not, we thank you very much.

Mr. PATTON. Thank you, Mr. Chairman.

Next is Mr. Lynn.

STATEMENTS OF JOHN C. LYNN, LEGISLATIVE DIRECTOR, AND MARVIN L. McLAIN, ASSISTANT LEGISLATIVE DIRECTOR, AMERICAN FARM BUREAU FEDERATION

Mr LYNN. Mr. Chairman, my name is John C. Lynn and I am accompanied by Marvin McLain, whom I would like to assist in answering questions that you might have.

We appreciate the opportunity to bring up to date our recommendations with regard to wheat legislation.

When we appeared before your committee on May 7, 1963, regarding feed grain and wheat legislation, we urged you to delay action on extension of the feed grain program until after the May 21 wheat referendum. We suggested at that time, if wheat farmers turned down the multiple price wheat plan, it would create an entirely different set of conditions for both wheat and feed grains. As you know, farmers did overwhelmingly reject the multiple price wheat plan.

We have a table attached showing the vote by States.

Since the essential features of the position presented to you on May 7, 1963, were reviewed and reaffirmed by the elected voting delegates of our member State organizations at our annual meeting in Decembre, we will endeavor to be brief.

Farm Bureau members believe that a change of direction in farm programs is long overdue. They believe there is a need for changes which will:

- (1) Permit market prices to serve as the dominant influence in guiding the use of farm resources and the movement of farm output into consumption.

- (2) Provide for price supports which will facilitate orderly marketing without substituting Government price fixing for market prices that reflect the economic forces of supply and demand.

- (3) Protect markets for farm products against the burden of accumulated CCC stocks so that prices can rise above support levels as the balance between output and market requirements improves.

- (4) Provide Government assistance, by means of a cropland retirement program, to help farmers make needed adjustment in resource use and output during the transition to freer markets.

- (5) Eliminate price-depressing surpluses and clear the way for higher per family net incomes through a healthier supply-demand situation by bringing production into line with current market requirements.

THE PRESENT SITUATION

The result of the 1963 wheat referendum clearly indicates that a majority of wheat producers want to move away from restrictive Government programs and to assume greater personal responsibility in the production and marketing of wheat.

New legislation is needed to sweep away the debris of the restrictive programs that have been rejected; to provide assurance against the disruptive dumping of CCC stocks; and to remove uncertainties with respect to the direction of future policies for wheat and feed grains.

If no new legislation is enacted, it will be necessary to hold another referendum on the certificate plan in the spring. There is absolutely no evidence that the decision already rendered by wheatgrowers would be changed by another referendum. On the contrary, a 1964 referendum would only mean further delay in the solution of the wheat problem. Our wheat farmers are prepared to go all out to defeat the plan again, but we do not see how another referendum and delay could benefit anyone.

The present outlook for wheat is far brighter than the drab picture presented by the proponents of a "yes" vote in their efforts to influence the outcome of the referendum. In the face of increased uncertainty with regard to future prices, producers exercised considerable and wise restraint in seeding Winter wheat for harvest in 1964. This is a natural reaction as uncertainty is one of the disciplines of a market system.

In a prereferendum statement entitled "Wheat—The Program for 1964, an Economic Analysis," the USDA said that with a "no" vote "growers might plant 70 million acres or more of wheat, compared with 49 million acres in 1962." If growers seeded Winter and Spring wheat in the same proportion as in the 5 years, 1958–62, plantings of 70 million acres would mean 54.5 million acres of Winter wheat and 15.5 million acres of Spring wheat.

In November, after it was clear that wheat acreage had not skyrocketed, the USDA's outlook experts discussed the wheat situation in terms of an assumption that farmers would seed about 60 million acres to wheat for harvest in 1964. In terms of the 1958–62 average, plantings of 60 million acres would mean 46.7 million acres of winter wheat and 13.3 million acres of spring wheat.

The first official estimate indicates that growers actually seeded only 43 million acres to wheat last fall. This is 2.3 percent more than was seeded a year ago when a voluntary (feed grain type) acreage reduction program was in effect.

But it is less than the 43.4 million acres seeded to wheat in the fall of 1960, when the 55 million acre national allotment was in effect without a special program to reduce the planting of allotted acres. This first official USDA estimate of 1964 wheat production further shows that earlier statements made by some top USDA officials were unwise and irresponsible and again proves that wheat farmers understand the economic facts of life better than some of the bureaucrats.

Export prospects have been improved by poor crops in Western Europe and the Soviet Union. The USDA now estimates that exports will reach a record 800 million bushels in the current marketing year without projected sales to Soviet bloc countries which could boost the total to 1 billion bushels. By way of comparison, exports totaled

639 million bushels last year and 720 million bushels in the previous record year of 1961-62.

As a result of increased exports, the carryover of wheat is being reduced. If exports actually reach 1 billion bushels the carryover will be down to about 725 million bushels on July 1, 1964, and the lowest for any year since 1953.

The market system has begun to work in wheat. The futures market has shown little regard for the prereferendum predictions that the farm price of wheat would drop to \$1 per bushel or less if farmers disapproved the certificate plan.

Furthermore, the market has begun to reflect changes in the supply-demand situation.

Senator YOUNG. Would you yield there?

Mr. LYNN. Yes.

Senator YOUNG. July futures in Chicago were down to \$1.52 a bushel several months ago; is that right?

Mr. LYNN. What date?

Senator YOUNG. This was when they first came out last fall. When July futures were first offered they were around \$1.50 a bushel, weren't they?

Mr. LYNN. I don't recall exactly.

Senator YOUNG. And they rose about 25 to 30 cents a bushel with the increased exports.

Mr. LYNN. They have increased, I think, up to 25, 30 cents from your figures.

Senator YOUNG. During the same period, export sales prospects and actual export sales have increased; is that correct?

Mr. LYNN. Yes, sir. Well, we say the market system is beginning to work, Mr. Young.

The CHAIRMAN. Well, that is because of more sales.

Mr. LYNN. Sure.

The CHAIRMAN. Certainly. Except for the drought in Europe, the shortage in Russia, the conditions might be terrible in wheat.

Mr. LYNN. This is correct.

The CHAIRMAN. I won't put it all in the fact that this referendum—

Mr. LYNN. No, we are not saying that.

Senator AIKEN. Primarily an increase in world consumption.

Mr. LYNN. This is correct.

Senator AIKEN. World consumption goes up 200 million bushels a year and we can keep the same production increase without having the situation change.

Mr. LYNN. Indications are that Russia will require even more wheat next year than they did this year.

The improvement in export prospects was almost immediately translated into higher prices in both the cash and the futures market. Those who lack faith in the market system may argue that the futures market is too high, but it may actually be too low. They could be as wrong now as they were when they predicted seedings of 70 million acres and a price of \$1 or less per bushel. There may never be a better time for wheat producers to make the transition to freer markets.

Let me just interrupt here to say that we have got to get away from this crutch. I don't think there has ever been a better time than now

to move away from these Government control programs with regard to wheat.

Farmers have expressed themselves. We have a good prospect for export, the market system is working and we will never have a better opportunity to do it. Senator Ellender and we just hope that this committee will act accordingly.

Senator YOUNG. May I ask a question, Mr. Chairman?

By that you mean you are not going to offer the Farm Bureau bill this year?

Mr. LYNN. Sure. This is what we are for.

Senator YOUNG. You have had this plan pending now for about 3 years, haven't you?

Mr. LYNN. Yes, just introduced this particular bill last year.

Senator YOUNG. This same bill was introduced for the first time some 3 years ago.

Mr. LYNN. No, no, it is a different bill, Senator Young. You know it because we have been over it in detail.

Senator YOUNG. I can't see any difference in it. Anyway, are you going to bring it to a vote this year?

Mr. LYNN. Well, that is up to you. I hope you will.

Senator YOUNG. If you can't get anybody else to do it I will offer it myself and say at the time I will vote against it. I think you ought to put it to a vote because you have been promising the farmers you are going to get them a better bill and I think it is time you put it to a vote.

Mr. LYNN. We would hope this committee would consider this proposal as you draft legislation. We are not inflexible, Senator Young, with regard to our proposal.

Senator YOUNG. Don't you agree you should bring it to a vote at last?

Mr. LYNN. We would like for you to sponsor it with the enthusiasm that you sponsored some of the other things and I think it would pass.

Senator YOUNG. No; I will offer it as a substitute but I will vote against it. [Laughter.]

Mr. LYNN. The major wheat bills introduced in the House and the Senate since the referendum fall in three general categories:

- (1) Bills to extend the principal features of the present feed grain program—with additional undesirable provisions—to wheat,
- (2) Bills to put the certificate plan into effect on a so-called voluntary basis without a referendum, and
- (3) Bills to implement the approach recommended by Farm Bureau.

All of these bills, except those based on Farm Bureau's recommendations, involve further efforts to establish a Government supply-management program for wheat. This is not the direction we want to go. In our opinion, the outcome of the 1963 wheat referendum is a clear indication that a majority of wheat producers do not want such a program.

Efforts to control wheat and feed grain production have failed dismally. They have created inefficiencies in the production of farm commodities. They have increased production costs. They have shifted the surplus problem from one commodity to another. Acreage restrictions have stimulated offsetting increases in per-acre yields.

Program benefits have been capitalized into land values, a process which benefits landowners but creates problems for those who must rent or buy land in order to farm.

The CHAIRMAN. Mr. Lynn, won't you admit that the failure of the wheat program has been this minimum of 55 million acres where the Secretary of Agriculture was forced to allocate 55 million acres of wheat whether we needed it or not?

Mr. LYNN. Yes, sir; that was one of the real weaknesses.

The CHAIRMAN. That was the real reason.

Mr. LYNN. Plus the 15-acre minimum.

The CHAIRMAN. Yes; but the real reason was to force the Secretary of Agriculture to allocate 55 million acres of wheat when you didn't need that acreage to produce what we needed and what was needed first.

Mr. LYNN. You will recall 4 years ago, Senator, we worked with you to eliminate it.

The CHAIRMAN. Yes; and it took 5 years to change it.

Senator AIKEN. You weren't here yesterday when a witness testified that they had a real shortage of Soft wheat because there weren't enough 15-acre fields. It is developing that the 15-acre wheat producer is being given the blame for the oversupply.

Senator YOUNG. Mr. Lynn, the president of the North Dakota Farm Bureau came down to my hometown for a meeting last Friday. He had 45 people there and spent most of the time taking after me, but among the things he said was that the 15-acre producers were responsible for the North Dakota area losing acreage and that this wheat had little use except for chicken feed.

The 15-acre producers are mostly in the area east of the Mississippi River, aren't they?

Mr. McLAIN. Some in Missouri and other States; most east of the river, yes.

Senator YOUNG. Yes. Is there any surplus of the wheat produced east of the Mississippi River at this time?

Mr. McLAIN. Certain kinds, Senator Young, are. There are two kinds of wheat producers east of the river as you well know, part of it is very good milling quality Soft wheat, part of it is what they call bastard wheat which is raised primarily for Commodity Credit Corporation.

Senator YOUNG. How much Soft Red wheat produced east of the Mississippi River does the Commodity Credit Corporation hold at the present time?

Mr. McLAIN. They hold very little, as was testified here recently.

Senator YOUNG. Practically none?

Mr. McLAIN. That is right.

Senator YOUNG. It must have a pretty good market.

Mr. McLAIN. Well, it either has been used or gone in CCC inventory and moved out in some of our Government export programs.

Senator YOUNG. Do you think that if you abolished all price support programs that these 15-acre people would discontinue raising wheat?

Mr. LYNN. We are not for that. We are not for abolishing all price supports.

Senator YOUNG. If your program went into effect, do you think they would discontinue wheat production?

Mr. LYNN. No, sir, because we have a price support program.

Senator YOUNG. I mean if your program went into effect, do you believe that the 15-acre producers east of the Mississippi River would increase or decrease their production?

Mr. LYNN. Well, they would have a choice of increasing or decreasing in whatever the market would demand, they could produce for the market, and currently the demand for that kind of wheat is good.

Senator YOUNG. What do you think they would have to do?

Mr. LYNN. Well, I think they would choose between soybeans and wheat and other alternative uses of the land.

Senator YOUNG. What do you think they would do, increase or decrease their wheat production?

Mr. LYNN. I wouldn't be surprised if they wouldn't take a good look at soybeans in Indiana rather than wheat.

Senator YOUNG. Do you think the millers are wrong, then, when they say these farmers would have to decrease their production even more to meet the demand for this type of wheat?

Mr. LYNN. Well, if this price stayed up to \$2.20, as I understand some of these fellows are getting for the wheat, I think farmers might increase their production of these kinds of wheat.

Senator YOUNG. I have noticed in a lot of propaganda put out by the Farm Bureau they think there is something wrong in having 48 commercial wheat-producing States rather than 26 as we had under the old law. They seem to think there is something wrong in designating all these States as commercial wheat-producing areas.

Is this your opinion, was it wrong to do this?

Mr. LYNN. Well, we would like to call this information rather than propaganda, Senator.

Senator YOUNG. But do you think there is something wrong with doing it?

Mr. LYNN. Well, we think the 15-acre minimum acreage on wheat was wrong when it was passed and we said so at that time and we said so every time we testified.

Senator YOUNG. I am not talking about those areas. I am not talking about any of the commercial wheat-producing States. Remember a few years ago we designated some States which had less than 150,000 acres as noncommercial producing States and we permitted any farmer in these States to produce all the wheat they wanted to even above the 15-acre provision.

Do you think it was wrong to bring these States back into the commercial wheat producing category?

Mr. LYNN. Well, under our program we don't have commercial and noncommercial wheat. We repeal acreage allotments on wheat.

Senator YOUNG. I am not talking about that. You know that under the wheat certificate law the noncommercial State designation was abolished and all States were considered commercial wheat-producing States and brought under control.

Do you think this is wrong?

Mr. LYNN. On our program we would make all States wheat producing.

Senator YOUNG. Can't you give a direct answer to my question? Can't you tell me?

Mr. LYNN. We are against the certificate plan, Mr. Young.

Senator YOUNG. Do you want these 12 or 14 States to again be designated as noncommercial producing States?

Mr. LYNN. No. Under our program every State would be allowed to grow whatever they wanted to.

Senator YOUNG. You do think this is all right, then, to designate them now as commercial States?

Mr. LYNN. Every State is a commercial State if he can grow wheat for a profit under our program.

Senator YOUNG. Are you familiar with the law, Mr. Lynn?

Mr. LYNN. Yes, I am.

Senator YOUNG. Do you remember when these States were designated as noncommercial States and they could produce all the wheat they wanted to? You remember that, don't you?

Mr. LYNN. Sure.

Senator YOUNG. And now they are brought back into commercial status, is this right or wrong?

Mr. LYNN. Well, we will have them all under commercial status under our program.

Senator YOUNG. That is the answer I wanted.

Mr. LYNN. Sure.

The CHAIRMAN. Well, the heart of your program, of course, is that a certain number of acres be diverted, that the Government pay so much to keep them out of production.

Mr. LYNN. Well, this is a part of the program.

The CHAIRMAN. I know, but that is the heart of it.

Mr. LYNN. No, sir, it isn't. We would greatly deemphasize that part of the program. The heart of our program is going to a market system—

The CHAIRMAN. I know, but the way you are going to attain that going to the market system is by decreasing the number of acres to be planted and then after you decrease the number of acres let the farmers receive pay not to plant and you will then say to them, "Plant whatever you want on the rest of your land," isn't that it?

Mr. LYNN. This is not the heart of our program.

The CHAIRMAN. You have got a new program now? You have a new program now?

Mr. LYNN. You can eliminate that if you want to and we won't be unhappy.

The CHAIRMAN. I say you must have a new program.

Mr. LYNN. We have a bill.

The CHAIRMAN. Yes, I know you have but some of the bills you first started with, in my opinion, simply meant this, that if you were to take out of production from 60 to 85 million acres of land, and then say to the farmer, "Plant whatever you want on the rest of it, we are going to pay you not to plant on the 85 million," or whatever amount was necessary to carry out your program to me that was the essence of your program.

Mr. LYNN. We still are for a cropland retirement program.

The CHAIRMAN. Of course you are.

Mr. LYNN. We don't think it is essential to the wheat situation.

The CHAIRMAN. I am talking about the whole, though. You want to let the producers of wheat plant whatever acreage they want. You want to let the cotton people plant whatever acreage they want?

Mr. LYNN. No, we don't.

The CHAIRMAN. Do you?

Mr. LYNN. No.

The CHAIRMAN. Is it a new program?

Mr. LYNN. No, sir, we support the Agricultural Act of 1958. This was the basis for our statement.

The CHAIRMAN. Feed grain, corn, and other feed grains?

Mr. LYNN. Yes, sir.

The CHAIRMAN. Everything but cotton?

Mr. LYNN. No.

The CHAIRMAN. Was anything else—rice——

Mr. LYNN. Rice.

The CHAIRMAN (continuing). To be one?

Mr. LYNN. Peanuts.

The CHAIRMAN. You supported the present programs, nothing wrong with it.

Mr. LYNN. Well, there is something wrong with them but our delegates say——

The CHAIRMAN. They are kind of divided on them, but anyhow, the point is, as I remember, the program you had before us envisions the retirement of from 60 to 80 million acres of land.

Mr. LYNN. That is right, cropland.

The CHAIRMAN. Cropland, and that is still your program?

Mr. LYNN. That is part of our program. But I am trying to say we are not insisting on that as being an essential part of the wheat program in 1964.

The CHAIRMAN. Go ahead. You are going to have a program to submit, you said you had here.

Mr. LYNN. Yes.

The CHAIRMAN. I would like to find out how different it is from the one you have been offering in the past.

Mr. LYNN. It is the same as the Aiken bill that is before the committee.

The CHAIRMAN. The Anderson bill?

Mr. LYNN. The Anderson bill.

The CHAIRMAN. The Hickenlooper bill?

Mr. LYNN. The Hickenlooper bill. The Senator Holland bill.

Senator YOUNG. Mr. Chairman, I would like to ask one more question.

The CHAIRMAN. Yes.

Senator YOUNG. In mentioning these programs you state, "They have created inefficiencies in the production of farm commodities." Do you believe there is a lot of inefficiency in American agriculture?

Mr. LYNN. Yes, sir.

Senator YOUNG. If we really had an efficient agriculture how big a surplus would we have?

Mr. LYNN. Well, if we were on a market system or the market price was determining production, I think we would not have so many inefficiencies.

Senator YOUNG. With all our surpluses could we stand much more efficiency?

Mr. LYNN. We have too much cotton and we have a little too much wheat, but our surpluses are not really the problem that you indicate.

Senator YOUNG. Aren't our farmers the most efficient producers of food and fiber in the whole world?

Mr. LYNN. Yes; that is right.

Senator YOUNG. There isn't anything terribly wrong with our system when this is true, is there?

Mr. LYNN. Oh, this is very good, a very good system.

Year-to-year land diversion programs such as the emergency feed grain program have been extremely costly in relation to the limited results that have been achieved.

Feed grain stocks have been reduced, but this is largely the result of increased utilization that would have been achieved without the emergency feed grain program.

As a matter of fact, if the feed grain program is given credit for stopping the buildup in stocks, virtually all of the reduction in the carryover must be credited to increased utilization. If the proponents of the expensive feed grain program are going to take credit for the increase in utilization they must also take responsibility for the sharp drop in hog and cattle prices.

Payments under the feed grain program have increased from \$782 million in 1961, of \$844 million in 1962, and \$875 million in 1963. In 1963 after 3 years and the expenditure of \$2.5 billion for payments, plus additional millions for administrative expenses, feed grain production was the largest on record. The USDA now estimates that expenditures for payments under the feed grain program will rise to almost \$1.2 billion in 1964.

Such an experience does not recommend continuation of this program for 2 more years for feed grains or its extension to wheat. On the contrary, the need for fiscal responsibility at a time when we are experiencing balance-of-payments problems, large Federal deficits and the tax cut that is about to be enacted supports our view that this wasteful and ineffective feed grain program should be repealed.

The so-called Voluntary Wheat Certificate Plan, S. 1946 (McGovern, S. Dak.): To the best of our knowledge no one told wheat-growers prior to the referendum that defeat of the certificate plan would make it possible for the Government to continue to support wheat prices, without mandatory controls, at anything like the levels of recent years. There was not the slightest suggestion by anyone during the referendum campaign that the issue of wheat policy could be resolved by putting the certificate plan into effect on a voluntary basis. This was not the issue.

Any idea that objections to this complicated scheme can be overcome by making participation voluntary is completely false. This is true because the proposed voluntary plan still embodies a great deal of compulsion and Government allocation of the market for food wheat without regard to the quality of wheat a grower produces or the use that is actually made of it.

Senator AIKEN. Can you see any difference between this voluntary plan for the wheatgrowers and the right-to-work law for labor? Isn't it the same thing? The right-to-work law would do away with majority rule of labor unions and this would do away with the majority rule in the wheat program or do away with majority rule of the wheatgrower. I have been puzzled over why some of them take such a violent stand against the right-to-work laws, and I don't favor a national right-to-work law either, but come out with practically the

right-to-work law for agriculture whereby the purpose is to do away with majority rule.

The CHAIRMAN. Senator Aiken, we are having enough trouble with farm legislation, let's not bring labor in now.

Senator AIKEN. It is the same thing. There is a lack of consistency on the part of some of the advocates of one bill or the other.

The CHAIRMAN. I think the Farm Bureau was very active in the labor field at one time in my State. Do you know that?

Mr. LYNN. Oh, yes; we still are, trying to keep them from taking control of it.

The CHAIRMAN. Well, anyhow, let's get to the farm business.

Senator YOUNG. Let me ask another question now: Are you opposed to marketing agreements and orders which embody stiff marketing controls? These are the toughest kind of controls. Are you opposed to these?

Mr. LYNN. Marketing agreements and orders are on a regional and limited basis, they are voted in by producers by a two-thirds vote. No; we support the marketing agreements.

Senator YOUNG. On a voluntary wheat program such as the one I introduced if a farmer wants to stay out of the program he can produce all he wants and market his production free of penalty. Is this compulsion?

Mr. LYNN. We explain this on down here, I think, better than I could orally, Senator Young.

Senator YOUNG. You can't answer it without the paper?

Mr. LYNN. It is not a yes or no answer.

Senator YOUNG. All right.

The CHAIRMAN. Proceed, Mr. Lynn.

Mr. LYNN. Participation would not be voluntary for wheat processors who would be subjected to a processing tax that can, and would, be labeled a "bread tax."

Proponents say the certificate plan is not a bread tax plan because, in their opinion, it would not justify an increase in the cost of bread. Actually, in view of the fast changing world wheat situation, there is no assurance that a fixed value certificate would not require higher bread prices, but this is not the point.

The point is that any plan which forces the trade to make payments to the Government for the privilege of handling a commodity clearly involves a tax, the ultimate burden of which will be borne by the consumers. A tax on the processing of wheat would, of course, place the heaviest burden on the lower income groups who spend the largest proportion of their income for bread.

The penalties for nonparticipation in this so-called voluntary plan would be so great that many wheat producers would have little freedom of choice.

Senator YOUNG. Would you yield there? Millers are paying \$2 to \$2.35 a bushel for wheat now. Under the Purcell bill, which I think is administration-supported, the price support would drop to \$1.30 a bushel. The cash price may be somewhat above that. But then you add a 70-cent wheat certificate to that and you get a consumer price almost identical to what he is paying now.

How do you figure the consumers are being rooked under a program like this where they will pay almost identically the same price they are paying now?

Mr. LYNN. Well, this is quite a difference when a miller is willing to pay \$2.30 for a bushel of wheat on the market because it is worth that, and when he has to pay 70 cents or a \$1.20 for a certificate in order to have the privilege of processing this bushel of wheat.

Senator YOUNG. Are you opposed to the production payments under the sugar program and the wool program?

Mr. LYNN. Well, there are quite a different set of circumstances, Senator Young, in regard to sugar and wool. They both are deficit-produced commodities and we supported the wool program and the sugar program.

Senator YOUNG. But you are opposed to the payments under the wheat program?

Mr. LYNN. That is right, because it is a surplus commodity and the principle is quite different. You see, we have the payments, and the payments on the sugar program are quite different from that being proposed for wheat and other commodities.

Senator YOUNG. You have stiffer controls of production under the sugar program, particularly the sugarbeet program, than you have in the wheat but you are for that?

Mr. LYNN. Well, they are pretty free to produce about all the beets they can.

Senator YOUNG. At the moment. But in the past we have always had strict controls. If we went back to the same situation again that we faced in previous years, a farmer won't be able to produce any more than the Government tells him he can, and if he does he can't market it, isn't that true?

Mr. LYNN. We were for the farmers producing more of our requirements for sugar all along, 75 percent rather than 55 percent.

Senator YOUNG. But you were for these kinds of production controls on sugar beets but not the wheat controls.

Mr. LYNN. Yes, sir. We supported the sugar program and the wool program, sir.

The CHAIRMAN. What is the essential difference between the certificate plan wherein you pay so much for the certificate or price support which the Government makes available to producers?

Mr. McLAIN. It shifts the tax load from the general taxpayer to the consumer of flour and bread.

The CHAIRMAN. It is paid the same way, it all comes from the Treasury.

Mr. McLAIN. On the domestic certificate approach the consumer of flour and bread is going to pay it. Whereas if you give him the price support the general taxpayer pays it.

The CHAIRMAN. Wait a minute, how do you figure that out?

Mr. McLAIN. Well, the whole purpose of the domestic certificate in the multiple-price plan—going back to the McNary-Haugen plan and it is involved in several of these bills, is to shift the cost of this certificate from the general taxpayer to the ultimate user of the bread and flour.

The CHAIRMAN. And even though the wheat serves the same or virtually the same under price support as it does on the certificate plan because that is what it is, there won't be any essential difference between.

Mr. McLAIN. The total cost is the same assuming that you end up with the same \$2.30.

The CHAIRMAN. It is just another way to do it, you may label one a tax imposition, and the other a——

Mr. McLAIN. I think you would agree if it is a domestic certificate plan that the consumer and the mill is going to pay, and it shifts the cost from the general taxpayer to the consumer of flour and bread.

The CHAIRMAN. But it is a different way to pay it, though.

Mr. McLAIN. It is quite different.

The CHAIRMAN. Yes.

Mr. LYNN. It gives a miller a good excuse to ship it and I think they will.

The CHAIRMAN. Well, they will buy their wheat on the market but to be able to mill it, as you put it, they will pay this difference which they would ordinarily pay if we had price supports. The price of the wheat ultimately would be the same.

Mr. McLAIN. It might or might not.

The CHAIRMAN. And how you folks can label one tax on the consumer and then a price support——

Mr. LYNN. You see our price support is nothing like the \$1.82 or the \$2——

The CHAIRMAN. I know this.

Mr. LYNN. It is \$1.35.

The CHAIRMAN. \$1.35, I know that, sure, but I am talking about, let's take on cotton. Use that as—you are for the cotton program.

Mr. LYNN. Well, we are for it.

The CHAIRMAN. What difference would it make to the taxpayer that I am talking about if we had a compensatory payment or price support if the cotton sold for the same, and the user of that cotton, the ultimate user of that cotton, had to pay the same for it, when it is manufactured?

Mr. LYNN. Well——

The CHAIRMAN. In other words, the cotton price would be the same thing whether you raised the price by a price support direct or by a compensatory payment. The only thing that is different is the method of payment.

Mr. LYNN. Well, if this point were the only point against the certificate plan, or the compensatory payment—but you know there are many others.

The CHAIRMAN. Yes, there are a lot of other differences, I know, but to label this certificate plan a tax on the consumer, I just can't follow you, as compared to price supports wherein the wheat or the commodity would sell to the ultimate consumer at the same price. I don't see how you can put one a tax and the other not a tax or vice versa.

Mr. LYNN. I think you will see that it will be if this plan—the domestic certificate plan for wheat is put in effect.

The CHAIRMAN. I am open to conviction.

Mr. LYNN. I hope we never prove it because I hope we never adopt this plan.

The proposal to require exporters to purchase marketing certificates would set up a mechanism that could be used to hold domestic wheat prices below the world level. The opportunity to stay out of the program would really amount to nothing more than a feed wheat exemption. Such a plan could be expected to restrict production of milling quality wheats and to encourage additional production of high-yield feed wheats.

Senator YOUNG. How do you figure that? The price support under the Purcell bill, my bill, all of them are about the same as yours, \$1.30 a bushel, isn't that correct?

Mr. McLAIN. Yes.

Senator YOUNG. That is correct and most of the wheat would sell in open market for whatever competition would provide. Isn't that right?

Mr. LYNN. This is right.

Senator YOUNG. So that the better quality wheat would command a better price, isn't that correct? So it is the same under all three, isn't it? Isn't this true?

Mr. LYNN. This is roughly true, but everybody would get this under your proposal irrespective of the quality of the wheat he had been producing or capable of producing, he would get his share of the domestic so-called food market, whether it was food wheat or not, you see. It could be this kind of wheat that Mr. McLain described a while ago but he would still get his certificate.

Senator YOUNG. Production payments or the diversion payments, are not based on the quality of wheat, are they?

Mr. McLAIN. You mean the diversion payment?

Senator YOUNG. The payments for diverting acres from crop production, these payments are not based on the quality of wheat?

Mr. McLAIN. No.

Senator YOUNG. How would you base wheat certificates on quality when they are paid to a farmer after he plants a crop, whether he produces or not?

Mr. McLAIN. We don't think you can base it on quality. That is another reason we are opposed.

Senator YOUNG. The certificates are only a small part of his income. The major part of his income is the wheat that he sells on the market, and he would sell it on the market exactly the same under the wheat certificate plan as under your plan, isn't that right?

Mr. McLAIN. Under the Burdick bill, of course, this certificate would be worth \$1.20, that isn't a small part of the value. That is about half of the value of the wheat.

Senator YOUNG. Under which one?

Mr. McLAIN. Under the Burdick and the Farm Union plan, around \$1.20.

Senator YOUNG. They would be a larger part of his income under those circumstances?

Mr. McLAIN. That is correct.

Mr. LYNN. Seventy cents would be a large part of his income, too.

Senator YOUNG. Do you think a farmer would stay in business to get that 70 cents a bushel if the rest of his production would not be economic?

Mr. LYNN. I am sure he would, sir.

Senator YOUNG. You think a farmer would purposely plant poor quality wheat when he can plant better quality wheat and get a better price in the open market? Do you think he would do that?

Mr. LYNN. No.

Senator YOUNG. What are you arguing about then?

Mr. LYNN. We aren't.

Senator YOUNG. You are trying to say under this plan that the farmer would purposely plant poor quality wheat.

Mr. LYNN. It would encourage the planting of high yielding kinds of wheat. Could I just explain to you——

Senator YOUNG. You don't deal with the same kind of farmers that I do, I am sorry. The farmers I deal with I think are a little more intelligent than that.

Mr. LYNN. Well, these are our same members that pay us annual dues up in North Dakota, too, and we think they are very intelligent farmers.

Could I just use an example?

Senator YOUNG. Yes.

Mr. LYNN. Let's take a farmer that produces a thousand bushels of wheat and let's say 500 bushels of this is under certificate, and this he would get either the 70 cents certificate or the \$1.20.

Senator YOUNG. Yes.

Mr. LYNN. This is a pretty good price.

Now, for the other portion of the wheat, let's say his export portion, let's say this was, well, 400 bushels or 300, take any figure that you want. He would get an additional incentive for this. Then the 100 bushels or the 200 bushels that he had left over would be feed wheat, you see, so he would be tempted——

Senator YOUNG. This feed wheat he produces sells on the market for whatever price the market will provide, isn't this correct?

Mr. LYNN. That is correct.

Senator YOUNG. Why would he try to raise poor wheat when he could get a better price for good wheat?

Mr. LYNN. He would do his best to increase his production to the limit because his blended price, the blended price would be higher.

Senator YOUNG. No, it wouldn't, because all of his wheat is sold on the market for whatever price the market will provide. This is the big portion of his income. This is where it pays to raise good wheat. He isn't going to raise poor wheat just because he is getting a small certificate. I don't think you know farmers when you argue that way.

Mr. LYNN. Well, Mr. Young, the experience we have had with these programs over the years indicates that they do it every time.

Senator YOUNG. The experience I have had with you folks is that you will build any kind of an argument against any program that you don't believe in. It is your program or none at all. You do quite a clever job of building opposition against programs that aren't your own. Your State president was down in my home county for a meeting last week and he got an audience of 45 people, probably 6 or 8 were for him.

Mr. LYNN. It sounds like a board of directors meeting.

Senator YOUNG. If you want to make my farm plan an issue in any election I would be glad to take you on.

Mr. LYNN. We don't want to take you on, Senator. We have got too much respect for you.

The CHAIRMAN. Proceed.

Mr. LYNN. The wheat producers who voted against the certificate plan don't want a control program with a feed-wheat exemption—they want an opportunity to compete for markets on the basis of comparative advantage.

We find it little short of incredible that Members of Congress who represent wheat-producing areas would even consider action to ef-

fectuate a plan that has already been rejected by a majority of wheat producers.

S. 2492 (Burdick, N. Dak.) is similar to S. 1946, but is much more generous with the value of both the domestic certificates and export compensatory payments. This bill would be much more costly and has all of the bad features of the McGovern bill.

The Humphrey bill, S. 2258:

The Humphrey bill includes the costly ineffective, year-to-year diversion and Brannan-type payment features of the feed grain program. It also resembles the so-called voluntary certificate plan in that (1) it would arbitrarily divide the wheat market into domestic and export components without regard to qualify or the use that is actually made of the wheat, and (2) the opportunity to stay out amounts to nothing more than a feed-wheat exemption.

All of these features are undesirable because they are wrong in principle, and destructive of the market system. In addition, the Humphrey bill would permit the acreage that is diverted to wheat to be used for soybeans, a commodity that appears likely to get into trouble soon enough under existing policies without being subjected to this additional burden.

It would also be noted that the Humphrey bill would merely postpone the question of what to do with respect to wheat until after election. The bill applies only to the 1964 and 1965 crops. Recommendations.

The basic fallacy of Government efforts to fix prices and control production cannot be overcome by shifting from compulsory controls to voluntary programs. A new approach is needed. The only sure way to solve our feed grain and wheat problems is to let the market system guide production and consumption.

We believe the wheat growers who voted no in the referendum understand this fact.

In order to provide for an orderly transition from the programs of the past to a program that will better serve the interests of both wheat producers and taxpayers, Farm Bureau favors the immediate enactment of legislation as follows:

(1) The existing authority for wheat allotment, marketing quota, and certificate programs should be repealed.

There is no justification for insisting that acreage allotments remain in effect for a crop for which marketing quotas have been disapproved. Wheat farmers have indicated a desire to move away from restrictive Government programs, and they should be permitted to do so. Our program would allow each farmer to decide for himself which grains he should grow and how much of each he can best produce.

(2) Beginning with the 1964 crop, price support for wheat should be set at the higher of the U.S. farm price equivalent of the average world market during the immediately preceding 3 marketing years—currently about \$1.30 per bushel (see table 1, p. 141) or 50 percent of parity—with premiums and discounts to reflect market demand for milling and baking quality.

This approach would eliminate administrative discretion with respect to price support levels. It would automatically adjust support prices to changing supply and demand conditions. It would also assure other wheat-producing countries that the change in our price support policy will not break world wheat prices.

Support prices set in this manner would not impede the working of the market; would not be an incentive to increase production; and yet, would provide real protection against any substantial drop in wheat prices.

Since price supports set in this manner would not be an artificial stimulant to production, it would not be necessary to couple them with restrictions on production or marketing. Price supports set at higher levels—as proposed in other bills now before this committee—would stimulate production and make impossible the elimination of controls on individual farms.

Senator YOUNG. Could I ask a question at this point?

The CHAIRMAN. Yes.

Senator YOUNG. You say your program would provide real protection against any substantial drop in wheat prices? You state that price support currently would be \$1.30 a bushel?

Mr. LYNN. Yes, that is right.

Senator YOUNG. If you dropped the price support from the present \$2 a bushel to \$1.30 a bushel, don't you think there would be a sizable, probably drastic, drop in cash wheat prices?

Mr. LYNN. We don't think that will happen.

Senator YOUNG. Why?

Mr. LYNN. The demand for wheat, the shift in production and so forth, would get supplies pretty near in line with demand and we think the market price for wheat would be higher than perhaps it is now.

Mr. McLAIN. The loan right now, Senator Young, it is \$1.82.

Senator YOUNG. We are faced with an expected carryover of wheat of about 750 million bushels, all of which is available to anyone who wants to buy it. Do you think this carryover would be a depressing factor on the market?

Mr. LYNN. I think, if I might stick my neck out, Senator, if conditions are as they are indicated with regard to Western Europe and the Soviet Union we may be allocating the license to export wheat a year from now.

Senator YOUNG. Do we know how long sales to Russia or the satellite countries are going to continue? The Farm Bureau is opposed to these sales, aren't you?

Mr. LYNN. No; we opposed the credit, we opposed the Export-Import Bank giving them credit.

Senator YOUNG. Did Mr. Shuman make any statement at any time in support of these sales?

Mr. LYNN. He made the statement against the credit sale. We did not oppose the sale of wheat to Russia.

Senator YOUNG. Will you supply this committee with any statement he made?

Mr. LYNN. Oh, yes.

Senator YOUNG. We would like Mr. Shuman's statements in support of these sales, with credit or otherwise.

Mr. LYNN. He made two statements; we will put them both in the record.

Senator YOUNG. Will you do that?

Mr. LYNN. Yes.

(The statements referred to follow:)

STATEMENT OF CHARLES B. SHUMAN, PRESIDENT, AMERICAN FARM BUREAU
FEDERATION, SEPTEMBER 19, 1963

Recent Canadian and Australian sales of wheat to Russia are likely to strengthen the world wheat market and improve the opportunity for U.S. sales to other countries.

It should be emphasized that these are cash and short-term credit sales, payable in convertible currency. We understand this currency is not held in great volume by Russia.

In addition to improved prospects for U.S. wheat sales in free world markets, the occasion also may arise under which the United States would be asked to sell wheat to Russia. When and if that happens, the decision on such sales must be made on the basis of what is best for the national security of the United States. Current embargoes on trade with countries with which diplomatic relations have been severed should be continued in full force.

At the present time, there are very few restrictions on U.S. sales of nonstrategic items to Russia. We should continue these restrictions on all Government-financed export movements to the Soviet bloc.

The entire issue is a key one to be reviewed by Farm Bureau members gathered in county and State meetings that will develop the policy for this organization.

STATEMENT WITH REGARD TO SALE OF WHEAT TO RUSSIA, OCTOBER 8, 1963

The question should be decided by the Congress. It is in the best position to reflect the views of the American people. The Congress also is in a position to evaluate the security implications and to decide whether wheat should be sold to the Soviet Union at a price lower than is being paid by American consumers.

CHARLES B. SHUMAN,
President, American Farm Bureau Federation.

Mr. LYNN. These proposals for higher levels of price support would grant to the Secretary of Agriculture discretionary authority to increase the level to 90 percent of parity. We could not defend the high cost to taxpayers of such proposed programs, nor do we believe it wise to grant such discretionary authority to any Secretary of Agriculture.

(3) Wheat and feed grains should be placed on a comparable basis as soon as possible. The areas that produce wheat and feed grains overlap, and these commodities have historically competed with each other for land and markets. Farmers need the freedom to shift land from one grain to another to take advantage of changing market demands, to work out efficient crop rotation programs and to adjust to variations in weather conditions. It also must be recognized that programs for both wheat and feed grains affect the livestock, poultry, and dairy industries which account for roughly two-thirds of our total cash farm receipts. Wheat should be allowed to compete for feed markets, but it should not be forced into feed on a subsidized basis as would occur under the certificate plan, be they voluntary or compulsory.

Senator YOUNG. Let me ask you another question. To the extent that farmers subscribe to the voluntary wheat certificate plan and cut their acreage and production, wouldn't this benefit the farmer who wanted to plant all he wanted of any crop, and market it free of penalty? If you believe in a free market, wouldn't the farmer who wanted to plant all he wanted, be benefited by other farmers who cut their production?

Mr. LYNN. Well, I think the certificate plan on a voluntary basis as we have seen your bill and the Burdick bill is so lucrative that it would be very difficult for farmers to stay out.

Senator YOUNG. But if they went into the program they would have to cut their production, wouldn't they?

Mr. LYNN. Well, they would have to cut, they would have to comply with their bushelage allotments so far as their domestic portion is concerned.

Senator YOUNG. And so far as they cut their production there would be that much less wheat available to the cash market.

Mr. LYNN. Not necessarily, because when they decrease their acres they increase their production, as we have been in the emergency feed program we have produced more corn last year than we ever had in our history.

Senator YOUNG. Under your plan the farmer would be less efficient and produce less per acre then, isn't that what you are arguing?

Mr. LYNN. When you restrict the acreage under your program or under the feed grain program you tempt farmers to put on more fertilizer, put the rows closer together and produce more tonnage on less acreage, and this is exactly what we do every time.

Senator YOUNG. That is efficiency, isn't it?

Mr. LYNN. This is good, this is all right. We are not complaining about this.

Senator YOUNG. You were complaining a while ago about programs causing inefficiency, weren't you, I quoted what you had to say on that.

Mr. McLAIN. Prospective programs.

Mr. LYNN. You do that by encouraging people who ought to shift their production to stay in because you make it so lucrative with those certificates, Mr. Young.

Senator YOUNG. It is useless for me to argue with you.

Mr. LYNN. I believe you have got your mind made up.

Senator YOUNG. I think you have. If I can't get my bill approved I will try to get the best bill possible out of this committee.

Will you do the same thing?

Mr. LYNN. Yes, sir.

Senator YOUNG. Will you help amend some other bills?

Mr. LYNN. Oh, yes, we are right ready to help.

In order to clear the way for a coordinated wheat and feed grain program, the 1963 Feed Grain Act, which applies only to the 1964 and 1965 crops, should be repealed. Price supports for corn and other feed grains should be set at the higher of 90 percent of the average price received by farmers for these grains during the immediately preceding 3 years or 50 percent of parity (see table 2, p. 141).

Under the present conditions price supports based on the market average would be higher than 50 percent of parity. We would expect this to continue to be true under a program that permits the market system to function; however, we see no need to repeal the 50 percent of parity provision that is already in the law.

(4) To protect farmers against undue competition from the release of Government-owned surpluses the CCC should be prohibited from offering its stocks domestically at less than 115 percent, your bill provides that, doesn't it, Senator Young?

Senator YOUNG. There is no provision in my bill for this, but I think there is some merit in it.

Mr. LYNN. I think we could thoroughly agree on this point—of the applicable support level, plus reasonable carrying charges, except for

sales that are offset by open-market purchases. This exception is designed to provide needed flexibility for the maintenance of good inventory management practices. The proposed restriction would not apply to sales for export and it is assumed that existing export programs would be continued as long as CCC stocks remain at burdensome levels.

(5) In order to facilitate individual adjustments to freer markets, the Secretary should be authorized for a period of 3 years to enter into contracts for the voluntary retirement of cropland with emphasis on whole-farm retirement. Payment rates should be established through competitive bidding by farmers, and land placed in this program should be retired for periods of not less than 3 years.

May I just interrupt here to say, Senator Ellender, this is simply to give a farmer an option. If you don't think you can grow wheat at a Government guaranteed price at \$1.30 on a competitive bid basis we will rent your acres for 3 years.

The CHAIRMAN. At?

Mr. LYNN. At whatever you can bid it for.

The CHAIRMAN. What do you think the bidding would be for, what is your belief in that?

Mr. LYNN. I think \$15 to \$20 an acre would be about what it would be.

The CHAIRMAN. You mean on an average?

Mr. LYNN. That is right. And on the basis——

The CHAIRMAN. Is that on wheatland?

Mr. LYNN. This would be on all land, all cropland.

The CHAIRMAN. That would be planted to what?

Mr. LYNN. Grass and not harvested in any way.

The CHAIRMAN. But it would be on all cultivated acres?

Mr. LYNN. That is right.

The CHAIRMAN. Formerly planted to wheat, corn?

Mr. LYNN. Or other crops.

The CHAIRMAN. Cotton?

Mr. LYNN. Cotton or any cropland crop.

Senator YOUNG. This would be a 3-year contract?

Mr. LYNN. Yes.

A cropland retirement program of this nature would lead to the withdrawal of much greater productive capacity per dollar of cost and would eliminate most of the administrative problems associated with the emergency-type programs of recent years.

You can't adjust production by renting these acres year after year, because what we do as farmers, we turn under this good cover crop and put it back in the next year and produce more than we would have in the first place.

The CHAIRMAN. Well, if you let any land rest for 3 years, even though you let weeds run on it, it will fatten up.

Mr. LYNN. Sure, this is right.

The CHAIRMAN. But the program you are suggesting would be more or less continuous. You would have to keep that acreage out of cultivation for much longer than 3 years.

Mr. LYNN. You might, sir. In our opinion, though, with the price support that we are advocating here, that the adjustments would be made, and it would be far cheaper than it was—take the current feed grain program in 1964 is estimated to cost \$1,200 million.

The CHAIRMAN. Well, the price supports for corn that you suggest now is not different from what the law is, except for the——

Mr. McLAIN. Except for the emergency program.

The CHAIRMAN. Except the emergency program it is about the same thing except we have a little clause in there that says you can't produce an overage or the Commodity Credit can't take it if it will increase their surplus.

Mr. LYNN. Yes, sir.

The CHAIRMAN. So would you want that clause in your——

Mr. LYNN. Yes, sir.

The CHAIRMAN (continuing). So that the law that you are suggesting as to feed and other, corn and other, feed grains is the same as a permanent law?

Mr. LYNN. It is permanent law.

The CHAIRMAN. Yes.

Mr. LYNN. We would repeal the emergency feed grain subsidy because it is costing too much money.

The CHAIRMAN. I understand.

Mr. LYNN. In our opinion, the USDA has grossly exaggerated the cost of the cropland retirement program by assuming that 80 to 100 million acres would be retired under such a program. The amount of land that needs to be retired to bring production and markets into balance is related to price-support levels.

May I just add here, it would take 100 million acres or maybe more, if you are going to keep the price-support levels at the levels of wheat of \$1.82 to \$2 a bushel, but the secret to our program, if there is one, is the fact that you lower the price support, the guarantee, thus reducing the incentive to continue the increase in production.

The CHAIRMAN. What is your latest estimate as to the number of acres that you would have to——

Mr. LYNN. 50 to 60 million acres.

The CHAIRMAN. 50 to 60 million.

Senator YOUNG. You state further that this would be in addition to the land already in the soil bank.

Mr. LYNN. Yes.

Senator YOUNG. This would be about 80 million acres?

Mr. LYNN. Well, there were 26 million and 7 million came out December 31, there are about 19 million.

Senator YOUNG. 19 million acres of present soil bank land plus 50 to 60 million acres under your program makes a total of about 80 million acres.

Mr. LYNN. It included that. This includes that.

The CHAIRMAN. 60 million would be your maximum?

Mr. LYNN. 60 million and then 20 million from that would be about 40 additional million acres.

The CHAIRMAN. This is lower than Mr. Shuman testified before our committee 2 or 3 years ago, he said 60 to 80 million.

Mr. LYNN. Some of the land-grant colleges have made studies of this, Senator Young, and Iowa State has come to this conclusion with which we concur.

With the support levels we are proposing for wheat and feed grains we are confident that the job could be done with a cropland retirement program of 50 to 60 million acres, including the land already in the

conservation reserve. Such a program could be carried out for less than the annual cost of the present feed grain program.

Producers of all commodities should be given an opportunity to participate in the cropland retirement program. Producers should be required to establish and maintain proper vegetative cover on the retired acres. They should not be allowed to graze or harvest any crop off the land. The voluntary nature of this proposed cropland retirement program minimizes the likelihood that it could have any adverse effects on individual counties or communities; however, to make certain that no area would be adversely affected, the Secretary should be directed to place a maximum limitation on the percentage of total cropland which could be retired in any one State or county.

The legislation needed to carry out these recommendations is the Wheat and Feed Grain Act of 1963 which has been introduced by 17 Members of the Senate and 19 Members of the House as the Wheat and Feed Grain Act of 1963.

Senator YOUNG. This is a powerful array of Senators.

Mr. LYNN. It is.

Senator YOUNG. Are you going to bring this up for a vote now?

Mr. LYNN. We would hope you would in the committee.

Mr. McLAIN. If we get Senator Young's name on there we might do that.

Mr. LYNN. The Senate bill now before this committee, which carries out Farm Bureau recommendations, is S. 1617 and was introduced by Mr. Hickenlooper (for himself, Mr. Anderson, Mr. Aiken, Mr. Holland, Mr. Allott, Mr. Beall, Mr. Bennett, Mr. Dominick, Mr. Hruska, Mr. Jordan of Idaho, Mr. Lausche, Mr. Mechem, Mr. Miller, Mr. Morton, Mr. Scott, Mr. Simpson, and Mr. Dirksen.)

We are happy that members of both parties have joined in sponsoring this proposal in the House and the Senate.

While all major provisions of our proposal would make important contributions to the adjustments that are needed to place wheat and feed grains on a sound basis, the most urgent provisions are those relating to CCC sales policy; future price support policy for feed grains and wheat; and the termination of existing authority for wheat allotments; quotas and marketing certificates. The cropland retirement program would help many individuals make the adjustment to a market system; however, we are confident that greater dependence on the market system can cure our wheat and feed grain troubles either with or without additional authority for a temporary land retirement program.

This was the point that I was attempting to make a while ago. We urge the Congress to consider each provision of our program on its merits.

Mr. Chairman, we appreciate very much your patience and kindness in allowing us to testify. I might add that Mr. Shuman was very desirous to make this statement but he is in Spokane and could not.

The CHAIRMAN. Well, he had a good substitute.

Any further questions?

If no, we thank you very much.

Mr. LYNN. We appreciate it very much.

(The tables referred to follow:)

TABLE 1.—*Wheat: U.S. average farm prices, export payment rates, and estimated world prices*

[U.S. farm price basis]

Marketing year (July-June)	Average farm price received (dollars per bushel)	Export payment rate (dollars per bushel)	Estimated world price (dollars per bushel)
1956-57.....	1.97	0.74	1.23
1957-58.....	1.93	.61	1.32
1958-59.....	1.75	.47	1.28
1959-60.....	1.75	.53	1.22
1960-61.....	1.75	.50	1.25
1961-62.....	1.84	.54	1.30
1962-63 preliminary.....	2.00	.64	1.36

TABLE 2.—*Feed grains: U.S. season average farm prices, per bushel*

Crop year	Corn	Grain sorghum	Barley	Oats
1952-53.....	\$1.52	\$1.58	\$1.37	\$0.789
1953-54.....	1.48	1.32	1.17	.742
1954-55.....	1.43	1.26	1.09	.714
1955-56.....	1.35	.977	.920	.600
1956-57.....	1.29	1.15	.990	.686
1957-58.....	1.11	.973	.887	.605
1958-59.....	1.12	.999	.900	.578
1959-60.....	1.04	.858	.860	.646
1960-61.....	.997	.836	.838	.598
1961-62.....	1.08	1.01	.981	.640
1962-63 (preliminary).....	1.11	1.02	.925	.622
1960-61 to 1962-63 average.....	1.06	.955	.915	.620
90 percent of 1960-61 to 1962-63 average.....	.954	.860	.824	.558
50 percent of November 1963 parity price.....	.795	.695	.625	.425

TABLE 3.—*State-by-State final reports on the 1964 crop wheat marketing quota referendum*

[Votes cast]

State	Estimated number of eligible voters	For	Against	Total	Percent voting for	Number of challenged ballots disallowed
Alabama.....	5,736	1,719	1,243	2,962	58.0	6
Arizona.....	1,631	177	554	731	24.2	29
Arkansas.....	12,066	1,914	3,697	5,611	34.1	92
California.....	5,703	878	2,268	3,146	27.9	91
Colorado.....	31,159	7,916	8,280	16,196	48.9	169
Connecticut.....	45	8	22	30	26.7	2
Delaware.....	1,507	403	427	830	48.6	12
Florida.....	1,116	270	654	924	29.2	0
Georgia.....	18,387	13,143	1,985	15,128	86.9	81
Idaho.....	52,036	7,756	18,725	26,481	29.3	0
Illinois.....	128,995	21,262	49,783	71,045	29.9	1,316
Indiana.....	144,189	20,269	59,015	79,284	25.6	946
Iowa.....	17,399	5,709	3,255	8,964	63.7	137
Kansas.....	221,534	48,404	65,131	113,535	42.6	2,607
Kentucky.....	40,506	22,875	3,803	26,678	85.7	0
Louisiana.....	1,682	159	784	943	16.9	6
Maine.....	35	24	8	32	75.0	0
Maryland.....	8,529	963	4,802	5,765	16.7	220
Massachusetts.....	25	4	18	22	18.2	0
Michigan.....	143,020	15,871	61,987	77,858	20.4	0
Minnesota.....	83,648	32,310	16,850	49,160	65.7	802
Mississippi.....	2,543	428	1,415	1,843	23.2	45
Missouri.....	224,310	57,184	30,928	88,112	64.9	564
Montana.....	42,022	13,296	12,446	25,742	51.7	916
Nebraska.....	106,232	27,542	22,993	50,535	54.5	799
Nevada.....	653	87	276	363	24.0	0
New Jersey.....	2,724	559	1,181	1,740	32.1	15
New Mexico.....	4,847	1,087	1,457	2,544	42.7	23
New York.....	38,534	7,005	15,239	22,244	31.5	0
North Carolina.....	107,858	64,756	15,250	80,006	80.9	207
North Dakota.....	123,380	54,632	28,387	83,019	65.8	0
Ohio.....	180,840	20,169	68,722	88,891	22.7	383
Oklahoma.....	86,250	18,488	26,838	45,326	40.8	279
Oregon.....	24,501	4,992	5,191	10,183	49.0	0
Pennsylvania.....	51,564	7,345	26,031	33,376	22.0	618
Rhode Island.....	10	2	6	8	25.0	0
South Carolina.....	30,157	16,664	3,350	20,014	83.3	20
South Dakota.....	69,080	22,634	12,028	34,662	65.3	311
Tennessee.....	42,229	20,367	6,332	26,699	76.3	106
Texas.....	79,001	22,484	27,567	50,051	44.9	765
Utah.....	8,687	1,307	3,233	4,540	28.8	215
Vermont.....	54	5	38	43	11.6	0
Virginia.....	29,604	7,429	11,767	19,196	38.7	393
Washington.....	37,863	7,673	8,576	16,249	47.2	245
West Virginia.....	3,510	1,384	1,482	2,866	48.3	49
Wisconsin.....	10,153	3,519	2,827	6,346	55.5	198
Wyoming.....	4,450	1,212	1,721	2,933	41.3	73
Total.....	2,230,004	584,284	638,572	1,222,856	47.8	12,740

The CHAIRMAN. Mr. Farrington?

You may proceed, sir. I notice you have a prepared statement.

STATEMENT OF CARL C. FARRINGTON, VICE PRESIDENT, ARCHER DANIELS MIDLAND CO., MINNEAPOLIS, MINN., REPRESENTING THE MILLERS' NATIONAL FEDERATION

Mr. FARRINGTON. Yes, sir.

The CHAIRMAN. Do you wish to highlight?

Mr. FARRINGTON. It is not too lengthy and I would like to read it.

The CHAIRMAN. All right, proceed.

Mr. FARRINGTON. Mr. Chairman, and members, I appreciate this opportunity of appearing. My name is Carl C. Farrington. I am a vice president of the Archer Daniels Midland Co., Minneapolis, Minn., and chairman of the Committee on Agriculture of the Millers' National Federation.

I have with me here Mr. Fred Mewhinney of the Washington staff of the federation.

I am appearing here today on behalf of the Millers' National Federation. The membership of the federation includes over 90 percent of the flour milling capacity of the United States. We appreciate very much this opportunity of appearing before you to express our views.

In previous testimony before this committee we have expressed our desire for adequate but not excessive supplies of each of the classes and qualities of wheat in order to meet the demands of the consumer for many types of quality products. We have pointed out that each class of wheat has specific uses with limited degrees or interchangeability—that wheat is not just wheat. We have called attention to the effect of wheat production control and price support programs in creating large surpluses of some qualities of wheat and not surpluses or even shortages of other qualities of wheat. It has been shown that carryover supplies and CCC holdings are very large for some classes and qualities of wheat and very small for others.

It has been a policy of long standing for the Millers' National Federation to refrain from taking a position on farm legislation unless the milling industry was directly and adversely affected. We have generally refrained from making recommendations on the level of wheat price supports so long as the cost of our basic raw material—wheat—is competitively determined in the marketplace.

Senator YOUNG. Mr. Farrington, which type of wheat is in short supply now?

Mr. FARRINGTON. In short supply?

Senator YOUNG. Shortest supply now.

Mr. FARRINGTON. The Soft Red wheat and White wheat on the west coast.

Senator YOUNG. In fact, there isn't any surplus at all of Soft Red wheat produced primarily by 15 acre growers?

Mr. FARRINGTON. It looks like the carryover this year will be almost nominal.

Senator YOUNG. The Government owns practically none of this wheat?

Mr. FARRINGTON. That is correct.

Senator YOUNG. I am not defending the 15-acre exemption.

Mr. FARRINGTON. We have not, and are not now asking for cheap wheat. Our earnings are not enhanced by low wheat prices. Regardless of the level of wheat prices, our milling margins will be determined by the intensive competition which prevails in our industry. If the level of wheat prices is low, flour prices will be low. If wheat prices or associated costs are at a high level, flour prices will necessarily reflect such prices and costs.

We want wheat producers to have reasonable prices and adequate income from wheat. We are in favor of reducing total Government costs. We are in favor of adequate and balanced but not excessive reserve stocks of wheat.

Notwithstanding our reluctance to be involved in farm legislation, we feel that in fairness to our industry and our customers that we

MR. FARRINGTON . . .

must express our opposition to the enactment of mandatory purchases by flour millers of marketing certificates for the following reasons:

1. Requiring flour millers to purchase certificates is a processing tax regardless of terminology used or the immediate change in flour or bread prices that may occur.

A 70 cents per bushel certificate would be equivalent to at least \$1.60 per hundredweight of flour.

A \$1.20 certificate would be equivalent to about \$2.80 per hundredweight of flour.

All of this cost would have to be included in the price of flour. The milling industry is a large-volume, low-margin, and intensively competitive industry. A 70-cent processing tax would be equal to several times the gross margins available to cover all flour mill labor, power, interest, and other costs, and whatever small return may be obtained for flour mill stockholders.

The change in flour prices accompanying the imposition of the processing tax would, of course, depend on where it is measured from.

As measured from present and prospective world wheat prices, all of the processing tax would represent an added cost. As measured from present domestic prices which reflect high loan rates which necessitate large export subsidies, a decline in market prices for wheat probably would offset part of the processing tax cost with the result that flour prices would increase much less than the full amount of the processing tax.

This does not detract from the reality or the magnitude of the processing tax certificate. It merely calls attention to the artificiality of current wheat prices and the fact that we would be going from one artificial situation to a bigger and more obviously artificial flour price situation.

2. A processing tax which has to be passed on to consumers of wheat products is generally recognized as a regressive tax with most of the burden falling on the lower income groups.

Studies of consumers purchases made by the Department of Agriculture show wheat products occupy a much more important place in the food budgets of low-income families than those with higher incomes.

In fact, the percentage of the family food budget spent for wheat products is nearly twice as great for the less-than-\$2,000-income families as for the families with incomes over \$10,000.

3. The certificate purchase requirement will create a new competitive situation in the flour milling industry. Each of us will be uncertain as to whether our competitors are paying the tax on the same basis as we. Difference in moisture content of the wheat used and flour produced, differences in flour yield, differences in cleaning equipment, and other factors may affect the amount of certificates we are forced to buy and therefore the amount of taxes we actually pay.

The CHAIRMAN. Isn't it dependent, though, on quality? Your certificates will be the same.

Mr. FARRINGTON. It will be the same as measured by some standard.

The CHAIRMAN. Yes.

Mr. FARRINGTON. Yes.

The CHAIRMAN. How would that differ from a price support? Isn't that the same?

Mr. FARRINGTON. In price support we buy it in the marketplace under competitive conditions and we know what the moisture content is and we know what the quality is.

The CHAIRMAN. You buy your wheat the same way?

Mr. FARRINGTON. Yes.

The CHAIRMAN. There wouldn't be any difference.

Mr. FARRINGTON. Oh, yes, there would be a difference.

The CHAIRMAN. How? Why? Tell me, I would like to know. How would it be different? You buy it at the marketplace for whatever you can get it.

Mr. FARRINGTON. You meant wheat?

The CHAIRMAN. Yes. And then you pay for your certificate on a basis of—

Mr. FARRINGTON. Of what?

The CHAIRMAN. Whatever is fixed.

Mr. FARRINGTON. Yes, that is it.

The CHAIRMAN. It will be fixed in advance.

Mr. FARRINGTON. The rate per something would be fixed in advance?

The CHAIRMAN. Exactly.

Mr. FARRINGTON. But a bushel of wheat is not always just a bushel of wheat.

The CHAIRMAN. I understand that but the wheat, you may buy some wheat for \$1.30 and some for \$1.35 because it is a different grade.

Mr. FARRINGTON. Yes.

The CHAIRMAN. Something that you like better. But you would always have in mind to add to whatever price you pay in the marketplace whatever the certificate is.

Mr. FARRINGTON. Yes.

The CHAIRMAN. How does that differ from price support?

Mr. FARRINGTON. Well, wheat has different moisture contents; it has different amounts of cleanout materials in it, those factors we can evaluate; but the 70-cent certificate would be measured by something, some bushel of wheat, I don't know whether it would be the dirty bushel or the clean bushel or high-moisture bushel or a low-moisture bushel.

The CHAIRMAN. But since you can buy in the marketplace the wheat of your choice—

Mr. FARRINGTON. Yes.

The CHAIRMAN (continuing). Wouldn't you buy the best for your milling purposes?

Mr. FARRINGTON. Surely; we would buy the kind of wheat we needed.

The CHAIRMAN. Of course you would; just the same as you now do under price support.

Mr. FARRINGTON. Yes; we would evaluate all those factors in the purchase of wheat.

The CHAIRMAN. I don't know. I can't see the difference. If you can shed more light I would like to have it.

Mr. FARRINGTON. Some members of the industry may question the constitutionality of the certificate purchase requirement, having in mind that the earlier processing tax was in fact declared unconstitutional by the Supreme Court, and may be willing to gamble on a

similar court ruling with respect to the certificates and undersell their competitors who are trying to comply with the law and regulations issued thereunder. The federation does not profess to know the answer to that question and, of course, takes no position on it.

To attempt at this late date to put into effect this new revenue scheme before the 1964 crop is harvested would be particularly disruptive of industry operations.

4. While we recognize that the demand for flour in the United States is rather inelastic and it is difficult to show by statistical analysis that higher flour prices cause an appreciable reduction in flour consumption, we believe that over the long pull the imposition of a wheat certificate processing tax will curtail to some extent the use of this wonderful food product in the United States. Relatively high flour prices would discourage the search for new uses and efforts to halt the decline in per capita flour consumption.

5. There seems to be a tendency to look upon the forced sale of certificates to flour millers as an easy and painless way to obtain funds for enhancing grower incomes and controlling wheat production without considering the cost of the certificates as a Government cost.

The fact is that all of the certificates issued to growers will be eligible for redemption by CCC and are nothing more nor less than direct payments to wheatgrowers. They constitute a Government benefit and a Government cost and should be subject to usual appropriation procedures.

We believe such benefits should be paid for through the usual means of taxation and not force flour millers to become tax collectors. We regard the forced sale of certificates to flour millers as strictly a new form of taxation and we believe an undesirable and regressive form of taxation.

The CHAIRMAN. For your information, the Commodity Credit Corporation will handle that feature of it the same way as it does price supports, so that the method won't differ at all.

Mr. FARRINGTON. They will handle it as a direct payment to growers.

The CHAIRMAN. I know, just the same—

Mr. FARRINGTON. And exaction from the mills the other way.

The CHAIRMAN. But just the same as you fix price supports—identical.

Mr. FARRINGTON. Admittedly the high price support is regressive.

The CHAIRMAN. Well, of course, you are against price supports also, I presume.

Mr. FARRINGTON. No, sir.

The CHAIRMAN. No?

Mr. FARRINGTON. No, sir.

The CHAIRMAN. I can't see the difference between that and the certificate.

Senator YOUNG. What kind of price supports do you favor?

The CHAIRMAN. Low price supports.

Mr. FARRINGTON. I cover that point later, if I may.

Senator YOUNG. All right.

Mr. FARRINGTON. We should not pretend that Government costs have been reducing by hiding some of them behind a new form of Government revenue.

6. The use of certificate processing taxes tends to be associated with plans for minimizing returns in the marketplace and the use of a

high degree of Government control of production rather than the use of the marketplace as an indicator of market needs.

The analysis I have seen of the various certificate processing tax plans indicate that from one-third to two-fifths of the income available to wheatgrowers under these plans would be in the form of direct Government benefits and conditional payments. These direct Government benefits, of course, do not include the expenditures equal to another 25 to 30 percent of the gross farm value of wheat involved in financing exports of wheat and wheat products under Public Law 480 and other special export programs. These export expenditures are common to all of the programs considered for 1964 and are not at issue at this time.

With a large percentage of producer income in the form of Government benefits and conditional payments involved in the certificate processing tax plans, these plans would be voluntary in name only. The marketing quota penalties would be removed but the economic compulsion still would be overpowering. The result, we believe, would be continued freezing of production in an historical pattern which is not in alinement with current market requirements, continued excesses of some qualities of wheat with shortages of other qualities of wheat, and continued failure to capitalize fully on the domestic and world markets available to U.S. wheat producers.

Before closing I believe it is appropriate to call attention to the fact that during the past year there has been a drastic change in the U.S. and world wheat situation. With exports of wheat and flour approaching 1 billion bushels this year, the USDA has projected a reduction in carryover stocks this year of some 460 million bushels; i.e., from 1,195 million bushels on July 1, 1963, to some 735 million bushels on July 1, 1964.

Winter wheat production for 1964 was estimated in December 1963 at 959 million bushels. This production, plus a spring wheat crop of 240 million bushels, which is somewhat above average, would mean total production in 1964 of about 1.2 billion bushels. As compared with this production I believe we can count on U.S. wheat consumption and exports in 1964 of at least 1.3 billion bushels. This would mean a reduction in carryover stocks at the end of the 1964-65 marketing year to around, or possibly below, the 600-million-bushel level. This is the level the Secretary of Agriculture has mentioned as a desirable or perhaps a minimum reserve level.

The USDA has projected exports and domestic use of U.S. wheat in 1967-68 at 1,515 million bushels—800 million bushels for export and 715 million bushels for domestic use. This compares with average production for the last 5 years of 1,225 million bushels.

In the face of these statistics there does not appear to be any compelling need for the institution of wheat production controls with respect to the 1964 crop or the adoption at this time of permanent wheat price and production control programs of the type envisaged by the certificate processing tax plans.

There is need for the repeal of the wheat marketing quota and referendum provisions of existing law. There is need for authorizing the Secretary of Agriculture to establish a support level for wheat above 50 percent of parity to the extent necessary to assure U.S. growers of world prices for wheat within the limits established by

the International Wheat Agreement, and this involves a look at the net loan rate as well as the gross loan rate. There is need for CCC to follow sales policies which will assist wheatgrowers in getting maximum returns in the marketplace and minimize their competition from Government sales.

There may be need for some supplemental income payments to cushion the income effects of a drop in support prices from the highly artificial level that has prevailed to a world price level. There may be need to combine or coordinate wheat acreage adjustment programs with feed grain acreage adjustment and land use adjustment programs.

But we repeat that we strongly oppose and we believe there is no justification for enacting a certificate processing tax plan to help finance a rigid control program which the wheatgrowers themselves already have rejected.

Thank you, Mr. Chairman.

The CHAIRMAN. All right.

Senator YOUNG. Could I ask him a question?

The CHAIRMAN. All right, proceed.

Senator YOUNG. Mr. Farrington, you are an authority on wheat marketing and you know considerable about this whole subject. Some objection has been raised to the wheat certificate or other plans that establish a price support of \$1.30 a bushel on the basis that if cash prices went down to this level they would tend to upset our position under the International Wheat Agreement by permitting underselling or selling at a price below wheat agreement levels.

Mr. FARRINGTON. Yes, sir.

Senator YOUNG. I mean selling—selling below International Wheat Agreement price levels.

If you established a price support floor at the world price would this solve the problem of keeping our commitments under the International Wheat Agreement or would you still have a problem?

Mr. FARRINGTON. The present world price probably reflects about \$1.35 or a little better at the farm level.

Now, of course, you know at the beginning of the season they deduct 10 cents storage costs so if you had \$1.30 support you would only have a net loan of \$1.20 which would still be under price levels. There might be some basis for taking that factor into consideration and establishing a level a little above so that the grower at all times would get the full benefit of world prices.

Senator YOUNG. The reason the administration gives for wanting this 25 cents a bushel export subsidy is to protect the International Wheat Agreement. I wonder if you couldn't correct that by doing what the Farm Bureau wants and place your price support at the world price level. You don't think this alone would correct it?

Mr. FARRINGTON. Yes: I think it would, if you take into consideration the effective loan rate at all times, not just the gross loan rate.

Senator YOUNG. I think this is something to consider, Mr. Chairman. I don't like this export subsidy but the argument is that you have to have it in order to avoid undercutting the International Wheat Agreement prices. If you could resolve this thing by having your minimum support at the world price this would be a whole lot simpler and more effective.

The CHAIRMAN. Isn't it a fact that wheat that you sell other than through the wheat agreement, is sold at world prices?

Mr. FARRINGTON. All the wheat is sold at world prices.

The CHAIRMAN. What fixes that world price? Ordinary production uses, the same as we have in this country, that we would have in this country, minus the price supports?

Mr. FARRINGTON. The world price, of course, is the price at which wheat is trading in the world market. I would say that Canada and the United States have a lot to say about what that world price is, I think, within a given time but you have to take into consideration at all times the competition from Australia and Argentina and other exporters.

The CHAIRMAN. Well, what effect—

Mr. FARRINGTON. The fact is it has been around \$1.35 recently, world price.

The CHAIRMAN. What effect do you think that our programs have on fixing the world price?

Mr. FARRINGTON. Well, I think that Canada, through their monopoly marketing, and the Commodity Credit Corporation through its control of subsidies has considerable to do with the world price.

The CHAIRMAN. In holding it steady?

Mr. FARRINGTON. Yes, sir.

The CHAIRMAN. And high?

Mr. FARRINGTON. Not necessarily high. I think they have been very realistic about it.

The CHAIRMAN. Any further questions?

Senator AIKEN. Yes. What is the price of wheat in Fort William today?

Mr. FARRINGTON. I think around \$1.90, Canadian funds, or about \$1.80.

Senator AIKEN. What is the maximum price that can be charged under the International Wheat Agreement?

Mr. FARRINGTON. \$2.02½ Fort William, one Manitoba.

Senator AIKEN. And it could not go up to \$1.90?

Mr. FARRINGTON. I am sorry, that is American funds. It could go up a little more than that, probably 20 cents.

Senator AIKEN. That is U.S. dollars, not Canadian dollars?

Mr. FARRINGTON. Yes.

Senator AIKEN. So the price is pretty good there now?

Mr. FARRINGTON. Yes.

Senator AIKEN. And of that \$1.90, do you have any idea of what the Canadian farmer is getting out of it this year?

Mr. FARRINGTON. Well, the support price is equal to about \$1.40 Fort William.

Senator AIKEN. You say support price; that is the initial payment, isn't it?

Mr. FARRINGTON. That is the initial payment; yes, sir.

Senator AIKEN. And they are getting a lot more than that this year?

Mr. FARRINGTON. That is U.S. funds; I think it is \$1.50 Canadian funds. It would be, I would assume that they will get, an extra payment of 20 cents or something in that neighborhood.

Senator AIKEN. So the world market price—

Mr. FARRINGTON. I don't know, I am still guessing.

Senator AIKEN. Could still go up another 10, 12 cents a bushel before it hits the maximum of the International Wheat Agreement price?

Mr. FARRINGTON. That is right.

Senator AIKEN. That is all.

Senator YOUNG. How much could it go down before it hit the minimum?

Mr. FARRINGTON. It is about the middle. In the 40-cent range.

Senator AIKEN. \$1.55 minimum?

Mr. FARRINGTON. \$1.62½, sir.

Senator AIKEN. \$1.62½.

The CHAIRMAN. Any further questions?

If not, we thank you very much, sir.

Mr. FARRINGTON. Thank you very much.

The CHAIRMAN. All right, Mr. Schutte. You may proceed, sir.

STATEMENT OF ALFRED SCHUTTE, PRESIDENT, WEBSTER COUNTY FARM BUREAU, GUIDE ROCK, NEBR.

Mr. SCHUTTE. Mr. Chairman and members of this committee, the Webster County Farm Bureau representatives are here today as bona fide farmers representing bona fide farmers. Our correspondence leads us to believe that we represent the thinking of the majority of these farmers. We know the problems of agriculture. We live with these problems. Our income is derived solely from raising agricultural products. Therefore, if agriculture is in trouble, we are in trouble.

As an effort to solve our problems, we are here today. If you and we work together, agriculture's problems are not unsolvable.

Because we are farmers and know what will help farmers most, we supported a "yes" vote in the referendum last May 21. It is still our choice as the solution which would benefit the majority of the farmers of our country. We believe the referendum would have carried had it not been for the hate sheets that were distributed among farmers. We believe these hate sheets were distributed for the sole purpose of generating fear and distrust of the American Government and the Agriculture Department, and we believe they played a major role in the referendum defeat.

At that time it was said that the wheat farmer would suffer economic losses of at least \$600 million if the referendum were defeated. The referendum was defeated, and farmers do stand to suffer a major loss on their 1964 crop unless Congress acts quickly. They stand to lose even though most producers of winter wheat stayed within their allotments; and even though we will probably export an additional 1 billion bushels of wheat this fiscal year.

Since the wheat farmers of the country chose not to go along with the mandatory program, it appears that the next best alternative is a voluntary program incorporating most of the same features, including the certificate plan.

We are prepared to support the basic principles of the McGovern bill as the one most favored by the farmers of Webster County and Nebraska.

Last October we polled, by secret ballot, our convention on five questions we felt were most important to our members. This poll showed that 100 percent of those responding do not want the American Farm Bureau's proposed legislation; 100 percent do not want to "get the Government out of agriculture," as some have proposed; 65 percent still favor the mandatory wheat law defeated in the referen-

dum. The Webster County Farm Bureau poll is proven correct by the Webster County referendum vote which was 65.7 percent in favor; 100 percent favor a wheat program with high price supports on the order of the feed-grain program. Most stipulated that the certificate price should be high enough to make the program work as well as if it were mandatory.

We, therefore, stand in favor of the McGovern bill with provision assuring a combined base with the substitution of feed-grain and wheat acres permitted. By this means, we believe grains will shift to their natural production areas. This bill will help maintain the income of the majority of farmers and let us stress here—we want the majority of farmers to benefit, not just the 9 percent of landowners who own 40 percent of the farmland in the United States (reference taken from National Advisory Committee on Farm Labor, 112 East 19th Street, New York, N.Y.).

We want the surplus reduced. We don't want the farm program to cost the Government and consumers any more than is necessary to assure an adequate income for farmers. The farmers' income must be brought up to the level of the Nation. If farmers don't become economically stable, they will drag the rest of the Nation into another depression and this we do not want. The empty farmsteads and dilapidated buildings are significant indications that the conservation reserve did not and will not benefit the grassroot farmers. We do not want to return to the soil bank, land retirement days. Farmers produce the original dollar, when it leaves the farm it multiplies into dollars that make up our national dollars. Every time 17 farmers leave the land, 1 business disappears from Main Street. Our present national economic level proves that Government programs have not failed, farm programs have not failed, neither will a wheat program fail if it is arrived at wisely, without partisanship, and if the interests of wheat farmers are not forgotten.

We stand ready to cooperate with any person, organization, or suggestion that will make the farmer economically stable. From stability of agriculture is born stability of the Government and the Nation. We as American citizens want all three. We hope you will follow our suggestion and vote the McGovern bill out of committee with the provisions that we have recommended.

We thank you for your time.

We have results of a poll here. Should I read that?

The CHAIRMAN. We will put that in the record.

Mr. SCHUTTE. Yes.

(The poll referred to follows:)

RESULTS OF THE WEBSTER COUNTY POLL AND QUESTIONS AS ASKED

Please answer "Yes" or "No" so we may have your opinion.

1. Do you favor a wheat program on the order of the corn program with cross compliance on corn and wheat acres with high price supports? Yes, 100 percent.
2. Do you favor Farm Bureau's land retirement program with support prices at 50 percent of parity or world market, whichever is highest? (At present about \$130 for wheat.) No, 100 percent.
3. Do you favor getting the Government out of agriculture as Farm Bureau and the CED suggest? No, 100 percent.
4. If you had the right to vote for the president of the American Farm Bureau, would you vote for Charles B. Shuman? No, 100 percent.
5. Do you favor the mandatory wheat program voted upon last May 21? Yes, 65 percent.

6. Do you favor the ASC informing farmers of provisions of the wheat and other laws? Yes, 100 percent.

The CHAIRMAN. I presume you heard Mr. Lynn testify a while ago?

Mr. SCHUTTE. Yes.

The CHAIRMAN. Did you make your views known to the American Farm Bureau?

Mr. SCHUTTE. They know our views. They have known for 4 years.

The CHAIRMAN. I notice they have on the map here quite a few other chapters of the American Farm Bureau in Nebraska. Are there many other Farm Bureau members who feel as you do; that is, in other counties?

Mr. SCHUTTE. I would like to give you—I can tell you for sure that we have a lot of support. But if you folks do not realize it, the Farm Bureau is not as democratic as they would like to have you think. It is quite a machine and, of course, for 4 years we have opposed them, because it seemed after the resolutions left the county immediately they began to get reversed, even at the State level already and, of course, if they did not reverse it there, they certainly did at the national level.

We were dedicated to the Farm Bureau for 4 years, and after about 4 years, we knew there was something wrong, we studied the situation; it took us about a year or two to understand how this machine could work, and we decided one thing or the other; either stay in, and if we could get newspaper support we could get someplace, if not we might just as well get out and, of course, some papers have gone along. They have printed our side of the story, and since 1959, I would like to read you these figures, we have original statements to prove them, if they ever want to contest them—now, in 1959 they reached a high of practically 21,000, they lacked a little bit there.

The CHAIRMAN. 21,000 what?

Mr. SCHUTTE. 21,000 members.

The CHAIRMAN. Where?

Mr. SCHUTTE. Yes.

The CHAIRMAN. In Nebraska?

Mr. SCHUTTE. Yes. I am talking about Nebraska now.

The CHAIRMAN. Yes.

Mr. SCHUTTE. Well then, the next year, which was in 1960, which was the year we really began to oppose them and began to make our views known, the membership dropped to 18,532. The next year it dropped to 18,088, and the next year they did have a dues raise, and they got a sharper drop, which dropped them down to 13,488, and they put on a terrific field force, they doubled their field force.

The counties, they organized from 61 counties to 90 counties in 1962, and still their membership was never raised and, of course, last year they had 13,086, which was right at the same membership the year before.

Now, we get an awful lot of mail. We get so much mail we can absolutely not answer it. But the thing is we have always asked other counties to stay in and help us, and it would look a little better, but Nebraska today, we are the only county standing there, the people have good intentions, but just as quick as the Farm Bureau gets hold of them, they get insulted, and so forth, and they absolutely get out, and when a lot of people see what is happening, the deception that is there, they simply will not have anything to do with the Farm Bureau.

Of course, in most of the 4 years with all of the members they have gotten new, they have lost at least 17,500 members, probably closer to 18,000, and today their membership stands at 13,486. Now, that is a loss of membership in Nebraska.

Senator YOUNG. Do you have other farm organizations there?

Mr. SCHUTTE. There is a co-op which I am no member of, but there are a lot of people who have joined the co-op.

Senator YOUNG. You do not have a Grange or Farmers Union in your area?

Mr. SCHUTTE. No; no Grange, and the NFO, I see they are outside and organizing closer, but there has been no NFO in our county.

Senator YOUNG. Then a high percentage of your farmers do not belong to any farm organization?

Mr. SCHUTTE. That is probably right. Of course, there is quite a lot of Farmers Union members, a lot sometimes—there is no opposition to Farmers Union policies whatsoever.

But now on the national level, and we again can say one Charlie Shuman says they represent 1,600,000 farm families, one of the falsest statements they ever made; they do not represent farm families. Many farm families have insurance. They live in the cities. Besides, so many farmers have insurance, to keep their membership, or to keep their insurance, they must pay their membership, and we know in Nebraska there are more farmers with insurance in the Farm Bureau because of the insurance than any other reason. But it is a setup and machinery that we have found it is hard to buck.

Since some of our newspapers have carried some of our story, it has helped us there, but it has not helped nationwide so much. If they would only stay in and help us we could get farther.

Of course, in this wheat referendum, I made some remark about the—I think you folks sit here and try to write up a good farm program, and we sit back there and go to these Farm Bureau meetings, and they literally tear down our democratic system of government. We think it is real serious.

I would like to read a statement here that our public relations director put in our local paper. It would probably give you a——

The CHAIRMAN. How long is it?

Mr. SCHUTTE. It is this long.

The CHAIRMAN. Suppose you read a paragraph and put the rest of it in.

Mr. SCHUTTE. All right.

Now, this public relations director, Frances Umstead, she had this to say:

The perverted statements.

These were the Farm Bureau statements—I do not say Farm Bureau, they were scattered among the farmers—

The farm program was written by Communists. They are still in Washington, D.C., and their influence and power are growing.

Now, here is another one:

We can prove that this farm program was instituted by the Communists in our Agriculture Department in Washington, D.C., and that the program is part of the Communist conspiracy to take over this country.

The CHAIRMAN. Whose language are you quoting?

Mr. SCHUTTE. That is what came out.

The CHAIRMAN. Came out where, the Farm Bureau?

Mr. SCHUTTE. Well, they were sent to a lot of members, and we know Farm Bureau members sent them out. These particular things were quoted by George Conitz, from North Dakota—Salem, N. Dak.

The CHAIRMAN. I never heard that as coming from the American Farm Bureau.

Mr. SCHUTTE. Well, we understand that, but it definitely took machinery to distribute it.

Senator YOUNG. I did not think that Mr. Conitz' organization got down to Nebraska.

Mr. SCHUTTE. Here is another one:

The persons who advocate quotas are traitors and should be indicted for treason.

Now, you fellows can see when the farmers get this mail, well, it comes through the U.S. mail, and you tell them there is nothing to it, and they say that they cannot send it through the U.S. mail if it is not.

Senator YOUNG. Mr. Conitz has a small organization, but he has a few members all over.

Mr. SCHUTTE. Yes.

Senator YOUNG. He was going to have me impeached one time, but I can say that in North Dakota he does not have anything to do with the Farm Bureau.

Mr. SCHUTTE. I realize that. But here is the thing. Farm Bureau welcomes anything that is helpful, even the John Birch Society, which I doubt very many Farm Bureau members believe in, and most of the Farm Bureau members are dedicated people, I realize that. I am not talking about the people themselves.

The CHAIRMAN. Well, so as to clear the record, you do not now state that what you read there came from the Farm Bureau?

Mr. SCHUTTE. No. But it was distributed by Farm Bureau members, I know that.

The CHAIRMAN. You mean locally?

Mr. SCHUTTE. Yes.

The CHAIRMAN. Do you know whether or not the head of the Farm Bureau knew about it?

Mr. SCHUTTE. Oh, he knew about it. They had to. It was too much of that mail went around, and we think it is certainly something which has deteriorated the democratic, our democratic, government. Farm Bureau is continually attacking the Government. If they were to attack the farm program as such and show the people what is wrong with the farm program, but they do not. They must get the people against their Government first, and then they can get them swung over, and that is the way this is done. The wheat vote—definitely they had a dozen different gimmicks. They promised you better wheat legislation and all of this and that. You probably heard a lot of it, but deterioration in our democratic process has been great.

Of course, since November 22, everything came to a halt, and I hope that we do not see any more of this out this way on any kind of a program.

The CHAIRMAN. Any further questions? If not, we thank you very much.

Mr. Lance.

**STATEMENT OF W. H. LANCE, WEST TEXAS CHAMBER OF
COMMERCE, PERRYTON, TEX.**

Mr. LANCE. Mr. Chairman, I have a telegram that I want to read after this.

The CHAIRMAN. Very well.

Mr. LANCE. Mr. Chairman and members of the committee, my name is W. H. Lance. I am a wheat farmer, of Perryton, Ochiltree County, Tex. I am a director and member of the Executive Committee of the West Texas Chamber of Commerce; a member and chairman of Small Grains Division of the Texas Certified Seed Producers Association, and have been for the past 3 years; and I produce and sell certified seed wheat.

At the present time, I am county Democratic chairman for Ochiltree County, Tex.

In the past, I was one of the charter members of the Texas and National Wheat Growers Associations, having attended the first meeting of these organizations in Amarillo, Tex., and Kansas City, Mo., in 1950. Because of my personal feelings that proposals advanced by these organizations were not in the best interests of all wheat-growers, I am no longer active in those organizations.

I am here today representing myself as a wheat farmer, the West Texas Chamber of Commerce, and the majority of farmers of Ochiltree County, Tex.

The opinions and statements I make here today represent the feelings and opinions of the vast majority of the farmers of Ochiltree County. There is a greater number of these farmers in Ochiltree County than there are members of the National Wheat Growers Association in the whole State of Texas.

1. The certificate plan as being proposed before the Congress at the present time, has, as I understand it, the same effect as the compulsory program proposed in last year's wheat referendum:

(a) The compulsory wheat program was defeated in that referendum in Ochiltree County by a vote of 693 against, to only 198 in favor of the program.

(b) In 1962 the compulsory wheat program was defeated in the wheat referendum by a 2 to 1 vote, and I could not get the figures for 1961, but it was also defeated in 1961, the wheat referendum.

2. The wheat certificate plan being proposed by the National Wheat Growers Association is not a voluntary program for the following reason:

(a) Even though a farmer stays within his allotted acres and does not obtain certificates, he cannot sell his wheat for domestic consumption in the normal milling grain channels. Every bushel of wheat milled for human consumption must be accompanied by a certificate. The effect of this is that the farmer without certificates will be forced to sell his wheat at \$0.70 per bushel below the certificate price.

3. The wheat certificate plan being proposed by the National Wheat Growers Association discriminates against and is unfair to the dryland farmer for the following reasons:

(a) The certificates are issued on an average production or quota basis, based upon past history.

(b) Our average production for the past 3 years on summer-fallowed land has been about 15 bushels per acre; whereas during the

decade of the forties, our average on summer-fallowed land was well over 25 bushels per acre. Ochiltree County alone produced more than 1 percent of all of the Hard Red Winter wheat in the United States in the years 1944, 1947, and 1949.

(c) The only time a dryland wheat farmer ever makes very much money is when he produces an above average yield of wheat. For example, in several years, I have raised as much as 50 bushels of wheat per acre. Under the certificate plan, if consumption in the United States amounted to 60 percent of the gross production, I could only obtain certificates to sell 9 bushels of wheat to the acre. Last year the majority of wheat farmers in Ochiltree County, Tex., raised no bushels of wheat per acre, the crop being a complete failure due to disease and winterkill.

(d) Last year, crop year 1963, in Ochiltree County, since we raised no wheat, had there been a certificate plan there would have been encouraged a black market in certificates. In other words, farmers from this area could have bought excess wheat in other areas and then sold it under their issued certificates.

Our farmers voted down last year overwhelmingly the compulsory wheat program. We still don't want a compulsory wheat program, and the proposed certificate wheat plan would in effect be a compulsory wheat program, and if given an opportunity, I believe farmers will vote down the proposed certificate plan.

4. You will be surprised at my next statement and I urge you to check into this matter thoroughly.

There is no surplus of a quality milling wheat that millers can buy, that the commercial bakeries will purchase the flour of.

This is the kind of wheat produced in the dryland Hard Red Winter wheat areas in most instances.

As proof of the fact that there is no surplus of quality milling wheat, the price of wheat today in Perryton, Tex., is \$2.08 net to the farmer, whereas the CCC loan price is \$1.82, less storage and handling charges.

I know that you have been kicking around the figure of \$2.30 or \$2.20; wheat delivered to Texas common point, the highest is \$2.64.

Senator YOUNG. What is the price support locally down there?

Mr. LANCE. I beg your pardon?

Senator YOUNG. What is your price support in this area where you say wheat is selling for \$2.08?

Mr. LANCE. The price support is \$1.82 a bushel, the same as it is—

Senator YOUNG. \$1.82 plus 18 cents, or a total of \$2.

Mr. LANCE. That is if they took that additional 20 percent they could get the 18 cents.

Senator YOUNG. Do you know of any area in the United States where wheat is not selling about the same amount over the price support as here?

Mr. LANCE. Oh, yes, sir.

Senator YOUNG. Where?

Mr. LANCE. In North Carolina. I have a son-in-law who is a Ph. D. at Raleigh, N.C., and I was there last Easter, and wheat was 65 cents a bushel more in Perryton, Tex., than Raleigh, N.C. It is more than 40 cents in Perryton than Waco, however.

Senator YOUNG. The head of the National Soft Wheat Millers Association testified yesterday that all this wheat now is selling for about \$2.20 a bushel.

Mr. LANCE. That is what he said he was paying for wheat, and a soft wheat.

Senator YOUNG. He claims there is not any available.

Mr. LANCE. Well then he was not buying any. He should offer \$3 if he could not buy any.

Senator YOUNG. I think you had better check these prices.

Mr. LANCE. No, sir. These figures are right.

Senator YOUNG. When did you check that price in North Carolina?

Mr. LANCE. Last Easter.

Senator YOUNG. It is a little different now.

Mr. LANCE. There has only been 1 year in the past 10 years when our farmers could not have sold their loan wheat at a profit through the normal grain trade.

5. The crux of the whole wheat surplus problem is the low quality milling wheat. This is what we have a surplus of, and has come about by the U.S. Department of Agriculture granting a high-price support to all wheat, regardless of milling quality, excepting a few of the wheats that have been blacklisted.

High-price supports have encouraged a quantity of production rather than a quality of production.

The certificate plan as proposed would encourage a larger production of low quality wheat by irrigation in order that a farmer could increase his history and quota. This is because the certificate plan is a bushel allotment which we have always opposed. More bushels can be raised under irrigation, but the wheat will be of lower milling quality.

Farmers in our area are not too opposed to the incentive plan as proposed for wheat, for this would be similar to the incentive plan now in effect on grain sorghums and feed grains.

Personally, I would favor a phasing out of all incentive payments on wheat and feed grains over a 3-year period and permit the law of supply and demand to control the price of wheat and other small grains.

The effect of the law of supply and demand would put us in competition with other parts of the world to supply world needs.

We have no fear in Ochiltree County that our wheat will ever drop to \$1 per bushel as some have said, because of the superior milling quality of our wheat.

Without a high support price, these farmers who have been producing wheat for Government CCC loans will discontinue raising wheat and return to producing the products they produced before such high price supports were available.

We feel that during this period of high prosperity, that the price support program has served not only as a floor, but also a ceiling on the price of good quality milling wheat and without price supports forming a ceiling we feel that our wheat could be more valuable in the marketplace than it is at the present time.

As another alternative, if we must have a price support program, we favor the price support plan advanced by the National Farm Bureau which is based upon the average price for the past 3 years of

world market or 50 percent of parity whichever is the higher for a price support.

If it is good business—I guess I shouldn't have said this—to destroy our bombers with a bonfire, it should be good business to destroy our high surplus of low quality milling wheat by dumping it in the ocean.

My business is wheat. In 1953 before a House Agriculture Committee in Enid, Okla., I opposed a certificate plan as proposed by the Washington and Oregon Wheat Growers in meetings of the National Wheat Growers Association. I am as opposed to it now as I was at that time. We don't want to be a part of the problem, but a part of the solution.

Farmers last year voted down compulsory controls. I tell you now that the proposed voluntary certificate wheat plan is a compulsory program, in that if you don't go into this voluntary program, you cannot sell your wheat on the open market for domestic consumption.

We don't want more Government controls. We want less controls. We want to sell our wheat in the marketplace. Farmers said this loud and clear last year and farmers of Ochiltree County have sent me here to say it again before this committee.

Mr. Chairman and members of the committee, I appreciate this opportunity to appear before you and will gladly endeavor to answer any questions you may have.

I would like to read this telegram at the present time.

The CHAIRMAN. Go ahead.

Mr. LANCE (reading):

W. H. "BILL" LANCE,
Statler Hilton Hotel, Washington, D.C.:

Wheat resolution quote:

"Whereas the U.S. Department of Agriculture is proposing wheat legislation which will favor a certificate plan to subsidize the wheat producer and whereas a similar plan was voted down by the wheat producer in a referendum in 1963. Therefore, be it resolved that the West Texas Chamber of Commerce continue its policy and tradition of favoring a free market economy by opposing the wheat certificate plan as presently proposed by the U.S. Department of Agriculture. Be it further resolved that the West Texas Chamber of Commerce favor an interim wheat program which will provide wheat producers with loan plan based on the average price of the free world market for the past previous 3 years. This plan would eventually lead to a free market for our wheat producers."

JACK G. SPRINGER,
*Executive Vice President,
West Texas Chamber of Commerce.*

The CHAIRMAN. I may say, Mr. Lance, I have here two telegrams from Perryton, Tex., addressed to me as chairman, signed by R. Haley, and others, stating that you speak for them, so in connection with your telegram I will ask that these other two be placed in the record at this point.

(The documents referred to follow:)

PERRYTON, TEX., *February 10, 1964.*

Senator ALLEN J. ELLENDER,
*Chairman, Senate Agriculture Committee,
Old Senate Building, Washington, D.C.:*

We, the following named wheat farmers in Ochiltree County, Tex., want you and the members of the Senate Agriculture Committee to know we discussed the statement of W. H. Lance to be made before your committee and we support his statement 100 percent.

R. W. Haley, J. R. Stump, Gene Steed, Drew Ellis, Irvin Molesworth, Jack M. Allen, Ray Wright, Oliver Carter, C. O. Peterson, Howard Brillhart, Oras Busch, Charles Selby, Duane Thurman.

PERRYTON, TEX., February 10, 1964.

Senator ALLEN J. ELLENDER,
Old Senate Building, Washington, D.C.:

W. H. Bill Lance is going to testify before the Agriculture Committee on the wheat program. We ask that you favorably consider Mr. Lance's approach to the wheat problem.

OCHILTREE COUNTY FARM BUREAU,
H. A. WIEBE, *President*.

Senator YOUNG. Mr. Lance, you are a certified wheat producer?

Mr. LANCE. That is right.

Senator YOUNG. You do not produce for the commercial wheat market; do you?

Mr. LANCE. Yes, sir. I farm 3,400 acres. I cannot sell all of it as certified seed. I wish I could.

Senator YOUNG. 3,400 acres, that is a family-sized farm in Texas?

Mr. LANCE. I reckon. [Laughter.]

Senator YOUNG. Thank you.

Mr. LANCE. May I make an additional statement? With the certificate plan it will be the first time in the American market that the American farmer has something that there is a price for, a high price for, that he cannot sell. In other words, you understand what I mean, that he can only sell a certain percentage of his wheat at this supported price, and for the dryland farmer we think that it is the most unfair thing we have ever heard of.

Senator YOUNG. I do not think you have read the bill. Under the certificate plan, the farmer sells all his wheat on the market for whatever he can get for it.

Mr. LANCE. Yes; but you are taking 70 cents off.

Senator YOUNG. No; you are not. He gets the 70 cents in addition to the market price for that portion consumed in the United States, plus a smaller certificate payment on export wheat.

Mr. LANCE. Thank you.

The CHAIRMAN. All right.

Permission is granted to file a statement by Mr. and Mrs. Emmett Simmermon from South Solon, Ohio. It will be filed at this point.

(The document referred to follows:)

STATEMENT FILED BY MR. AND MRS. EMMETT SIMMERMON, SOUTH SOLON, OHIO

We are Mr. and Mrs. Emmett Simmermon, grain and hog farmers. We have 411 acres, almost paid for, of good farming land in central Ohio. We have farmed all our lives, sometimes supplementing our farm income with selling farm machinery, plumbing, and heating and one winter working in the International Harvester Co. and teaching school the year before we were married. This year we are retiring from farming, letting our son-in-law farm the land. His son, Alan Thompson, age 7, is one reason why we are here working for sound farm legislation. He says he would rather be a farmer than President.

We very much appreciate the Senate Agriculture Committee's consideration of wheat legislation at this time, which could stop some of 1964's estimated drop in the farmer's income.

The farmers, efficiently producing food and fiber, performing the most important service to the Nation, receive an income for this service that is a disgrace to the United States.

Today's economists estimate \$4,000 income as the dividing line between poverty and prosperity and the 1962 farm operator's cash income from farming including the free labor of his wife and children was \$2,482.

Farmers' total assets January 1, 1963, were \$214.1 billion divided by 1962's 3,688,000 farms gives \$58,053 average capital investment which at 4 percent gives \$2,322 income for capital subtracted from the \$2,482 leaves \$160 for 1962's operator and family's labor

The wheat farmers need a just support price for the necessary production that will give them a fair price for their labor and capital comparable to that of the nonfarmers. The surplus production starts from the soil or the farmer's acres. The past few years experience of diverting acres from production have proven that this can reduce the farm surplus.

Giving the farmers a support price for grains plus a payment for diverting acres usually discriminates against the small farmers, but paying a support price for the grains they actually produce after diverting a percent of acres from production is fair to both.

Wheat and all farm legislation should be simplified and understandable to all. We, therefore, suggest the following method for the 1964 wheat farmer on this order:

The Secretary would estimate the necessary percent of acres that should be diverted each year.

The wheat farmer diverting no acres would receive \$1.30 per bushel or the free market price.

The wheat farmer diverting the Secretary's estimated X percent of his allotted acres from farm production would receive an X fair support price from the balance of his allotted acres; e.g. 100 acres of wheat; 30 bushels per acre yield; 20 percent the Secretary estimates should be diverted; and the fair price \$2.50 per bushel.

No acres diverted: 3,000 bushels at \$1.30 per bushel support price is \$3,900 or the free market price.

Twenty acres diverted: 2,400 bushels at \$2.50 is \$6,000 support price from the farmer's production, which also includes the cost of diverting 20 acres.

For example: 100 acres of corn; 70 bushels per acre yield:

The Secretary's estimated 20 percent to be diverted at \$2.26 fair corn price per bushel (based on diversion cost and feed value comparable to wheat).

No acres diverted: 7,000 bushels at \$1.25 per bushel is \$8,750.

Twenty acres diverted: 5,600 bushels at \$2.26 per bushel is \$12,656.

Livestock prices should be supported comparable to the feed value of grains. Cotton, based on all theory, with no production experience, which is usually 90 percent wrong but the idea may help those interested in cotton.

For example:

100 pounds, none diverted: 100 pounds, at 20 cents, support price-----	\$20. 00
100 pounds, 20 percent diverted: 80 pounds, at 26 cents, support price-----	20. 80
100 pounds, 30 percent diverted: 70 pounds, at 29 cents, support price-----	20. 30
100 pounds, 40 percent diverted: 60 pounds, at 34 cents, support price-----	20. 40

Senator YOUNG. Mr. Chairman, I was going to make a statement concerning the bill that I introduced and which was cosponsored by Senator Mundt, Senator Carlson, and on the House side by Congressmen Andrews and Ben Jensen. I think the committee is familiar with it. It was drawn by the staff of our committee, and I would like to have inserted a statement that I made on the floor of the Senate explaining it, together with a technical explanation of the proposal.

The CHAIRMAN. Without objection, that will be done.

Senator YOUNG. I will discuss it later with the committee, at a later time.

The CHAIRMAN. Without objection, that will be done.

(The statement referred to follows:)

[From the Congressional Record, Senate, Dec. 4, 1963]

PROPOSED WHEAT PROGRAM

Mr. YOUNG of North Dakota. Mr. President, on behalf of myself, the distinguished Senator from Kansas [Mr. Carlson], and the distinguished Senator from South Dakota [Mr. Mundt], I introduce, for appropriate reference, a new wheat price support proposal. A companion bill is being introduced in the House of Representatives by Representative Mark Andrews, of North Dakota.

This bill would amend the present wheat certificate law providing a much simpler and more workable domestic parity program for wheat. Unless Congress enacts new wheat legislation, the present certificate program will have to be voted on again by wheat producers in a referendum early next year. Be-

cause of many complications and some undesirable features of the present law, it is highly unlikely that it would receive the necessary two-thirds vote in another referendum. This means that price supports would drop to about \$1.30 a bushel. It would be utterly impossible for wheat farmers to survive this drastic drop in prices when costs of operation continue to rise year by year. The repercussions of a chaotic wheat price situation would have direct and adverse effects on the prices of most other commodities.

This new proposal would amend the present wheat certificate plan. The improvements proposed would make this a simpler and more workable program. It would be completely voluntary and would contain no marketing penalties. It would assure wheat producers 100 percent of parity for that portion of their crop consumed domestically and world prices for the balance.

Under this proposal the Secretary of Agriculture would determine each year the amount of wheat necessary to meet domestic and export requirements. This could not be less than 1 billion bushels. The Secretary would announce the acreage needed to meet the desired annual production goal. The national allotments and the State, county, and farm allotments would be arrived at in the same manner as allotments are now determined.

Using this formula the national allotment for next year would be about 50 million acres which, it is anticipated, would produce 1.2 billion bushels. If present export levels could be maintained or even increased, as now appears entirely possible, acreage allotments would be much higher. There would be a minimum support level, as provided under existing law, which the Secretary has announced as \$1.30 a bushel. The farmer would receive, in addition to this, 100 percent of parity which is currently \$2.51 a bushel for that portion of his wheat which is consumed in the United States, or approximately 500 million bushels. This would give the farmer a blended price of about \$1.80 a bushel for all of his wheat. If the domestic market price were higher than \$1.30 a bushel, the farmers would, of course, receive a higher blended price.

In addition to the blended price of approximately \$1.80 a bushel, farmers who complied with the program would receive diversion payments for acreage reduction as is now the case under present wheat and feed grain programs.

Under the provisions of this bill, the President of the United States could elect to make payments for wheat certificates through the CCC as similar payments are now being made for both the wheat and feed grain programs; or he could elect to make the program largely self-financing by requiring the domestic processors to purchase the wheat certificates as is the case now under the wheat certificate plan. One of the great savings would be in the elimination of most if not all Government storage payments. There would be very few price support loans taken out by farmers at this much lower price support level.

This bill would repeal wheat marketing quotas and marketing penalties. It would, however, leave in effect the provisions for acreage allotments. Farmers who complied with acreage allotments would be entitled to marketing certificates and price supports. Those who failed to comply with allotments would not get any benefits from the wheat program but would be able to raise all of the wheat they wanted to and sell it free of penalty for whatever it might bring on the open market.

With these and many other simplifications, the program would be a true domestic parity plan, more commonly known as the two-price system. The bill utilizes the mechanics of the present law in allocating marketing certificates. These certificates, however, would be restricted to that portion of the wheat crop needed for domestic food consumption. A major advantage of such a program would be that wheat exporters would not be required to purchase certificates and wheat could move freely into export channels without expensive export subsidies. Presently, there is no restriction on the sale of most farm commodities to Russia and Communist-bloc countries. Only wheat, cotton, tobacco, and rice—because of the particular type of price support and the export subsidy involved—have run into trouble. This program would eliminate such problems with wheat, as no export subsidies would be required. Most of the noncertificate wheat would be disposed of on the world market at world prices.

Mr. President, I send this wheat bill to the desk for appropriate reference and ask that it be printed in full as a part of my remarks.

* * * * *

Mr. MANSFIELD. Mr. President, will the Senator yield?

Mr. YOUNG of North Dakota. I yield to my friend.

Mr. MANSFIELD. Mr. President, the distinguished Senator from North Dakota—who in my opinion is one of the outstanding experts not only on wheat but also on

farm problems in general throughout the Nation—was good enough, about 10 days ago, to give me an advance copy of the bill which he is now introducing.

Unfortunately, because of the circumstances which occurred, I have not had an opportunity to study the bill, but I wish to assure the Senator that I will read his remarks with great interest and with great respect, as always, because I believe he realizes the difficulties which confront us in the wheat-growing regions and is likely to come up with a sensible proposal to help meet the situation which will confront the wheat ranchers next year.

Mr. YOUNG of North Dakota. I greatly appreciate the comments of our distinguished majority leader. He, of course, has long had great interest in agriculture and has always been sympathetic to the programs for wheat and to the needs of all farmers. I wish we had more friends like him in Congress.

The CHAIRMAN. Are there any other persons present who desire to be heard now who have statements to file for the record? If not, we will stand in recess until 2 o'clock to hear Mr. Freeman, Secretary of Agriculture.

(Whereupon, at 12:25 p.m., a recess was taken until 2 p.m., the same day.)

AFTERNOON SESSION

The CHAIRMAN. The committee will please come to order.

We are privileged to have the Secretary of Agriculture this afternoon to shed some light on the programs we have been talking about.

Mr. Secretary, since we are now considering wheat legislation, I would suggest that you read through, if you desire, your suggestions as to wheat, and follow that with cotton, and then we will take the questions on wheat and then on cotton.

STATEMENTS OF HON. ORVILLE L. FREEMAN, SECRETARY OF AGRICULTURE, AND HON. CHARLES S. MURPHY, UNDER SECRETARY OF AGRICULTURE

Secretary FREEMAN. On wheat and then on cotton.

The CHAIRMAN. At the end of the statement I will ask that a statement by Senator Mechem, of New Mexico, on wheat legislation be inserted in the record, following the questions put to and the answers by the Secretary.

You may proceed.

Secretary FREEMAN. Mr. Chairman and members of the committee, I am very pleased to be here with the Under Secretary to appear before the committee to discuss legislation for both cotton and wheat. The fact that you are moving ahead expeditiously is noted, and I can assure you appreciated by farmers around the country. Both the Under Secretary and I feel that this dispatch and vigor is of great importance and will so indicate in our statements.

We appreciate, Mr. Chairman, your leadership and that of the committee in moving so actively into these commodities.

The Under Secretary will devote his testimony primarily to the matter of cotton for, as you know, he has been working with the Committees of the Congress and the Members of the Congress as well as with farmers, processors, and all of the others in the cotton industry for some time to develop cotton legislation which will command the widest possible support.

I will concentrate, in my testimony, mostly on the program proposals for wheat.

It is clear that in the absence of new legislation the income of wheat farmers will fall sharply and all of agriculture will suffer a serious loss that will be felt adversely throughout our entire economy.

The President is deeply concerned about this loss of income—not only to the wheat farmers themselves, but to millions of others—those who live in the small towns and cities throughout the Great Plains area; in fact, throughout all of rural America and in our larger cities which produce and supply the machinery and materials used by wheat farmers.

In his message on agriculture, the President stated:

I recommend that the existing law be amended to permit producers to participate in a certificate program on a voluntary basis. The law should be designed to (1) raise the income of wheat growers substantially above what it would be in the absence of new legislation; (2) avoid increases in budgetary costs; (3) maintain the price of wheat at a level which will not increase the price of bread to the consumer, and (4) enable the United States to discharge its responsibilities and realize the benefits of the International Wheat Agreement.

In order to be effective for the 1964 wheat crop, the legislation must be enacted immediately. I urge prompt consideration and disposition of this legislation.

Legislation can effectively meet these price and income goals and yet hold the line on costs because of the understanding and restraint displayed by wheat farmers in planting the 1964 winter wheat crop. It is clear from the recent crop report that most of the winter wheat acreage—probably over 80 percent—has been seeded within the allotment which would have taken effect had farmers voted yes in the referendum. There was no massive expansion of wheat acreage as we had feared. There has been no massive acreage expansion because the wheat farmer this fall voted with his wheat drill for a continuation of wheat programs.

I am here to urge that this committee respond to this voluntary action on the part of farmers by enacting a voluntary wheat program. We can scarcely ignore the faith implied by the farmers' action. The overwhelming majority of wheat farmers recognize, as they indicated to me repeatedly this fall when I met with thousands of them, that a wheat program is essential. I agree, and am here to urge quick action by this committee on a voluntary wheat program.

Otherwise, despite the fact that acreages generally have so far been kept within allotments, the wheat farmer faces the prospect of a \$600 million decline in income. A decline in farm income of this magnitude will have a sharply adverse effect on the national economy at a time when all America is striving to increase the national economic growth rate.

It is clear, from the record of the past 3 years, that programs designed to be responsive to current needs can have a decisive influence on farm income. The feed grain program, the emergency wheat programs, and the administrative actions taken to raise support prices on a number of commodities—all these have combined to help increase farm income. Since 1960 farmers and the Nation have benefited from an increase in net farm income of some \$2.5 billion greater than if farm income had remained at 1960 levels. Gross farm income has been \$8 billion greater over the past 3 years.

This increase in farm income played an important part in the upturn of our economy. The \$8 billion cumulative increase in income since 1960 has enabled farmers to spend more for both the farm enter-

prise and family living. For example, farmers invested \$521 million more in tractors, \$900 million more in autos, and \$310 million more in other farm machinery and equipment in the past 3 years than otherwise would have been possible with a 1960 level of income. The increase in gross farm income also enabled farmers to spend about \$1,780 million more for purchased feed and about \$286 million more for fertilizer and lime. Furthermore, farm families were able to spend some \$1,560 million more for food, clothing, and household furnishings, because of their enhanced income position.

And, in 618 selected agricultural counties, deposits in insured commercial banks in June 1963 were some 20 percent higher than in June 1960. Indications are that this measure of financial activity rose about 8 percent during 1963.

Wheat legislation for 1964 is essential if we are to maintain income in rural America and to continue the progress of the past 3 years.

To carry out this goal we would recommend legislation which would substantially raise the income of wheat producers over the level now expected for 1964. Any program should be voluntary. It should include the certificate approach, the system least costly to taxpayers. It should maintain the fair and stable domestic food prices of recent years. It should hold the line on budgetary costs.

Specifically, we would suggest modifications in existing law to—

1. Provide for a voluntary certificate plan for at least 1964 and 1965 crops;
2. Provide for a loan level which would price wheat competitively with feed grains;
3. Permit producers to substitute wheat and feed grain acres;
4. Provide diversion payments at a level which would cover the producer's cost of carrying and caring for land diverted from wheat to conservation uses; and
5. Include provisions to insure that producers will continue to enjoy the benefits of the International Wheat Agreement while meeting our responsibilities under that agreement.

Under this type of program farmers are free to plant and harvest wheat as they desire. There should be no restrictions on marketing—no penalties—no marketing quotas. If a producer decides to cooperate and voluntarily reduce his acreage, he would then be entitled to use the price support mechanism—and to receive certificates and diversion payments. Under this type of program, wheat would move from producer to user at market prices, plus quality premiums, based on a loan rate of about \$1.30 per bushel. USDA would stand ready to assist producers in marketing certificates required for domestic milling and export wheat.

This type of program requires only a minimum of changes in existing law—as well as administrative regulations. This we believe is important. There is little time available to make a new program fully effective for the 1964 crop.

Several proposals pending before this committee embody the basic features necessary for a voluntary certificate program. In addition, a proposal containing these features has been developed by the House Subcommittee on Agriculture. Each proposal has certain advantages and some disadvantages. We stand ready to assist the committee in pulling together the best features from each of these proposals into

a combination which most nearly meets all of the goals and requirements for a new wheat program.

May I conclude this portion of my testimony by emphasizing the urgency with which I hope this committee will see fit to act. If the wheat farmer is to benefit from a new voluntary certificate program, there must be prompt action.

The CHAIRMAN. Since we are considering wheat legislation, that is, those hearings, suppose we start questioning on wheat. Would that be agreeable?

Mr. Secretary, as I understand your testimony, the law that was enacted last year with respect to wheat would need very little changes to carry out the views that you here expressed today?

Secretary FREEMAN. Yes, sir.

The CHAIRMAN. And I presume that would mean to remove from the bill all penalties?

Secretary FREEMAN. Yes, sir.

The CHAIRMAN. And make it purely voluntary?

Secretary FREEMAN. That is correct.

The CHAIRMAN. And with the same effort of allocating the acreage?

Secretary FREEMAN. That is correct.

The CHAIRMAN. And leave it entirely to the farmer to go into the program or not?

Secretary FREEMAN. That is correct.

The CHAIRMAN. It would be only those who would go into the program who would receive certificates for the sale of wheat?

Secretary FREEMAN. That is right.

The CHAIRMAN. And for which payments would be made?

Secretary FREEMAN. That is right.

The CHAIRMAN. And those who do not go into the program could produce all they desire and would be permitted to sell their entire output at world prices or whatever the market price would bring?

Secretary FREEMAN. Yes, sir.

The CHAIRMAN. Which is, in effect, world prices?

Secretary FREEMAN. That is right—about equal to the world price but also competitive with feed grains.

The CHAIRMAN. Any questions?

Senator AIKEN. I have one question. Do you think, Mr. Secretary, the time has come when we should abandon the practice of submitting farm programs to farmers for a vote, and then when two-thirds of them vote affirmatively, that their decision is binding on the other third?

Secretary FREEMAN. No, not necessarily.

Senator AIKEN. I am not referring to marketing orders; I am referring to the basic commodity programs.

Secretary FREEMAN. No, not necessarily, Senator. I think that each commodity needs to be considered on its merits, and from a very practical standpoint.

Senator AIKEN. But you are leaving optional to each farmer as to whether he should participate in a program or not.

Secretary FREEMAN. In this program, that is correct.

Senator AIKEN. I see. We are talking about wheat now.

The CHAIRMAN. That is right.

Senator AIKEN. Can you tell us what the disappearance is going to be this year on wheat? You had an estimate, I believe, in December?

Secretary FREEMAN. Yes. Let me see. You have in mind the present marketing year.

Senator AIKEN. I mean how much will disappear for domestic use and export from July to July?

Secretary FREEMAN. Of the year, the crop we are in now?

Senator AIKEN. The disappearance from July 1, 1963 to July 1, 1964.

Secretary FREEMAN. For the current year, we are estimating in the neighborhood of 900 million to 1 billion bushels by way of export, and in the neighborhood of 600 million bushels by way of domestic uses.

Senator AIKEN. Do you think that the disappearance will hold somewhere near that figure for the next year?

Secretary FREEMAN. No. We would expect that the exports will drop to the neighborhood of, let us say, 650 to 700 million bushels.

Senator AIKEN. What price are you getting for CCC wheat now?

Secretary FREEMAN. I do not know the exact figure.

Mr. EDWIN A. JAENKE (U.S. Department of Agriculture). About \$2.37 at the gulf.

Secretary FREEMAN. \$2.37 gulf now.

Senator AIKEN. I believe that by the beginning of the new marketing year, practically all the wheat will be in Commodity Credit hands, won't it? What would you estimate, about 750 million bushels?

Secretary FREEMAN. There will be about 750 million bushels at the end of this current crop year.

Senator AIKEN. And about all of that will be in the hands of the Government. Last year I think there were about 10 million bushels left outside the Commodity Credit.

Secretary FREEMAN. Yes.

Senator AIKEN. Just another question. Is the recommendation of the President to abandon appropriations for marketing facilities research going to affect farm income?

Secretary FREEMAN. We do not believe so, Senator.

Senator AIKEN. You do not think so. You think you can abandon marketing facilities research? I won't press that question. Perhaps it does not belong here anyway, but it is sort of a serious question in some parts of the country.

Secretary FREEMAN. Yes, sir; I realize that.

Senator AIKEN. I do not think I have any more questions. I noticed your reference to an \$8 billion increase in gross farm income.

Secretary FREEMAN. Yes, sir.

Senator AIKEN. Cumulative over the last 3 years.

Secretary FREEMAN. Cumulative.

Senator AIKEN. It seems to me about \$3.5 billion of that were Government payments, were they not?

Secretary FREEMAN. I don't have the exact figure.

Senator AIKEN. Apparently the increase in net farm income has not kept pace with the increase in gross farm income.

Secretary FREEMAN. Net farm income, of course, is not. Costs have climbed during that period, if that is the thrust of the question.

Senator AIKEN. Yes.

Secretary FREEMAN. Yes, they have. We are still fighting the cost-price squeeze, as you are well aware.

Senator AIKEN. That is what I was getting at. Gross farm income does not really give a true picture because if you took out Government

payments, you would not have had much net income increase except for Government payments, would you?

Secretary FREEMAN. Yes, they would have had some. But the payments since these programs have been an important part, certainly.

Senator AIKEN. I notice in 1961 gross farm income went up \$616 million, and net \$767 million; in 1962 gross went up \$1.242 billion, and net only \$131 million; and in 1963, that is an estimate, I believe, so far—

Secretary FREEMAN. Yes.

Senator AIKEN (continuing). It shows a gross farm income increase of \$200 million, and a loss on net farm income of about \$300 million. Was that loss due to the fact that cotton did not sell?

Secretary FREEMAN. I am not quite sure from where the figures the Senator called off came.

Senator AIKEN. I just got them off from yours.

Secretary FREEMAN. But we have a good many.

Senator AIKEN. I do not vouch for the absolute accuracy of these. I do not think I have any further questions.

The CHAIRMAN. Mr. Secretary, I failed to ask you, the law that you are proposing would be for what period, 2 years?

Secretary FREEMAN. At least 2 years; yes.

The CHAIRMAN. Senator Johnston?

Senator JOHNSTON. Is the surplus increasing or decreasing?

Secretary FREEMAN. The surplus of wheat, Senator, has dropped from 1.4 billion bushels, which it reached in 1961, to the estimate of about 725 million bushels at the end of this current crop year, crop in hand.

Senator JOHNSTON. Almost cut in half?

Secretary FREEMAN. Almost cut in half; yes, sir.

Senator JOHNSTON. To what do you give credit for that reduction?

Secretary FREEMAN. The programs that have been in effect have contributed significantly to it, those that were passed by the Congress in 1961, they took effect in 1962, and the program in 1963. Then we have had substantially increased exports in the current crop year of which we hope a significant portion of it will continue.

We have had a vigorous and active program of market promotion in wheat, but we must acknowledge that we will not hold the current level of exports because the likelihood is there will be an improved crop in Western Europe and in other areas which have provided markets which logically will not carry over for the next year.

Senator AIKEN. Isn't the consumption of wheat going up sharply around the world?

Secretary FREEMAN. In a number of areas.

Senator AIKEN. About 200 million bushels a year.

Secretary FREEMAN. It has been climbing in various areas; yes. We are fiercely competing for our share in places like Japan and others where the economies have been able to pay for it.

Senator JOHNSTON. Are you having any trouble with the price of wheat? That is, to dispose of it to other countries, are you having any trouble?

Secretary FREEMAN. Well, we of course, as the Senator well knows, meet world prices through the medium of the export subsidy program, and we have stayed competitive in most areas. We have had some competitive problems and some adjustments we are making be-

cause of changes in marketing practices and procedures of some of our competitors, particularly the Canadians.

Senator AIKEN. If a company came to you and said, "We want to buy 300 million bushels of Commodity Credit wheat," what would you charge them for it?

Secretary FREEMAN. Well, we would have to give careful consideration to such an offer but if it were sold it would be under the export subsidy that was in effect for the day in question, with one exception. We have had a procedure, since last July, of a special bid subsidy on Durum wheat because of the special nature of Durum and the limited market for Durum. In that instance if they came and asked for a significant quantity, why, if it was large enough, we would consider the amount of the offer in relation to the supplies on hand where Durum is concerned in determining whether we would accept that bid offer or not.

Senator AIKEN. But you could not sell for less than the minimum stipulated by law, could you?

Secretary FREEMAN. Well, there is no minimum stipulated—

Senator AIKEN. For export?

Secretary FREEMAN. By law for export.

Senator AIKEN. You could not sell for domestic consumption for less?

Secretary FREEMAN. No; by law, not for less than 105 percent of the loan rate.

Senator AIKEN. 105 percent plus carrying charge.

The CHAIRMAN. 105 plus carrying charge.

Secretary FREEMAN. Plus carrying charge.

Senator AIKEN. You could charge more.

Secretary FREEMAN. Yes, sir.

Senator AIKEN. All right.

Senator JOHNSTON. We have given the Durum wheatgrowers the right to plant more. Are you advocating that now?

Secretary FREEMAN. No, sir. May the record show that this Durum was one of the examples, as the explosion in cotton production is another, that gives the Secretary of Agriculture gray hair. In 1961—

The CHAIRMAN. I do not see any in your hair.

Secretary FREEMAN. Well, there are plenty there, Senator. [Laughter.]

In 1961 some of the people in the trade came to me expressing deep concern because the price of Durum was up to about \$3.50. There were some who even suggested we ought to embargo it, and my response was that they could pay the farmer the same price anybody else would and get the wheat, and so the Congress, in its wisdom, increased the allotments a little bit. The next year there was a bumper crop, and in 1963 there was a crop that was double the 10-year average. We ended up very shortly with a surplus of 2 years supply on hand, and with Durum, which has a restricted use, it was a good example of how the explosiveness of weather and ideal conditions can change the best laid plans.

The CHAIRMAN. Well, Mr. Secretary, in that connection—are you through?

Senator JOHNSTON. Yes.

The CHAIRMAN. In that connection it has been suggested by quite a few witnesses yesterday and today that we should grow quality wheat that is more in use. What is your view on that?

Secretary FREEMAN. I think that this is absolutely right, and we are striving to accomplish exactly that. The premiums for high-quality wheat have been instituted, and, by the same token, we are seeking to upgrade the quality of our wheat that moves into export so that we can meet competition, and to emphasize constantly the production of a high-quality product.

The CHAIRMAN. Well, you feel that you would have ample authority if we enacted the law as you suggested today?

Secretary FREEMAN. Yes, sir.

Senator AIKEN. I would just like to commend the Secretary for establishing the new standards for wheat. I think it should have been done a long time ago.

Secretary FREEMAN. And maybe we won't have so much trouble getting orders in a foreign market if we deliver the same quality of wheat that other countries do.

The CHAIRMAN. Senator Young?

Senator YOUNG. Mr. Secretary, you said awhile ago that you would sell the wheat CCC at 105 percent of price support, plus carrying charges. Is this mandatory, for example, if a buyer comes to you and demands any amount of wheat at 105 percent of price support plus carrying charges, you must sell to him?

Secretary FREEMAN. I do not think we must sell, no.

Senator YOUNG. You can hold out for a higher price?

Secretary FREEMAN. We could. It is not mandatory.

Mr. MURPHY. No; it is not mandatory.

Senator YOUNG. This is discretionary?

Secretary FREEMAN. No, sir.

Senator YOUNG. You cannot sell lower than that?

Secretary FREEMAN. No.

Senator YOUNG. Have the sales to Russia so far been for cash or commercial credit?

Secretary FREEMAN. So far for cash.

Senator YOUNG. All cash?

Secretary FREEMAN. So far as we know; yes.

Senator YOUNG. What do you recommend with respect to the Anfuso amendment with which I think you are familiar?

Secretary FREEMAN. Yes, sir. If this program is put into effect, why then, after 1 year, I think that the Anfuso amendment probably ought not to apply, because this ought to be a bonafide voluntary program.

For this year, when it has already had an impact on the planting of a significant part of our total wheat, I think it would be hardly fair to change the rules in the middle of the game.

The CHAIRMAN. I wonder if you could have the Secretary, for the record, indicate what the Anfuso amendment is so that one reading it will understand it.

Secretary FREEMAN. The Anfuso amendment is a provision which deems that when a wheat farmer's acreage exceeds his allotment he will lose acreage history credit and his allotment will be decreased by a

formula proportionate to the system established under the amendment. This decrease will be about 7 percent.

Senator YOUNG. It was proposed by one of the witnesses, I believe this morning, that for this 2-year period or for the duration of the legislation that might be passed at this time, that we suspend the operation of the Anfuso amendment to the extent that a farmer would not lose acreage by overseeding, but would not gain acreage either. Wouldn't that be a pretty fair approach?

Secretary FREEMAN. I would want to think about that a little, Senator. This is a very sensitive and complicated thing in its operations.

Generally, it would seem to me with about 43 million acres having been planted under winter wheat, with the Anfuso amendment in the offing, it would be hardly fair to change it now while we have another 12 to 13 million acres of spring wheat that will be planted yet.

Senator YOUNG. I am thinking of next year.

Secretary FREEMAN. Next year?

Senator YOUNG. Yes.

Secretary FREEMAN. I think it has real merit, generally speaking. I would tend to feel that if this would be a voluntary program, why, then, the Anfuso amendment would not play a part in it.

Senator YOUNG. What blended price for wheat do you think would be paid to farmers under the bill passed by the House subcommittee?

Secretary FREEMAN. About \$1.85 a bushel, as I recall. Is that right?

Mr. JAENKE. About \$1.80 as a minimum, based on a \$1.30 loan, and the 70- and 25-percent certificates on 500 million bushels domestic and 500 million bushels export. The probabilities are that the market price would be somewhat higher.

Senator YOUNG. If the wheat sold in the market for \$1.30 a bushel, then the farmer would receive \$1.80?

Secretary FREEMAN. Yes.

Senator YOUNG. If he received \$1.50 on the market, then he would receive a blended price of about \$2?

Secretary FREEMAN. Right.

Senator YOUNG. One of the reasons, Mr. Secretary, that the compulsory wheat certificate plan was defeated last year was because it was too complicated. Personally I do not like the complications in the House bill or in the McGovern bill. What is wrong with the approach that I have been suggesting that the farmer be assured full parity, \$2.52 a bushel right now, for that part consumed in the United States, about 500 million bushels, and the world price for the balance?

Secretary FREEMAN. I think there is very real merit in your bill, Senator Young. But I applied the two standards with respect to farm legislation: One is workability. I think your bill would be very workable. The other is passability, and I am concerned because it would represent an increase over the current price of wheat in the market and, as such, it would be subject to, I think, vigorous opposition.

Senator YOUNG. Under my bill I would leave it to the discretion of the Secretary of Agriculture as to whether he would pay for all of the wheat certificates from CCC stocks or through the tax on the certificate payments. You could make the payments the same as you are now, 70 cents a bushel under the wheat-certificate payment, and

the balance out of the CCC. That is what Congressman Hope testified to on the House side. He liked this approach better, and so do I.

Secretary FREEMAN. Well, it has real merit. I will only say that we operate under certain judgment factors here. So far as I am concerned if this bill could pass the Congress and go into effect, why, we would certainly administer it, and I am sure it would be very workable.

On the other hand, it would be my best judgment we would have very grave problems in passing it, and we would hear the familiar song of a bread tax very loudly made, and in this instance I think one of the real beauties of this program in terms of its acceptability is the price of wheat would not increase and, therefore, the cost of bread would not increase, and the cost to the taxpayer in terms of the budgetary costs would be constant as well and, as such, it does not bring on the opposition that I am afraid otherwise we would have to face.

Senator YOUNG. I do not think you got my point, Mr. Secretary. I am proposing that you make the same wheat certificate payment as they do under the House bill at 70 cents a bushel, and then the balance of the certificate value would be paid out of CCC stocks.

Secretary FREEMAN. Then we have the budgetary problem which would be an equal problem in many sources of trying to present and pass the legislation.

Senator YOUNG. I would eliminate the export subsidy which would be quite a saving in itself though. I understand one of the reasons why you want an export subsidy is to avoid undercutting the International Wheat Agreement price.

But couldn't you avoid this by setting the minimum price by the formula which is now part of the wheat certificate wheat law where you base the minimum price on the relationship to the price of feed grains. You would have a choice of using this or the world price, whichever is the higher? If you had the minimum support at the world price, wouldn't you get away from this problem of undercutting international wheat sales prices?

Secretary FREEMAN. Well, there are several things here. If you set it at the fee price relationship, one desirable feature which has been broadly supported, has been the substitutability between wheat and feed grains that would take place under the certificate plan as we presented it.

Another factor is when it all is costed out, costs to CCC would be increased at least our figures so indicate.

Senator YOUNG. A representative of the grain trade, Mr. Farrington, testified this morning that he thought this would be a workable method, especially if you give a 10-cent-a-bushel leeway. This was Mr. Farrington, of the Archer Daniels at Midland Co. The grain trade people believe they could figure out a way that you could use this world price bases. This would be a lot simpler than other certificate plans. These other plans offer certificates on wheat, part of which is for export. This is what makes the program so complicated. All I am doing is trying to get a simpler program.

Secretary FREEMAN. I realize that, and I think there is real merit. But I think there has been a little misunderstanding. I do not really think that this is very complicated in actual practice, and this is the route that a program of this kind would follow.

Here is the farmer, and he would start out with, let us say, \$1.30 wheat, and he would get a certificate, one based on exports, and one based on domestic.

He would carry that wheat at the market price to the local line elevator, and then he would go down probably and cash in his certificates at an ASCS office, and they would be routed through normal commercial channels.

The wheat that went into the elevator would move at normal market prices just as it does now. Some would move down going into export and some would move down going to the miller.

The miller before he could mill it would have to have the certificate equivalent which would be largely a bookkeeping transaction.

The exporter before he could export it would have to have the certificate equivalent, which would be adjusted according to the export subsidy picture, and that again would be largely a bookkeeping transaction. But all the farmers would do would be to take their wheat to the line elevator and sell it at the market price and take the certificates down to the ASCS office and get their money for them and that would be the end of it.

Senator YOUNG. I have not subscribed to too much of the Farm Bureau's program, but that is one part that I think may have a little merit if you based minimum price supports on world prices. It seems to me you could get away from the export subsidy. I still do not see any reason why you cannot. If you use that basis, and right now there is only about 5 cents difference between \$1.30 minimum, which you propose, and the world price it is about the same thing. I understand the world price now backed off to the farm price is only about \$1.35.

Secretary FREEMAN. It is very close, you are right, Senator. But we also face the problems when you get into discounts and different qualities, different grades, where we might find ourselves rather frequently below the international wheat agreement minimums.

With the flexibility that would come from an export certificate, why, we would not face that danger, and I honestly do not feel that the system is particularly complicated.

Senator YOUNG. I wish you would give this a little more thought. If you would accept one principle, I think you could get more bipartisan support. There are several Republicans in both the House and the Senate who might give you support if you could accept this one principle which, I think, is more simple and workable.

That is all, Mr. Chairman.

The CHAIRMAN. Senator Eastland?

Senator EASTLAND. No questions.

The CHAIRMAN. Senator Jordan?

Senator JORDAN. I have no questions.

Senator AIKEN. I have just one more question, Mr. Secretary. This is about a matter which has concerned me for a long time. Other countries of the world are now acquiring wheat for the purpose of setting up reserves to guard against famine or war or speculation, which creates famine in itself.

Am I right in thinking that the only way that you could hold back a reserve in time of real shortage would be to set the price of wheat at famine prices, which would contribute to rather than alleviate an

emergency situation? Do you have anything on the books that would authorize you to hold a reserve for the United States or are we the only country in the world that cannot set up a reserve?

Secretary FREEMAN. We could just not sell, we are not mandated to sell it.

Mr. MURPHY. Might I comment on that?

The CHAIRMAN. Refuse to export it.

Senator AIKEN. Refuse to sell.

The CHAIRMAN. Refuse export licenses.

Secretary FREEMAN. Yes.

Senator AIKEN. We have not had to face that yet.

Secretary FREEMAN. No.

Senator AIKEN. But I am thinking——

Secretary FREEMAN. Mr. Murphy would like to say something.

The CHAIRMAN. We did in cotton several years ago.

Mr. MURPHY. We do in sugar now.

Senator YOUNG. You did the same thing on wheat in 1947.

Senator AIKEN. You think you can simply refuse to sell or hold the price up.

Secretary FREEMAN. Yes. The big question that is not necessarily before the House, but I would take this opportunity, as I always like to take it, would be to say that we ought to see to it that we always have adequate reserves, and we ought to draw a clear line between what is a reserve and what is a surplus.

Senator AIKEN. I would hope we would not get below a year's domestic requirements for our carryover.

Senator JOHNSTON. Should this be on all commodities?

Secretary FREEMAN. It would vary from one to the other. We have sought in our department to study and watch this and have reached some general conclusions that we periodically review as to what reserves ought to be in existence, and in wheat it is a year's domestic supply. In feed grains it has been a bit less because of the diversity of feed grains and the magnitude of the quantities involved.

In soybeans, very frankly we are at a level which is critical in supply, and we ought to have substantially more on hand.

We do have plenty of cotton, thank you, and we have plenty of tobacco, thank you.

Senator AIKEN. It is not my fault.

Secretary FREEMAN. We have plenty of dairy products, thank you. [Laughter.]

Senator JOHNSTON. Are we doing anything in the field of wool?

The CHAIRMAN. We are short on that.

Secretary FREEMAN. We are in tight supply on wool and have been.

Senator JOHNSTON. If we have a war, that is one thing we would need very much.

Secretary FREEMAN. We would be in short supply of wool; you are right, Senator.

Senator JOHNSTON. What can we do in that field?

The CHAIRMAN. We are doing all we can now by encouraging the production, and it has not worked as well as we thought.

Senator JOHNSTON. It is 115 percent of parity, and also we are charging a heavy import duty for it to come in, and we are not growing but just a small percent, enough to carry us forward. That is what I am worried about.

Secretary FREEMAN. I think it needs some looking into; yes, sir.

The CHAIRMAN. Well, now, as I understand it, there are no further questions on wheat.

I would like to conclude by asking this question in respect to wheat. You mentioned all sales so far to Russia have been on a cash basis.

Secretary FREEMAN. Yes, sir.

The CHAIRMAN. Do you know the total amount sold?

Secretary FREEMAN. The total amount sold—

The CHAIRMAN. To Russia?

Secretary FREEMAN. To Russia was 1 million tons, and then it was 700,000 tons; so it is 1.7 million tons.

The CHAIRMAN. Were there sales to other countries, other countries behind the Iron Curtain, for cash, so far as you know?

Secretary FREEMAN. Do you know, Charlie?

The CHAIRMAN. Normal terms?

Secretary FREEMAN. They are all under normal credit practices and terms. Whether there was any reinsurance on some, I think there might have been with the Export-Import Bank with a few of the so-called ancillary Communist countries, but not to the Soviet Union.

(The statement of Senator Mechem referred to follows:)

STATEMENT FILED BY HON. E. L. MECHEM, A U.S. SENATOR FROM THE STATE OF NEW MEXICO

Wheat farmers in the May 21, 1963, wheat referendum demonstrated beyond all question of doubt that they wanted no part of a multiple-price wheat plan. The referendum required a 66⅔-percent favorable vote in order for the multiple-price wheat plan to carry and be put in effect. Only 47.8 percent of the wheat farmers throughout the whole country were willing to accept such a plan. So we have seen the spectacle of not only two-thirds of the farmers don't want the plan but not even 50 percent of them are interested in it.

I am firmly convinced that New Mexico farmers, including wheat farmers, want to move away from Government supply management programs. They overwhelmingly voted this way in the wheat referendum.

I have, therefore, joined 16 other Senators in introducing S. 1617, the Wheat and Feed Grain Act of 1963.

S. 1617 will provide for an orderly transition from the programs of the past. It will better serve wheat and feed grain producers as well as livestock farmers and ranchers. S. 1617 provides for the following changes in legislation:

(1) The existing authority for wheat allotment, marketing quota, and certificate programs would be repealed.

There is no justification for insisting that acreage allotments remain in effect for a crop for which marketing quotas have been disapproved. Wheat farmers have indicated a desire to move away from restrictive Government programs, and they should be permitted to do so. S. 1617 would allow each farmer to decide for himself which grains he should grow and how much of each he can best produce.

(2) Beginning with the 1964 crop, price supports for wheat would be set at the higher of the U.S. farm price equivalent of the average world market during the immediately preceding 3 marketing years—currently about \$1.30 per bushel or 50 percent of parity—with premiums and discounts to reflect market demand for milling and baking quality.

This approach would eliminate administrative discretion with respect to price support levels. It would automatically adjust support prices to changing supply and demand conditions. It would also assure other wheat-producing countries that the change in our price support policy will not break world wheat prices.

Support prices set in this manner would not impede the working of the market; would not be an incentive to increase production; and yet, would provide real protection against any substantial drop in wheat prices.

Since price supports set in this manner would not be an artificial stimulant to production, it would not be necessary to couple them with restrictions on

production or marketing. Price supports set at higher levels—as proposed in other bills now before this committee—would stimulate production and make impossible the elimination of controls on individual farms.

These proposals for higher levels of price support would grant to the Secretary of Agriculture discretionary authority to increase the level to 90 percent of parity. We could not defend the high cost to taxpayers of such proposed programs, nor do we believe it wise to grant such discretionary authority to any Secretary of Agriculture.

(3) Wheat and feed grains would be placed on a comparable basis as soon as possible. The areas that produce wheat and feed grains overlap, and these commodities have historically competed with each other for land and markets. Farmers need the freedom to shift land from one grain to another to take advantage of changing market demands, to work out efficient crop rotation programs, and to adjust to variations in weather conditions. It also must be recognized that programs for both wheat and feed grains affect the livestock, poultry, and dairy industries which account for roughly two-thirds of our total cash farm receipts. Wheat should be allowed to compete for feed markets, but it should not be forced into feed on a subsidized basis as would occur under the certificate plan.

In order to clear the way for a coordinated wheat and feed grain program, the 1963 Feed Grain Act, which applies only to the 1964 and 1965 crops, would be repealed. Price supports for corn and other feed grains would be set at the higher of 90 percent of the average price received by farmers for these grains during the immediately preceding 3 years or 50 percent of parity.

Under the present conditions, price supports based on the market average would be higher than 50 percent of parity. We would expect this to continue to be true under a program that permits the market system to function; however, we see no need to repeal the 50 percent of parity provision that is already in the law.

(4) To protect farmers against undue competition from the release of Government-owned surpluses the CCC should be prohibited from offering its stocks domestically at less than 115 percent of the applicable support level, plus reasonable carrying charges, except for sales that are offset by open-market purchases. (This exception is designed to provide needed flexibility for the maintenance of good inventory management practices.) The proposed restriction would not apply to sales for export and it is assumed that existing export programs would be continued as long as CCC stocks remain at burdensome levels.

(5) In order to facilitate individual adjustments to freer markets, the Secretary should be authorized for a period of 3 years to enter into contracts for the voluntary retirement of cropland with emphasis on whole-farm retirement. Payment rates should be established through competitive bidding by farmers, and land placed in this program should be retired for periods of not less than 3 years.

A cropland retirement program of this nature would lead to the withdrawal of much greater productive capacity per dollar of cost and would eliminate most of the administrative problems associated with the emergency-type programs of recent years.

The CHAIRMAN. If there are no further questions on wheat, we shall now proceed to questions with respect to cotton.

Thank you.

(Whereupon, at 3 p.m., the committee recessed, to reconvene in other matters.)

(Additional statements filed for the record are as follows:)

STATEMENT FILED BY HON. PETER H. DOMINICK, A U.S. SENATOR FROM THE STATE OF COLORADO

Mr. Chairman, members of the Senate Committee on Agriculture and Forestry, I appreciate your courtesy in allowing me to appear and make this brief statement.

As you know, I am a cosponsor of S. 1617, the Wheat and Feed Grain Act of 1963. The basic provisions of this bill have already been explored by many of the witnesses who have appeared before the committee. Basically, S. 1617, is more nearly in line with the type of program that the farmers themselves have requested.

The only logical interpretation of last year's wheat referendum is that the farmers want to move away from Government-controlled supply management programs and toward a more free production and marketing plan. Another referendum in 1964 would not solve anything and would only delay our embarking on a more sensible and reasonable course in this field. Even now the free market influence is being felt throughout the country. The dismal forecasts by those who advocated a "yes" vote last year have not come to pass. New wheat legislation should not take us back to the more restrictive Government-controlled programs of the past. Nor can we overcome the failures of past programs by switching to so-called voluntary programs. Such proposed solutions only beg the question.

We have an excellent opportunity to enact the kind of wheat program which is wanted and sorely needed. We can take advantage of this opportunity by giving favorable consideration to S. 1617.

FEBRUARY 10, 1964.

STATEMENT FILED BY HON. HUBERT H. HUMPHREY, A U.S. SENATOR
FROM THE STATE OF MINNESOTA

Mr. Chairman, I wish to be recorded in support of S. 2258, a voluntary wheat bill I introduced October 24, 1963, on behalf of myself, my colleague from Minnesota (Mr. McCarthy), and the Senator from North Dakota (Mr. Burdick). This bill would apply to the 1964 and 1965 crops.

The principles of our approach to the wheat problem, as contained in S. 2258, have wide support, including that of the AFL-CIO, the U.S. Chamber of Commerce, the Chicago Board of Trade, and the National Millers Federation. I urge the committee to give it careful consideration.

We will be faced with a great challenge this autumn—how to be of maximum assistance to the 1.8 million wheatgrowers and other farmers and ranchers of this Nation. I have given considerable thought to this matter and have discussed it with farmers of my State of Minnesota and throughout the Nation at every opportunity since the referendum. I also have taken the matter up with leaders in agriculture abroad, since our policy with regard to wheat could have a direct bearing on our commitments under the International Wheat Agreement.

We all recall the wheat referendum which was held May 21. There was much sincere work on both sides in an effort to affect the referendum, which was for the 1964 crop. Wheatgrowers rejected it at the ballot box. Whether we agree with the verdict or not, the decision has been made in the traditional democratic method. Therefore, we must be very careful to avoid even the appearance of a punitive response.

The referendum under present law, for the 1965 crop, must be held not later than June 14, 1964—a date when very little of the 1964 wheat crop would have been harvested, and farmers would not have yet experienced the expected lower prices. For these and other reasons there is no assurance that the verdict will be any different this year than it was last year.

What are the consequences of inaction?

First, in order for a farmer to be eligible for price support in the 1964 program, he must stay within his share of a 49½ million acre allotment. There are no marketing quota penalties for overplanting the allotment. Price support will be around \$1.25 per bushel. Therefore, the price for wheat will likely be below the 1963 levels, especially at harvesttime when many farmers are forced to sell.

Second, it must be remembered that in 1957 and 1958 laws were enacted covering the determination of future wheat acreage allotments. Under those provisions, the farm wheat history is only the allotment if the acreage allotment is exceeded. On the other hand, farmers who stay within their allotments receive credit in the determination of future allotments, not only for the acreage harvested, but also for the acreage diverted.

Thus, a producer who exceeds his allotment accumulates smaller acreage history relative to his allotment than a farmer who plants within his allotment.

Third, under the conservation reserve provisions of the soil bank, a farmer forfeits his payment if he exceeds the larger of the wheat acreage allotment or 15 acres.

Fourth, the President has delegated to the Secretary of Agriculture the authority vested in him by Congress under the International Wheat Agreement Act of 1949, as amended. This action was necessary because disapproval of market-

ing quotas in the 1964 wheat referendum introduced uncertainties in domestic and world markets.

Wheat prices in the United States could fall below levels equivalent to minimum prices specified for sales under the International Wheat Agreement. If exports by the United States at such prices were permitted, it would result in collapse of the agreement.

Fifth, income of wheatgrowers will drop by several hundred million dollars under the alternative now in effect. This spells rural trouble for the breadbasket of the Nation. It cannot occur without serious adverse economic effects on the main streets of our small towns and the factories of our cities. What we are concerned with is the economic well-being of this Nation. A rural dislocation of this dimension will cause urban factory job losses. It will cause job losses in transportation and distributing.

Sixth, the keenest students of agriculture warn me that the adverse economic impact of low wheat prices and lack of a better wheat program would spill over to feed grain and then to livestock producers. All of us have an interest in a viable wheat economy.

I am convinced that this Nation is blessed with a unique opportunity to use its agricultural resources to provide maximum benefit to all mankind. The food-for-peace program has enabled us to help feed a hungry world. Wheat has truly been the staff of life of this program. Our wheatgrowers have helped push back the frontier of hunger on the threshold of which a third of the world's population still lives.

Certainly, we must continue this great humanitarian program with its very beneficial foreign relations aspects. However, at the same time, we must be sure that reduced prices do not force the wheat farmers who make this possible into mining the soil in order to eke out a living. This would be disastrous in the long run. We must insure ourselves an adequate supply of wheat for the long pull to feed an expanding population. For this worthy objective we need to expand our area of conserving crops.

Mr. Chairman, in full recognition of a fundamental responsibility to our wheatgrowers, I introduced a voluntary wheat bill for the 1964 and 1965 crops. Fundamentally, the 2-year wheat bill I introduced is a voluntary conservation program. Farmers will have an opportunity to participate in a program which is designed to:

First, expand conservation and prevent mining of the soil;

Second, offer cooperators higher income through a higher price support than the \$1.25 a bushel now available, plus support payments, plus substantial conservation payments, plus an opportunity to obtain higher than support prices in the market;

Third, to provide for the resumption of the use of wheat for feed in areas where it has been used historically for this purpose;

Fourth, to minimize the amount of or eliminate export subsidies and diversion payments;

Fifth, avoid a massive governmental interference with the movement of wheat through the normal channels of trade because of our obligations under the International Wheat Agreement;

Sixth, induce a shift from wheat to oilseeds and other crops for which there are expanding needs;

Seventh, provide, as part of the legislative history, that the lower market prices for wheat be reflected in prices paid by consumers. American consumers will pay the same price for flour as consumers of importing nations. Conceivably, it could be lower.

Eighth, provide a program under which the more desirable grades of wheat will be sold by farmers to reflect their inherent premium values, and

Ninth, provide as part of the legislative history that the executive branch do everything feasible to meet the needs of hungry people through expanded use of Public Law 480.

These are the details of the wheat program I proposed for 1964 and 1965:

First, it is a voluntary 2-year special conversation program designed to reduce Commodity Credit Corporation stocks, induce the resumption of the use of wheat for feed, and to minimize or eliminate the amount of export subsidies and diversion payments. If it works well, we can extend it and eliminate marketing quota programs permanently for wheat;

Second, the wheat base will be the 1963 allotment. For small growers, it will be the average acreage of wheat planted for harvest on the farm in 1959, 1960, and 1961;

Third, price support will be provided to cooperators only at the farm equivalent of the world price level or about \$1.35 per bushel. In addition, a domestic consumption payment to bring average returns to \$2 per bushel will be made to cooperators on one-half of normal production. In addition, an export use payment of 25 cents a bushel on one-half of normal production will be provided to cooperators only. The farmer will get these payments. The need for an export subsidy virtually will be eliminated.

Fourth, in order to induce a shift in land use out of wheat, conservation payments will be paid directly to wheatgrowers. The Secretary will be encouraged to permit such diverted acreage to be devoted to the production of oilseeds in order to expand the supply of protein meals needed by an expanding livestock population. If the land is devoted to such a special crop, reduced conservation payments will be made. I have not provided for support for oilseeds produced on the diverted acreage because questions have been raised as to the advisability of increasing the costs to the Treasury. In a spirit of compromise, I am willing to go along with this view, although personally I would prefer making all flaxseed and soybeans produced eligible for price support.

Mr. Chairman, the export demand for soybeans and soybean meal is growing at an extremely rapid rate—something on the order of 10 to 15 percent per year. We need to fill that demand, and we can. Certainly, the General Motors Corp. would not be foolish enough to produce Oldsmobiles if it foresaw a sharp increase in demand for Buicks. Our market experts see a continued expansion in demand for soybeans and its products. Let us give the Secretary the authority provided in this bill to contract with farmers to induce a shift out of wheat into soybeans. Incidentally, there would be savings in Government costs if such agreements are made.

Furthermore, this approach fits in with the present administration policy to shift acreage from surplus crops into a use category. This makes sense and is superior policy to idling acreage.

Some will question the desirability of expanding soybean production because they know that substantial quantities of cottonseed and soybean oil are moving into human stomachs under the food-for-peace program. Let us make no apologies for this great humanitarian effort with its excellent economic and diplomatic overtones. The market development features of this program have enabled us to convert from foreign currency sales to dollar markets in Spain, Italy, and several other hard currency areas. It has taken hard work but it is paying multiple dividends.

Of all the crops produced in the United States, this one has the greatest growth potential. Not long ago Secretary Freeman indicated that he would not be concerned with a 100-million-bushel carryover to protect the American consumer and livestock feeder against a short crop. Our carryover will be only 10 percent of this level next October 1. Let us provide the legislative authority to nurture this growth;

Fifth, the objective is to reduce CCC wheat stocks by 100 million bushels per year, and the Secretary is instructed to use the above framework in developing a program to this end;

Sixth, no sales of Government stocks can be made at less than 115 percent of the support price, plus reasonable carrying charges. This will maximize the opportunities for the free market to function without the threat of Government interference;

Seventh, such a program also will enable us to meet our obligations under the International Wheat Agreement. The absence of a program could cause us difficulties with Canada, Australia, and the Argentine. Furthermore, in the absence of such a program to meet our obligations under the IWA, the executive branch would have to engage in a massive interference in the commercial export trade;

Eighth, it will significantly increase wheat farmers' income over the current outlook.

Mr. Chairman, most wheatgrowers will participate in the voluntary wheat program I have described. A substantial conservation payment for shifting his wheat acreage to conserving uses—or a small payment to shift into needed crops—are desirable alternatives. The Secretary and his technical experts can figure out the rates of payment needed to reduce CCC stocks by at least 100 million bushels per year. This would result in substantial savings in storage costs. At the same time, market prices would go above support, since the buyers would know that the Secretary could not sell at less than 15 percent above

the support level, plus reasonable carrying charges. This all adds up to a better program.

America's wheat is a tremendous asset in the world's struggle for peace and freedom—an asset still awaiting to be fully utilized with greater boldness and compassion.

Wheat is the common denominator of international life. A breakthrough in the conquest of hunger is more significant than the conquest of outer space. In areas of Africa, Asia, and South America, as well as other parts of the world, wheat and its products mean far more to millions of people today than any space satellite in the sky.

Bread, not guns, may well decide mankind's future destiny.

Our reserves of food and fiber, and our ability to produce such commodities in abundance, are resources to be prized; to be used boldly and imaginatively, and not to be dribbled away. This must be conserved.

We need to reappraise our own food resources, not in the light of our immediate domestic needs, but in light of world needs for the present and for the future.

Mr. Chairman, food production in the world is barely keeping pace with the growth in population. Hunger still is the daily companion to millions of people. Where there are hunger areas, there are tension areas—and where there are tension areas, there is danger of sparks igniting into war.

World population is growing at the fastest rate in history. One estimate puts world population at approximately 6 billion persons by the end of this century—double the population now.

Our policies must look ahead at least as far as the lifetimes of today's children. As a nation we cannot do less than plan for survival. We must strive for nothing less than world peace. In either case, our food resources are essential. Wheat is the key. Let us be fair to the producers of this key commodity.

STATEMENT FILED BY ROBERT C. LIEBENOW, PRESIDENT, BOARD OF TRADE OF THE CITY OF CHICAGO

My name is Robert C. Liebenow, and I am president of the Board of Trade of the City of Chicago. I reside at 700 Laurel Avenue, Wilmette, Ill., and my business address is room 568, 141 West Jackson Boulevard, Chicago, Ill.

I should first like to thank this committee on behalf of the Chicago Board of Trade for allowing us an opportunity to express our views and opinions.

The Board of Trade of the City of Chicago is composed of 1,402 members located in 37 States and 12 foreign countries. It is a commodity exchange providing a marketplace for farmers and their representatives and consumers and their representatives to meet to buy and sell agricultural commodities. It does no buying or selling.

The Chicago Board of Trade long and consistently has advocated the return of American agriculture to an open market system without Government control or interference.

We recognize, however, that a sudden and abrupt return to completely open markets might mean a period of chaos for those crops which for many years now have been operating under a system of high support prices combined with Government production restrictions.

We feel the most effective, and least objectionable, program to facilitate this transition back to open markets would be a system of direct payments to farmers supplementing the income they receive from the sale of their commodities in open markets in sufficient amount to assure them of a reasonable return for their efforts.

The disadvantages of the high support price system by this time should be obvious. Without dwelling on the subject, we would like to point out a few of the system's undesirable features which would be eliminated by direct payments:

1. It has been a principal factor in the accumulation in Government hands of huge stores of agricultural commodities whose costs for storage, transportation, and maintenance items have run into the billions. At one time these costs actually approximated a billion dollars a year.

2. They have raised prices on export commodities such as wheat and cotton far above world prices, necessitating an expensive export subsidy program which also has cost the taxpayers billions of dollars.

3. Perhaps even more important, they have made it difficult, if not impossible, to determine for those commodities grown under the high support price system, what the open market price really should be. This is destroying the function of the marketplace, a factor which the Communists have learned can be disastrous. Furthermore, the accumulation of inventories in Government hands and the activities attending upon feeding of commodities back into the market brings the entire market system more and more under Federal control. Coupling this with Federal control over production, we have gone a long way toward the regimentation of agriculture which has failed completely in Communist countries and which all of us wish to avoid here.

If there is to be legislation affecting 1964 wheat production, we favor the combination of lower supports and supplemental payments which is embodied in pending bills. Strongly recommend that payments should go directly to the producer and, if certificates are used, feel the farmer should be able to cash them at the local level upon proof of compliance. Any other arrangement, we feel, would make the program more cumbersome, more difficult to administer, and more costly.

We would like to mention a few of the points of a direct payment system which would appear to us to be highly advantageous:

1. By eliminating the artificially high support price and permitting farm commodity prices to reach their own natural level, it would mean lower prices for food and fiber to consumers in this country—a lower cost of living for all Americans. In addition to being a direct benefit to consumers, this would have the effect of relieving inflationary pressures inherent in proposals to maintain farm price supports at their present high levels or even raise them higher.

2. By permitting prices of U.S. commodities to become competitive in world markets, it would eliminate all need for costly export subsidies. It would facilitate the normal commercial sale of American agricultural goods abroad. No longer would we have a situation in which cheap-labor foreign textile producers can buy U.S. cotton, benefited by an 8½-cents-a-pound subsidy, process it into textile goods, and ship those goods back to this country for sale at a price cheaper than American textile mills can turn out their products.

3. It would mean that the bulk of Government expenditures for farm-aid programs would go directly to farmers. There no longer would be the need to spend huge sums on export subsidies or for storage facilities to store surplus commodities purchased by the Government to maintain farm prices—huge sums labeled “farm aid” but which go to nonfarmers.

4. It would permit the reemergence of an open and unregulated market system in which commodities would seek and reach their own natural levels. This would allow the open market to resume its natural function as a warning signal to farmers if a particular commodity is being overproduced—a warning that it probably will be more profitable to the farmer to switch his land to the production of some other commodity in shorter supply. This would bring about the flexibility so necessary to a successful agriculture. In effect, it would encourage necessary adjustment rather than continued maladjustment, as is the effect of the present system whereby a farmer is guaranteed high prices for whatever he produces on his allotted acres.

Critics of the direct-payments plan often say its cost would be huge, but the fact is that we are not in any sense advocating any blank-check plan. In the first place, we suggest payments only for those crops which have been operating under artificially high support prices and are in need of a transition program to facilitate their return to an open market. Furthermore, the rates for the payments should be set at the lowest feasible level to give farmers a reasonable return for their efforts. And finally, the cost of the program would be only that sum which Congress provided.

Some opponents of direct payments have charged that they would lead to socialization of America's agriculture. In our view, there is no basis in fact for this argument. Payments have been used, and are being used, in several different agricultural programs without detriment to the free enterprise of those involved. The fact is that programs advocated by many defenders of free enterprise would involve more Government regulation of both production and marketing, and more interference with the market system and free enterprise, than would payments.

The Chicago Board of Trade would prefer a situation that would make Federal programs for agriculture unnecessary, but it recognizes the prime importance of the contributions farmers are making to our national security and economic stability. For those commodities faced with the problem of an orderly transition back to the time-proven open market system, we urge a practical and flexible program which will make possible the reasonable return to which farmers are entitled for their efforts.

It is our belief that such a program should interfere as little as possible with the marketplace and with the operations of individual producers.

If a wheat program is enacted, we urge a combination of lowered supports which would fix a price floor coupled with compensatory payments to go direct to the producers themselves.

Thank you.



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COTTON PROGRAMS

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HEARINGS

BEFORE THE

COMMITTEE ON

AGRICULTURE AND FORESTRY

UNITED STATES SENATE

EIGHTY-EIGHTH CONGRESS

FIRST AND SECOND SESSIONS

ON

S. 608, S. 1190, S. 1458, S. 1511, and H.R. 6196

BILLS RELATING TO COTTON PRICE SUPPORTS, ACREAGE
ALLOTMENTS, PRODUCTION PAYMENTS, DOMESTIC CON-
SUMPTION, EXPORTS, AND RESEARCH

PART II

JANUARY 28, 29, 30, 31, AND FEBRUARY 11, 1964

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GEORGE McGOVERN, South Dakota
J. HOWARD EDMONDSON, Oklahoma
HERBERT S. WALTERS, Tennessee

GEORGE D. AIKEN, Vermont
MILTON R. YOUNG, North Dakota
BOURKE B. HICKENLOOPER, Iowa
JOHN SHERMAN COOPER, Kentucky
J. CALEB BOGGS, Delaware
E. L. MECHEM, New Mexico

COTYS M. MOUSER, *Chief Clerk*

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COTTON PROGRAMS

TUESDAY, JANUARY 28, 1964

U.S. SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D.C.

The committee met, pursuant to notice, at 10:10 a.m., in room 324, Old Senate Office Building, Senator Allen J. Ellender (chairman) presiding.

Present: Senators Ellender, Johnston, Holland, Eastland, Talmadge, Jordan of North Carolina, McGovern, Walters, Aiken, Boggs, and Mechem.

The CHAIRMAN. The committee will please come to order.

I am informed that other members of the committee will be here soon. This committee has already heard testimony on all bills that are now before us, with the exception of the new so-called Cooley bill which was sent to us since our hearings in May. Therefore it would be timesaving if we could eliminate all background information. There is also a suggestion that we hear testimony on all facets of any new legislation that may have the tendency of helping to solve our cotton problem. That of course would include payments on diverted acres.

We don't have any bill submitted for that purpose, but I am informed that the Department of Agriculture is thinking about it, and hopes to present to the committee some evidence on that phase of the matter. I will ask permission to place in the record at this point the so-called Cooley bill which was adopted by the House since we had our hearing on cotton legislation in May, and also a short explanation of the bills that are now before us.

(The documents referred to follow:)

[H.R. 6196, 88th Cong., 1st sess.]

AN ACT To encourage increased consumption of cotton, to maintain the income of cotton producers, to provide a special research program designed to lower costs of production, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Agricultural Adjustment Act of 1938, as amended, is amended by adding the following new section:

"Sec. 348. In order to maintain and expand domestic consumption of Upland cotton produced in the United States and to prevent discrimination against the domestic users of such cotton, notwithstanding any other provision of law, the Commodity Credit Corporation, under such rules and regulations as the Secretary may prescribe, is authorized and directed for the period beginning with the date of enactment of this section and ending July 31, 1967, to make payments through the issuance of payment-in-kind certificates to persons other than producers in such amounts and subject to such terms and conditions as the Secretary determines will eliminate inequities due to differences in the cost of raw cotton between domestic and foreign users of such cotton, including such payments as may be necessary to make raw cotton in inventory on the date of enactment of this section available for consumption at prices consistent with the purposes of this section."

SEC. 2. Section 385 of the Agricultural Adjustment Act of 1938, as amended, is amended by adding at the end thereof the following: "This section also shall be applicable to payments provided for under section 348 of this title."

SEC. 3. Section 104 of the Agricultural Act of 1949, as amended, is amended by adding the following new subsections:

"(c) The Secretary of Agriculture is hereby authorized and directed to conduct a special cotton research program designed to reduce the cost of producing upland cotton in the United States at the earliest practicable date. There are hereby authorized to be appropriated such sums, not to exceed \$10,000,000 annually, as may be necessary for the Secretary to carry out this special research program. The Secretary shall report annually to the Committee on Agriculture of the House of Representatives and to the Committee on Agriculture and Forestry of the Senate with respect to the results of such research.

"(d) In establishing the level of price support to cooperators for each crop of upland cotton beginning with the 1965 crop of such cotton, the Secretary, notwithstanding the provisions of section 103, shall make such reductions in the price support level as will reflect reductions in the costs of producing cotton. The level of price support for the 1964 crop of upland cotton shall be the national average support price which reflects 30 cents per pound for Middling inch. For 1965 and subsequent years, the level of price support shall be the level in effect for the preceding crop adjusted as provided in this section to reflect reductions in the costs of producing cotton: *Provided*, That the maximum level of price support shall be the national average support price which reflects for Middling inch 29½ cents per pound for the 1965 crop and 29 cents per pound for the 1966 crop."

SEC. 4. Section 407 of the Agricultural Act of 1949, as amended, is amended by inserting after the first proviso in the third sentence thereof the following: "*Provided further*, That beginning August 1, 1964, the Commodity Credit Corporation may sell upland cotton for unrestricted use at not less than 105 per centum of the current loan rate for such cotton under section 103(a) plus reasonable carrying charges."

SEC. 5. Section 103 of the Agricultural Act of 1949, as amended, is amended by inserting "(a)" before the first sentence thereof and by adding at the end of such section the following new subsections:

"(b) For the 1964, 1965, and 1966 crops of cotton, the Secretary, notwithstanding any other provision of law, may provide to cooperators price support on not to exceed fifteen bales (standard five hundred pounds gross weight) of the production from their allotments at a level up to 10 per centum in excess of the basic level of price support established under subsection (a) hereof but not in excess of the level of price support for the 1963 crop.

"(c) Notwithstanding any other provision of law, in order to keep cotton to the maximum extent practicable in the normal channels of trade, if the level of price support to cooperators for the 1964, 1965, or 1966 crop is increased under subsection (b), price support for cotton at the level established under subsection (b) shall be carried out through the simultaneous purchase of cotton at the support price therefor under subsection (b) and sale of such cotton at the support price therefor under subsection (a) or similar operations, including loans under which the cotton would be redeemable by payment of the amount for which the cotton would be redeemable if the loan thereon had been made at the support price for such cotton under subsection (a)."

SEC. 6. The Agricultural Adjustment Act of 1938, as amended, is amended as follows:

(1) The following new sections are added to the Act:

"SEC. 349. If the national acreage allotment established under section 344(a) for the years 1964, 1965, or 1966 exceeds seventeen million acres (exclusive of the national acreage reserve established under section 344(b)), the amount of such acreage allotment in excess of seventeen million acres shall, notwithstanding any other provision of this part, be allotted as follows: One-half of such excess shall be allotted pursuant to the provisions of section 344. The remaining half of such excess shall, subject to the provisions of this section and section 350 be allotted by the Secretary as export market acreage directly to farms eligible to receive allotments under the provisions of section 350 to the extent that he determines that such allotments will not increase the carryover of cotton at the beginning of the marketing year for the next succeeding crop above the carryover on the same date one year earlier, except that no farm may receive an allotment of export market acreage in excess of 20 per centum of the acreage allotment for the farm established under the provisions of section 344. Any acreage available for allotment as export market acreage which the Secretary determines will not

be used shall be allotted pursuant to the provisions of section 344. Any acreage allotted to a farm as export market acreage and planted to cotton shall be in addition to the county or State acreage allotments and shall not be taken into account in establishing future State, county, and farm acreage allotments. Notice of the maximum export acreage for a farm shall be included in the notices of farm acreage allotments and marketing quotas. The provisions of this section shall not apply to extra long staple cotton.

"SEC. 350. The producers on any farm on which there is export market acreage or the purchasers of cotton produced thereon shall, under regulations issued by the Secretary, furnish a bond or other undertaking prescribed by the Secretary providing for the exportation, without benefit of any Government cotton export subsidy and within such period of time as the Secretary may specify, of a quantity of cotton equal to the actual production of the export market acreage as determined pursuant to regulations issued by the Secretary. The bond or other undertaking given pursuant to this section shall provide that, upon failure to comply with the terms and conditions thereof, the person furnishing such bond or other undertaking shall be liable for liquidated damages in an amount which the Secretary determines and specifies in such undertaking will approximate the export subsidy on such quantity of cotton. The Secretary may, in lieu of the furnishing of a bond or other undertaking, provide for the payment of an amount equal to that which would be payable as liquidated damages under such bond or other undertaking. If such bond or other undertaking is not furnished, or if payment in lieu thereof is not made as provided herein, at such time and in the manner required by regulations of the Secretary, or if the acreage planted to cotton on the farm exceeds the farm acreage allotment established under the provisions of section 344 by more than the maximum export market acreage, the farm acreage allotment shall be the acreage so established under section 344. Amounts collected by the Secretary under this section shall be remitted to the Commodity Credit Corporation and used by the Corporation to defray costs of encouraging export sales of cotton under section 203 of the Agricultural Act of 1956, as amended."

(2) Section 376 of the Act is amended by adding at the end thereof the following: "This section also shall be applicable to liquidated damages provided for pursuant to section 350 of this title."

Passed the House of Representatives December 4, 1963.

Attest:

RALPH R. ROBERTS, *Clerk.*

SHORT EXPLANATIONS OF COTTON BILLS BEFORE THE SENATE COMMITTEE ON AGRICULTURE AND FORESTRY ON JANUARY 8, 1964

H.R. 6196, as passed by the House, provides for:

(1) Payments in kind from enactment through July 31, 1967, to persons other than producers to eliminate inequities due to differences in the cost of raw cotton between domestic and foreign users of cotton, including inventory adjustment payments. (The amount required to remove inequities might be less than the export subsidy.)

(2) Nineteen-hundred and sixty-four price support at 30 cents per pound, basis Middling inch. Nineteen-hundred and sixty-five and subsequent crop support at the level for the preceding crop reduced to reflect any reduction in production costs (but not more than 29.5 cents per pound for 1965 and 29 cents per pound for 1966). This provision would be permanent and would supersede the 65 to 90 percent of parity now prescribed.

(3) A minimum CCC cotton resale price for unrestricted use of 105 percent of current support (instead of 115) plus reasonable carrying charges, effective August 1, 1964.

(4) Authority for 1964, 1965, and 1966 for price support on up to 15 bales at up to 10 percent above the basic level otherwise established ¹ (but not more than the 1963 level, 32.47 cents per pound) through simultaneous purchase at the higher support price and resale at the lower support price, or similar arrangement.

(5) If the national allotment for 1964, 1965, or 1966 exceeds 17 million acres, half the excess would be allotted (to the extent that it would not increase the carry-over at the end of the marketing year for the crop above that at the beginning of such marketing year, and would not increase the farm allotment by more than 20

¹ The bill refers to the basic level established under sec. 103(a) of the 1949 act, but the legislative history makes it clear that the increased support is to be measured from the effective basic level established by sec. 104 of the 1949 act as described in par. (2) hereof.

percent) among farms agreeing to export the production therefrom. Producers receiving this "export market acreage" would give bond to export without subsidy, or pay an amount equal to the export subsidy on, the actual production of the export market acreage. If bond is not given or payment made, or if the acreage planted exceeds the increased farm acreage allotment, the allotment would be reduced to exclude the export market acreage.

(6) Appropriation of \$10 million annually for a special cotton research program to reduce production costs.

S. 1511 (Ellender and Jordan by request) (identical to H.R. 6196, as introduced) provides for:

(1) Payments to other than producers through July 31, 1967, in order to equalize domestic and world price, including inventory adjustment payments.

(2) Up to \$10 million of CCC funds for research. Price support reduced to reflect lower production costs.

(3) For 1964, 1965, and 1966 crops, first 15 bales may receive additional support up to 10 percent above support level, through purchase and resale, but not in excess of 1963 support level.

(4) CCC minimum resale price of 105 percent of current support plus reasonable carrying charges.

S. 608 (Sparkman and Hill) provides for:

(1) Payments to persons other than producers to remove the inequities due to differences between domestic and export cotton prices.

(2) Up to 30 percent increases in cotton allotments for export (the national marketing quota would be reduced by the estimated production of the export market acreage, but not below a figure providing for a 16-million-acre allotment.)

S. 1190 (Talmadge and Humphrey) provides for:

(1) Domestic allotment in bales with no limitation on planting. Farm domestic allotments may be released and reapportioned.

(2) Price support on all cotton at 50 to 60 percent of parity. Additional price support through payments to producers on domestic allotment at between:

80-90 percent on first 15 bales

75-85 percent on next 15 bales

70-80 percent on remainder of domestic allotment

(3) CCC minimum resale price of 105 percent of current lowest support price plus charges.

S. 1458 (Ellender by request) provides for 1964 and 1965 for:

(1) Support at 30 cents per pound basis Middling inch (29 cents in 1965 if total supply rises above 1964 level).

(2) Minimum national allotment of 17.5 million acres.

(3) Export subsidy at not less than 6½ cents per pound.

The CHAIRMAN. I would like to make this observation. If this committee hopes to enact cotton legislation which would be applicable to this year's crop, we will have to take action on or before March 1, and it goes without saying that if we veer away too far from present laws on the statute books, we might have difficulty in getting any legislation enacted in time to be effective this year. So I express a hope that we will be able to take the House measure that is before us, and use that as a vehicle for any proposals that this committee may agree to, and what direction that is going to take I don't know.

But I find that there is a lot of opposition not only in this committee, but, the House as well, on the payment to farmers not to plant cotton, in other words a diversion program, which I understand is being advocated by the Department.

If we get tangled up in a program of that kind, my fear is that we may end up with no legislation on cotton.

I again reiterate that if we can relegate these hearings to something that can be accomplished soon, and something more or less which follows the laws that we now have on the statute books, we might be able to make some progress in that respect.

Now insofar as the wheat program is concerned, it is the hope of the committee that we will be able to start hearings on wheat legislation Monday. It is my belief that we will be able to hear all of the testi-

mony or most of it in respect to cotton on or before Monday noon. If we can, we will start the wheat hearings before noon and then continue them into the afternoon of next Monday.

I wish to also say that all of this is predicated on my ability to obtain consent from the Senate to sit while the Senate is in session. I spoke to the leadership and told them that we had sent notice out to many witnesses living far from Washington, and that I thought it necessary, if we are to complete hearings in time to present a bill to the Senate and have it enacted on or before March 1, that we will have to obtain the consent from the Senate to sit while the Senate is in session.

I am not going to state what ought to be done at this time, but I hope, after we develop the testimony in these hearings, that we will be able to give some kind of a clear-cut analysis of what we think ought to be done in order to have a bill enacted both as it effects cotton and wheat.

Are there any statements to be made by any of the Senators on the committee at this point?

Senator JORDAN. Mr. Chairman, I don't know if this is the proper time or not. I have a wire here from the commissioner of agriculture of North Carolina wanting this to be inserted in the record at the proper place and I would like to have it inserted.

The CHAIRMAN. Without objection that will be done and put it in the proper place.

(The document referred to follows:)

RALEIGH, N.C., January 27, 1964.

HON. B. EVERETT JORDAN,
Member U.S. Senate, Washington, D.C.:

For the record I submit the following viewpoints in respect to pending legislative proposals for cotton: The McIntire amendment in the House bill makes permanent law, repeals the parity concept, and provides for disastrously low price of cotton to the vast majority of cotton farmers. This amendment should be stricken from the bill. The proposal for an acreage soil bank is strongly opposed in this State, and all States among family-type cotton farmers. Economic chaos would result from such a program. Thoroughly discredited in the fifties, it should be removed from any consideration now. Supply adjustment must be made by temporary reduction of the national allotment so as to apply equitably to all cottongrowers.

L. Y. BALLENTINE.

The CHAIRMAN. We have quite a list of people who desire to be heard, and as I stated, and I believe it was agreed to by the members of this committee, that we express the hope that all witnesses who will appear before us will relegate their testimony to new facts, if they have any, on any of the bills pending before us. The Cooley bill as now proposed was not before us when we had our hearings last May. But we did have a bill before us that was a companion bill of the original Cooley bill, and if there is any testimony to be offered in respect to the Cooley bill as passed by the House, why the committee will be glad to get such additional testimony as you may have.

Now I also wish to say that when the committee met in May, there was not very much testimony presented in respect to the Talmadge bill, going into its implications, costs and so forth, and it may be that since that bill is prominently mentioned by many witnesses who are going to appear before us, that we may go a little further into the details of that bill during these hearings.

Now as chairman of this committee, and I am speaking only for myself now, I am very hopeful that any proposals made for new cotton legislation will end up with the program costing not more than the prevailing program. As most of you know, this committee has worked for quite some time in trying to reduce the cost of our wheat program, of our corn and other feed grains programs, and of our dairy program.

It is questionable as to whether or not we have succeeded in doing that, although we passed legislation. There are some people who think that the corn and other feed grain programs have been a little more costly than was anticipated, but if we should take the program as a whole, and if the old program had continued as it was on the statute books, in my mind there is no doubt but that the program would have cost more than the one that we now have.

I don't believe that it would stand very well in the mind of the public if this committee sought to do all that it could to reduce the costs of these programs, and then get in the other corner and say cotton is different, that we think we ought to advocate a program that is a little more costly. I doubt we could defend that before the Senate.

As a matter of fact, if such is the case, I have said, and I want to make it public, that somebody else will have to handle the bill if this committee presents any form of legislation in cotton, or in fact on any other commodity where the cost would be more costly than the prevailing programs.

Now, with that in mind, if there are no further statements to be made by committee members, we will call the first witness.

STATEMENT OF HERSCHEL D. NEWSOM, MASTER, NATIONAL GRANGE; AND HARRY B. CALDWELL, CHAIRMAN, COTTON COMMITTEE, NATIONAL GRANGE, GREENSBORO, N.C.

Mr. NEWSOM. I would like, if I may, to introduce in the room Harry Caldwell, who is chairman of the Grange cotton committee from North Carolina, and Mr. Harry Graham who is a member of our staff as the legislative assistant to the national master.

Mr. Chairman and members of the committee, I would like to say first of all that having listened as intently as I could to the remarks of the chairman, I think our testimony has been prepared in the feeling that this probably would be the worst that the committee would attempt to follow, and for that reason the statement is very brief. I think, Mr. Chairman, if I may, I shall simply read it.

It is only a little over one page. Then we will comply with the pleasure of the committee.

The CHAIRMAN. All right, you may proceed, sir.

Mr. NEWSOM. Mr. Chairman and members of the committee, last November at its 97th annual session, the National Grange called for the enactment of cotton legislation which will provide for:

1. Maintenance of farm income to producers at not less than existing levels.
2. A research program to reduce the cost of producing cotton.
3. Progressive adjustments of price support to reflect reduction in the cost of producing cotton.

4. Elimination of the existing inequality of the cost of American-grown raw cotton to U.S. and foreign cotton manufacturers.

5. Establishment of national acreage allotment at such levels as will not increase the stock of the Commodity Credit Corporation.

The hearings before this committee last May, in our opinion, amply document the serious ills which beset this important segment of agriculture and of our national economy, demonstrate the inadequacy of existing legislation to remedy these ills, and point up the urgent necessity of prompt action by the Congress in order that markets for American cotton may be maintained and increased both at home and abroad. We, therefore, believe that this committee is to be commended for renewing its efforts so early in this 2d session of the 88th Congress to develop a sound program for cotton.

We urge that whatever measure you may approve to be designed to achieve the objective which we have outlined. If this should be the legislation which the House has already passed, it would be our recommendation that there be eliminated from that bill the provision which would impose arbitrary reduction in the support level of cotton without consideration as to whether savings in costs of production have been achieved.

The Grange appreciates very much having the opportunity to submit its views to the committee on this important subject matter.

The CHAIRMAN. Mr. Newsom, your fourth recommendation deals with payments to domestic mills, elimination of the existing inequality of the cost of American-grown raw cotton to U.S. and foreign cotton manufacturers.

How would you do it?

Mr. NEWSOM. Mr. Chairman, there is as I understand it, a provision in the Cooley bill to which the chairman has made mention that would accomplish this although as I recall it the level of payment is left to the discretion of the Secretary in the final analysis.

The CHAIRMAN. That is the so-called Jones amendment.

Mr. NEWSOM. I would have to confess, Mr Chairman, that I——

The CHAIRMAN. Which leaves it to the Department of Agriculture.

Mr. NEWSOM. Yes.

The CHAIRMAN. To fix the subsidy at a rate which would be equal to or nearly equal to what the rates are abroad, that is not moneywise, because the position is taken that freight differentials and things of that kind must be taken into consideration. Have you thought the thing through yourself so you could give us any information?

Mr. NEWSOM. Yes. We have attempted to. I confess to you that one of my reasons for bringing Mr. Caldwell along this morning is that he lives more closely to this subject matter than I have been able to do.

The CHAIRMAN. Pull up a chair, Mr. Caldwell, because that is one of the points.

Mr. NEWSOM. Briefly I would say that it is our feeling so far as I know without exception that this payment should entirely correct the inequity that exists. I concede that I am not in a position now to know just exactly how many factors similar to the ones mentioned by yourself just a moment ago need to be taken into account, but whatever those factors are, I think can be defined, and I think having taken them all into account, the equities should be entirely corrected in this. We regard this as a program that is designed to meet a

situation wherein we apparently are embarking upon a course deliberately designed to be, we hope, noninflationary but nevertheless to stimulate a growth in the economy. And it seems to us unthinkable that we should wittingly fail to take any reasonable and appropriate steps to make sure that the agricultural income level is not moving in the opposite direction.

If this is a conscious national policy then certainly we should bring our agricultural policies into reasonable conformity to the total national policies if it can be done.

The CHAIRMAN. It is my information that the domestic textile mills will use 8.6 million bales of cotton this year. As I understand your suggestion, you would want to pay your domestic textile mills on all of the cotton they use the same rate as the export subsidy; am I correct in that?

Mr. NEWSOM. I think basically that is our position.

The CHAIRMAN. Who would get the benefit of that?

Would you as a consumer?

Mr. NEWSOM. We would hope so, although I recognize that these adjustments of this sort are sometimes discouragingly slow of balancing off so that the benefit filters through where it ought to. I would simply say that it would be our hope that the competitive situation might be such that these means would quickly flow through to consumers and users of the products of the mills.

The CHAIRMAN. To what extent would it help the producers of cotton?

Mr. NEWSOM. Well, it would help the producers of cotton by diminishing the prospect of a shrinking market for cotton, and I would hope that it might improve the prospect for a growing market.

The CHAIRMAN. To what extent in your studies that you have made would it increase the use of cotton—raw cotton—by the domestic mills?

Mr. NEWSOM. I think at this point if I may, Mr. Chairman, I would like to yield to the chairman of our own Grange Cotton Committee: Mr. Caldwell. Will you answer the question?

Mr. CALDWELL. Mr. Chairman, the textile industry has reported on several occasions that a program which will eliminate the inequity in cost of raw cotton between foreign and domestic mills will result in an increased use of roughly 1 million bales of cotton in this country.

The CHAIRMAN. Let's take the million bales of cotton. In order to get an additional million bales of cotton, as I understand the contention of some witnesses that have testified here before, it would be that we pay the textile mills a subsidy, if you can call it that, or a payment or reduction in price equal to the export subsidy. That would be \$42.50 a bale.

If you multiply \$42.50 a bale times 8.6 million bales of cotton that was used last year, that would mean that the subsidy to the textile mills would amount to about \$365 million. Do you think it would pay this Government to pay the textile mills a little under \$400 million to be able to sell 1 million more bales of cotton?

If so, I wish you would explain.

Mr. CALDWELL. Mr. Chairman, it seems to me there are two or three principles involved here. No 1. it is the contention, of course, of the textile industry that cheaper raw cotton abroad is enabling the foreign mills to increase their shipments of cotton finished good into this country.

The CHAIRMAN. Do you know how much they shipped last year by way of baleage, in bales?

Mr. CALDWELL. I don't have the figure.

The CHAIRMAN. Well, it is about 645,000 bales.

Mr. CALDWELL. We are confronted with a situation in which cotton is apparently facing a declining market during the period of growing populations in our own country and throughout the world.

In other words, the use of cotton is not keeping pace with the increase in population, the increase in use of fibers.

Senator EASTLAND. What you want is to prevent a further erosion of markets?

Mr. CALDWELL. Of markets. That would be one of the things that would be accomplished, that is to be accomplished by it. Of course last year, as you know, Senator, the production under existing legislation amounted to around 1.8 million bales in excess of takeoff, which means we are adding roughly another 1.8 million bales to the surplus carryover.

The CHAIRMAN. That is unusual, isn't it?

Mr. CALDWELL. Our yield was extremely high.

The CHAIRMAN. Exactly.

Mr. CALDWELL. It was 524 pounds as I remember it.

The CHAIRMAN. We have never had a yield like that before. This is something unusual.

Mr. CALDWELL. It is unusual.

The CHAIRMAN. We had the weather and the cotton planters put the fertilizer on, I presume, which I am not complaining about.

Mr. CALDWELL. I would say that it was unusual in that it is the first time we achieved it, but I do not believe that it reflects an unusual trend. I think we are going to see the yields per acre gradually increase. In my own State we have cotton farmers who are producing upward of 3 bales per acre at the present time. That is as a result of new plant breeding, new agricultural practices, and a great many other things.

And so I do not believe that this upward trend in yield per acre is going to be reversed. It is my judgment that it is something that we can anticipate will continue to exist, so that we are confronted with two or three situations. We are confronted with on the one hand a declining market for cotton, on the other hand with increased yields per acre of cotton, and unless we can either expand the market, we are going to have to further reduce acreage and reduce output.

It is one thing or the other, and we may be confronted with some of both in the final analysis.

The CHAIRMAN. You know, that same argument was presented to this committee back in 1956 and maybe 1957 when we were working on the 1958 law which is now on the statute books. Some of us thought that if we could lower the price of cotton it would be more competitive and increase sales. At the same time farm income would be improved through increased acreage allotments. But it didn't work that way because instead of increasing the acreage and lowering the price we increased both. We increased the acreage and we also increased the price, don't you see, and that may be the cause of our trouble now.

Mr. CALDWELL. Senator, let me just say this: We do not believe that the cotton farmer can absorb the differences in costs needed to meet this threat to the textile industry themselves.

The income of cotton farmers is low. The per capita income of cotton farmers is among the lowest income in the country. It is our view that an expanded program of research aimed at legislation to cut production costs so that cotton can sell in a more competitive way with competing fibers and with production abroad as a very important part of legislation.

You will note in the Grange statement that we suggest that as we can develop new ways of cutting costs of production, that those things could then be reflected in the selling price, thus reducing the role of Government and Government expense in terms of maintaining income for cotton producers. We think that it is an extremely important part of any program.

The CHAIRMAN. That was the same argument used when we put the 1958 law on the statute book. That was the argument advanced.

Mr. CALDWELL. It is still a good argument.

The CHAIRMAN. I know, and the law that we passed to try to do that very thing—

Senator AIKEN. Mr. Chairman, I noticed you were figuring out the cost of the subsidy to the mills, which would amount to \$42.50 a bale. The figure is \$365,500,000. However, that isn't all there is to it. We have got to pay that same subsidy on the 5 million bales for export, which would add \$212,500,000, making a total cost on that basis, \$578 million.

The CHAIRMAN. Senator Aiken, what I was trying to point out was that this would be an additional cost.

Senator AIKEN. Yes.

The CHAIRMAN. The foreign purchasers are getting whatever amount you say.

Senator AIKEN. Yes.

The CHAIRMAN. But in order to equalize the subsidy, the original Cooley bill provided for a payment of \$42.50 per bale, which would add as you have just stated \$365—

Senator AIKEN. \$365,500,000.

The CHAIRMAN. That is right. And as the witness states, we would pay this \$365 million plus and sell only 1 million bales more to the domestic consumers. How can you justify that?

Mr. CALDWELL. I would say, Senator, it is my statement here that they say it will expand the market by 1 million bales.

The CHAIRMAN. I am asking you though. You are here as a witness. What is your opinion?

Mr. CALDWELL. I would say, Senator, that the decision has to be weighed in terms of the total national interest. In the absence of some legislation here to deal with the problem, cotton producers face a declining market on the one hand, or they face a substantial loss in income on the other hand. It is not only going to affect the cotton producers in the Cotton Belt. It will have repercussions throughout the general economy within the entire Cotton Belt across the country. We in the Grange do not like to rely upon Government payments for the maintenance of agriculture any more than any member of this committee.

We would much prefer to see the farmer have a situation wherein he could receive an income that would be comparable with wage and investment income of others out of the marketplace. It is our

hope that that is the goal toward which we think we must move in this country.

For that reason we recommend the research as a part. But pending the accomplishment of that, we are confronted with this very situation. We are confronted with a declining market on the one hand, which is going to seriously affect the income of the cotton producers and the entire cotton economy, and it will have an impact upon the general national economy. The question that has to be decided by the Congress is whether or not this situation is critical enough, and I cannot pass judgment on that. I can merely say to you that I think this is a question that must take into account as to whether or not this situation is critical enough to warrant the expenditure of public funds as we believe to be necessary in order to deal with the problem as it exists at the moment. Now that is the issue.

Senator AIKEN. If this subsidy were paid to the mills, would that mean that they could compete on an equal basis with textile mills anywhere in the world?

Mr. CALDWELL. It certainly would strengthen their ability to do it. Of course our labor differentials I am sure would enter into it. I am not an expert on that.

Mr. NEWSOM. Let me comment on the question of the Senator from Vermont there. I think I would like to call your attention to the fact that your question was, Would this enable our mills to compete with mills anywhere in the world?

Senator AIKEN. Yes.

Mr. NEWSOM. This is really not the immediate purpose of our recommendations to this committee. Our recommendations to this committee are predicated on enabling our mills to compete with mills from any place in the world in our market.

Now maybe this is what your question was.

The CHAIRMAN. But they can't do that because of labor differential, as you know, as I know, and as everybody around this table knows. The thing is that our textile mills here, those who produce cotton for domestic consumption, have a good market. They have got people able to buy, don't you see.

Mr. NEWSOM. That is right.

The CHAIRMAN. And the cotton coming in from abroad of course does hurt, I know that.

Mr. NEWSOM. Yes.

The CHAIRMAN. But the amount of cotton that comes in from abroad aggregates the equal of between 500,000 and 600,000 bales over the 3-year period.

Mr. NEWSOM. That is right.

The CHAIRMAN. Just a little more than what we ship abroad, don't you see.

Mr. NEWSOM. Right.

The CHAIRMAN. Now, if we had to compete, if the cotton mills had to compete with the same class of buyers for their goods as the foreigners, well, I would say we would be in bad shape. But that isn't the case.

Mr. NEWSOM. I don't find any fault with what the chairman has said, but I don't think there is the difference that the chairman seems to think there is between what he has said and what I was attempting to say.

My point is that our support of this payment principle is predicated upon the firm conviction on our part that our own mills are at a disadvantage in our own primary American market, without some payment of this sort.

The CHAIRMAN. How can they be?

Mr. NEWSOM. By reason of the differential in the price of the raw cotton from the United States.

The CHAIRMAN. Wouldn't that be better taken care of by the introduction of quotas or maybe a tariff rather than the method that you are now proposing?

Mr. NEWSOM. This brings us into subject matter that we apparently are not in control of at the present time. I mean this is a portion of the whole subject matter of discussion in international trade. I would point out that as I understand it we are certainly going through a rapid evolution of changing policies in this regard.

This is why, Mr. Chairman, that I regard these recommendations that the Grange is placing before this committee as very sound recommendations in the face of this emergency situation.

We are a little bit irritated as having continually to come and talk about stopgap legislation. But we think this is exactly the position that we are in. We would call your attention, as has already been done, to the fact that we are recognizing that there should be progressive adjustments of price support level to reflect a reduction in cost of producing cotton.

But we are completely in accord with what I think was embodied in your opening statement, sir, in that if we are going to do any cotton legislation in this session of the Congress, we can't open up the whole gamut of subject matter. It is on that supposition that we bring these recommendations now for legislation that presumably will be of no value in this fiscal year, if it isn't forthcoming within the matter of a few weeks.

The CHAIRMAN. What would you think of a proposal to sell cotton to the domestic mills at a lower price in order to stimulate more use of cotton over and above what they now use?

Mr. NEWSOM. You mean at a lower price?

The CHAIRMAN. Yes, even below world price, in order to stimulate. In other words, let's suppose that the average number of bales of cotton consumed by the domestic mills was 8 million, just as an example, and let the price remain as is, that is let them take the price, the prevailing price, and then say to them, "If you increase over and above that, say 2 million bales, we will let you have that cotton at 24 cents or 20 cents" in order to stimulate more use of cotton.

What would you say to a proposal of that kind?

Mr. NEWSOM. If I understand your question I would suspect that we would be guilty of the sort of economic aggression on other people that we might not be able to defend at Geneva or anywhere else. I think we can justify the level of payment that is envisioned here, though I am not prepared to defend arbitrarily any particular level. I think there is a formula that can be devised, if the one in the so-called Cooley bill is not accurate that probably can correct the inequity. I think that is all that we are justified in asking for now.

The CHAIRMAN. The correction would mean, as I understand you and as I understand other witnesses who have testified before the House, to make it so that the price of cotton to domestic mills and to foreign mills would be more or less equal.

Mr. NEWSOM. That is right.

The CHAIRMAN. Are there any further questions to be asked of Mr. Newsom?

Senator TALMADGE. Mr. Newsom, I regret I had to leave the room temporarily during the preliminary part of your testimony. As I understand the situation now, and I think you agree, we have three problem areas here. One is the farmer, the other is the taxpayer, the third is the textile industry. Would you agree with that?

Mr. NEWSOM. That is right.

Senator AIKEN. Consumers.

Senator TALMADGE. And the consumers, of course, have to pay probably higher prices for the finished product than they would if the raw material were cheaper. The program that we have at the present time as you know envisions the Government's becoming a pawnbroker for farm commodities. The farmer pawns his commodities to the Government if the price gets below the price support; is that not correct?

Mr. NEWSOM. That is right.

Senator TALMADGE. Then the government is not only stuck with the price support program but also the warehouse charge, the shipping charge, the selling charge, and the giving away charge; is that not correct?

Mr. NEWSOM. That is correct.

Senator TALMADGE. In addition to that you have to have a swarm of bureaucrats to supervise these extraneous activities, do they not?

Mr. NEWSOM. Well, I wouldn't use quite that language.

Senator TALMADGE. At least individuals to supervise the program. We will make it more polite.

Mr. NEWSOM. Yes.

Senator TALMADGE. And then when they get ready to sell the product, if it goes overseas, they have to have a subsidy to export it into a foreign market, do they not?

Mr. NEWSOM. That is right.

Senator TALMADGE. And then if a cotton mill spins the cotton into cloth and sells it, there has to be a subsidy to export the cloth, does there not?

Mr. NEWSOM. I am not too well versed on that, but, generally speaking, I understand that is an accurate statement.

Senator TALMADGE. So we have price supports to the farmer, we have the Government engaged in these extraneous activities, and then we have subsidies in trying to market the product on the world market.

Mr. NEWSOM. Right.

Senator TALMADGE. Wouldn't it be a whole lot simpler and much cheaper and more economical to restrict the subsidy direct to the farmer and get the Government out of those extraneous activities.

Mr. NEWSOM. On that basis the answer to your question is "Yes." But there are other considerations in this, Senator, that with all appropriate respect to the proposals of this type, I would like to call to your attention and to the attention of this committee.

I believe that in going that route, you will be placing the cost of increment to the income of producers in agriculture at any level above the closest thing that we ever expect to have any more to a free world market level.

I say you would be placing the cost of the increment on taxpayers without any regard to whether those individuals as taxpayers ever consume any portion of that product. Now, to me this is unacceptable. It is unacceptable especially in an era of unprecedented prosperity in our total economy, because I believe that the consumers, as differentiated from taxpayers in this case, should be prepared to pay a reasonable price level in our own primary market for that which they consume.

You see, this takes us immediately to the fundamental of our total Grange format for farm programs.

We believe that it is entirely appropriate and consistent with our American system that we use marketing orders and agreements or certificates, Mr. Chairman, with which you have long been familiar in the case of rice and wheat, for example.

In other words, design individual programs with devices for getting from the consumers in our primary market in proportion to the volume of the class 1 milk or of the wheat for bread or macaroni or of the oranges for primary citrus, that they consume as consumers, not as taxpayers.

Then they have a right to determine whether or not they are going to pay for the maintenance of the marketing order in milk or a wheat certificate program that the Grange has long proposed. If you put the cost of that certificate on the eventual processor or user of the commodity, you have not violated any fundamental in American philosophy as I understand it.

If on the other hand you ask that same individual as taxpayer to pay for the cost of the direct payments, he has no choice in the matter as to whether he is going to consume the products. Now philosophically we believe in our base surplus pricing structure. This is why we had such great enthusiasm for the Proxmire bill that was passed by the Senate. We are frankly still hoping that somehow or other we can get your contemporaries in the House to recognize that it is unreasonable to compel a producer in a milk marketing order to produce surplus milk at a loss in order to maintain his quota for class 1 milk. This doesn't make any sense to us.

The Proxmire bill would correct that. I am saying that this is the direction that the Grange believes we must go. We have great respect for the accuracies of the positive answer to the question that you ask. But we believe there are some other questions in this that mitigate against your recipe.

Senator TALMADGE. Let me get back to the original question. Doesn't the taxpayer pay the cost of these subsidies that we are talking about?

Mr. NEWSOM. Sure.

Senator TALMADGE. Wouldn't the taxpayer also pay the cost if you paid the subsidy to one man; to wit, the farmer?

Mr. NEWSOM. That is exactly right, but this doesn't make it acceptable to the Grange.

Senator TALMADGE. That is the question I asked you. You and I are agreed on what would be the simplest and most economical method.

Mr. NEWSOM. That is right.

Senator TALMADGE. Now we agree that taxpayers would pay both of them?

Mr. NEWSOM. I think there is a more economical method, and it is the one that was proposed by President Eisenhower some years ago, but which the President referred to as unconscionable and you will recall that that was to haul the surplus out in the Atlantic Ocean and dump it. I think I agree with the former President on both counts.

That would be the cheaper way. It would be even a cheaper way than your way but I think it is unconscionable.

Senator EASTLAND. Does the taxpayer pay all the subsidy? You have got a market. Cotton that is bought at the prevailing price in this country, manufactured and sold, that part of our domestic consumption, which is practically all of it, is paid for not by the taxpayers but by consumers, isn't it?

Mr. NEWSOM. That is exactly right, but I think basically the assumption by the Senator was relatively accurate. You make a very valid point, of course.

Mr. CALDWELL. I wonder if I may make a comment, Senator, on the question that you raise. No. 1, historically the Grange has preferred for the farmer to receive his income from the price level of his products.

We have not ruled out in our statements of policies the possible use of direct payments to farmers under some circumstances. But we do not put it very high on the list of devices that we would use, for the simple reason that if you adopt that policy, the price level for cotton automatically drops to the world level or whatever levels happen to prevail in the free and open market. The farmer is then dependent entirely upon each session of Congress for appropriations to offset whatever may be determined.

Senator TALMADGE. Isn't he now?

Mr. CALDWELL. I wanted to just follow through, if I may.

Senator TALMADGE. Answer that question. Isn't he now?

Mr. CALDWELL. Not for payments.

Senator TALMADGE. It replenishes the CCC.

Mr. CALDWELL. It replenishes the CCC, but the price level is preserved, the price that the farmer receives is preserved. If you permit the price level to drop, and then you reach a point somewhere along the line where appropriations are not made, you have made it almost impossible——

Senator TALMADGE. Suppose it has the same loan provision in the bill that you have now.

Mr. CALDWELL. I would underscore "almost impossible to ever get that price back up again."

Senator TALMADGE. Suppose the bill has a loan provision just as you have now. Wouldn't you have exactly the same situation existing that you now have?

Mr. CALDWELL. Of course you are raising a question about particular provisions in legislation here.

Senator TALMADGE. I am asking you a question and asking you to answer it.

Mr. CALDWELL. Will you please state the question again?

Senator TALMADGE. Suppose you have a loan provision in the permanent legislation. Wouldn't you have the same situation in existence that you have now; to wit, the farmer could put his cotton in a Government warehouse, the Congress would have to appropriate the money to take up the CCC losses.

Mr. CALDWELL. We prefer in the Grange——

Senator TALMADGE. You didn't answer the question.

Mr. CALDWELL. You may have a similar situation in terms of Government costs, but we would prefer——

Senator TALMADGE. I am talking about an identical situation with reference to Congress. That is the point you make. If you have a loan provision in either law, you would have the same situation. Then the Congress would have to appropriate money to make up the loss if any to CCC. That is the point I am making. You are getting off on a tangent.

Mr. CALDWELL. I am trying not to get off on a tangent, Senator. I am simply saying that we do not prefer to see the payments made to the producers. As an organization we do not place that provision high on the list of techniques that we would use.

Senator TALMADGE. Do you object to the Sugar Act?

Mr. CALDWELL. We have not objected to the Sugar Act.

Senator TALMADGE. Have you objected to the Wool Act?

Mr. CALDWELL. We have not.

Senator TALMADGE. Have you supported both?

Mr. CALDWELL. We have supported both.

Senator TALMADGE. Then you do support payments to the farmer, don't you?

Mr. CALDWELL. We do under circumstances as I said a moment ago that we do not rule out the possibility of payments in the Grange, direct payments to producers. We do not place it high on the list of priorities that we would use. We prefer to see that income received from the price in the market rather than direct payments to producers.

Senator TALMADGE. So would I, but you wouldn't want to reduce that price support to 24 cents, would you?

Mr. NEWSOM. If I may, Senator, I would like to say that we have supported the provisions in the Wool Act and we have supported the provisions in the Sugar Act.

Senator TALMADGE. Yes, sir.

Mr. NEWSOM. But these are examples typical of the sort of programs that I was trying to outline basically a while ago. I might just as well have referred to either of these, you see, as to have made my reference to our proposed wheat certificate or to marketing orders under a base surplus pricing philosophy.

The point is that through mechanisms that you perhaps know a great deal better than I, we are using the wool program and the sugar program to get the funds for the payments out of the marketplace, out of the consumers or users of products, as I tried to outline a moment ago. This is why we like those programs rather than to have had these payments come directly out of the Treasury of the United States without any regard to where they come from.

Those are excellent programs.

Senator TALMADGE. I would agree of course that we would much prefer that all commodities stand on their own bottom, and that the law of supply and demand prevail at all times. But I think you and I as farmers, realize that at the present time not all of our farmers, and particularly our small farmers who are hillside farmers, non-irrigated, can produce cotton at the world market price and survive.

The question then arises as to what is the best, the most efficient, the cheapest method of supporting this commodity and at the same time doing the least violence to the Treasury, the taxpayer, the farmer, the textile industry, and the textile worker. That is the problem that we must solve.

Mr. NEWSOM. Mr. Chairman, I would like to say to the Senator that at the appropriate time I would be delighted to get into this fuller discussion.

We had accepted the general impression in conformity with your opening statement, that this was not the purpose here, and our statement has been predicated on the basis of our understanding of this hearing.

But to these remarks I think we would be delighted to engage privately or with the committee at any opportunity that may present itself.

The CHAIRMAN. Mr. Newsom, you were advised of course that this committee would consider testimony on all bills pending before us.

Mr. NEWSOM. Yes.

The CHAIRMAN. And one of the bills pending of course is the so-called Talmadge bill which deals with compensatory payments.

Mr. NEWSOM. Yes.

The CHAIRMAN. It was the intention of the committee to have some testimony as to that bill, to see if we could make any part of it fit into the program that we now have on the statute books.

Mr. NEWSOM. Yes, sir.

Senator TALMADGE. I have no further questions, Mr. Chairman.

The CHAIRMAN. Let me ask you this—

Senator TALMADGE. The witness has other engagements.

The CHAIRMAN. Let me ask you this. There is no doubt but that the larger farmers can produce cotton more cheaply than the smaller ones. They have the equipment, laborsaving devices and what have you. Would you have any objection to having a provision in the present law, the 1958 act, whereby on the first 10 or 12 bales, all cotton producers would receive let us say the prevailing price of 32.4, whatever it is.

Senator TALMADGE. 32.47.

The CHAIRMAN. And have a price support of say around 30 cents for all cotton, instead of the 32.47 that now prevails, and through a payment-in-kind, we could assist these small farmers who produce up to 10 or 12 bales, have that on say a 2-year basis and see how it works. That would have the tendency of reducing the cotton price to the domestic mills and it would reduce the subsidies to foreign mills. What would you think of a provision of that kind in the bill, in addition to the one I told you a while ago, of giving the domestic mills a cheaper rate on cotton, provided that they increased the use of cotton?

Mr. NEWSOM. Mr. Chairman, I am here as master of the National Grange, and I would say first of all that if there has ever been any affirmative action of the Grange in support of this sort of a scaling of the support level, I don't recall its ever having been on the record.

It is not now a part of the official Grange program, and I don't know whether you want any personal opinions on this or not.

The CHAIRMAN. We are looking for all the light we can, whether it is from the Grange or you or anybody, because as I said a while ago, unless we can work out some kind of legislation that is somewhat in

keeping with the law that we now have on the statute books, there won't be any cotton bill passed in my opinion.

In other words, if we change the program as a whole, let us say go to the so-called Talmadge bill, if we go into that, why I don't know what the House would do nor do I know what the Senate would do, but I do know this. That we would have to have much more time to enact such legislation than to take the present law and simply add two sections to it to accomplish what I am talking about. That is make it possible that the smaller farmer would receive a fair price for the cotton, and reduce the overall support price.

Mr. NEWSOM. I would say that our discussions have recognized the sociological and some economic aspects that mitigate in support of this sort of a philosophy. But we have never been able to accept it as an organization, and I should like to say to Senator Talmadge in pursuit of the subject matter of a moment ago that we certainly would welcome an opportunity to pursue this discussion. But our position now was predicated on a feeling very comparable to that expressed by the chairman.

Having gone through the discussions in the Senate and in the House during the first session of this same Congress, we just felt that we would have to limit our recommendations to this committee under these circumstances to a minimum modification of existing law if we were going to get any relief from the current situation and bring agriculture more or less into conformity with the direction of the total economy or the hoped for direction of the total economy.

We have all the time in the world for this, but we were given instructions or the impression at least that our presentation here this morning should be predicated on this assumption, Senator.

I apologize if I inferred anything else.

Senator TALMADGE. That is entirely all right. There is one thing I would like to call to your attention as a representative of a great farm organization.

Our agricultural policies have put the farmer in a straitjacket and has resulted in this situation with reference to cotton. I am sure you know this. In 1929 the United States produced 14,825,000 bales of cotton, which was slightly over half of the world production of 26,860,000 bales. In 1962, we produced 14,863,000 bales, which was just slightly more than it was 33 years ago.

In that same span of time world production jumped to 49,600,000 bales, or an increase of over 100 percent. If you are talking about maintaining that same policy, that means you are going to continue to plow under the little farmers that you and I represent, and plant more cotton all over the rest of the world and no more in North Carolina, Georgia, and elsewhere.

Mr. NEWSOM. Senator, I couldn't agree with you on anything any more completely than I do on the statement that you have just made.

Senator EASTLAND. And Mississippi.

Mr. NEWSOM. I would point out that the wheat situation in this same period of time is even more graphic than the situation with respect to American cotton production as related to the world cotton production. I would quickly say, and I am sure that the Senator knows, that this is a part of the evolution and development in the world. But I think the unwise programs that we have had to some extent perpetuated longer than the Grange felt that they should

have been perpetuated have aggravated this situation to which you refer.

Senator EASTLAND. Could I ask Mr. Caldwell a question?

The CHAIRMAN. Are you through answering the question?

Mr. NEWSOM. I was going to say the only difference of opinion that I have with the Senator is as to the way in which we should correct the program.

The CHAIRMAN. Senator Eastland.

Senator EASTLAND. Mr. Caldwell, you said that if we went to a system of compensatory payments, that the cotton market would fall to the world price. Did I understand you correctly?

Mr. CALDWELL. I think that is reasonable to assume.

Senator EASTLAND. Yes. I do too. Now, that world price is below the cost of production in the United States, isn't it?

Mr. CALDWELL. It certainly is so far as we understand it is well below the cost of production.

Senator EASTLAND. Then how could we get expanded production if our costs to the farmers who are going to have to produce cotton have to produce it at a loss?

Mr. CALDWELL. Personally, and speaking for the Grange, of course, the Grange believes that we must try to find ways to preserve the income of farmers. It was for that reason that I made the statement that I did earlier here today. I would like to supplement that statement to this extent in dealing with the question that you were raising there just a moment ago with Mr. Newsom. You were talking about the use of the payment program and so on, again to point out that the Grange does not rule out that as a possible device in dealing with the problem. We do not believe that it offers the best answer to the cotton problem. That is the position that the delegate body has taken in the National Grange.

Senator TALMADGE. What does offer the best answer? That is what this committee is trying to seek.

Mr. CALDWELL. That is what Mr. Newsom presented to you here as their conclusions.

Senator TALMADGE. Unfortunately I didn't hear his testimony but I read it and I didn't get anything specific. Do you favor us reducing the price supports? If so, how much?

Mr. CALDWELL. Reducing the price supports as we develop ways of cutting costs of production.

Senator TALMADGE. Wait a minute, that is nebulous, vague.

Mr. CALDWELL. I didn't say vague. I said as we find ways——

Senator TALMADGE. What do you think this committee should do now? What is your remedy for this cotton dilemma? You have rejected mine. I want yours.

Mr. CALDWELL. I don't think Mr. Newsom rejected any particular proposal. I think he was pointing up to you certain basic fundamental principles that ought to be included in the program.

Senator TALMADGE. Tell me what they are.

Mr. CALDWELL. Those are presented in the statement which he presented.

Senator TALMADGE. I read that but I didn't get anything that we can write a bill on.

Senator EASTLAND. Let me ask you this to finish my question. The world price is below the cost of production, and the farmer when

he goes to a bank to get finances to make a crop, he has got to look to a payment from the Government to pay that bank, hasn't he?

Mr. CALDWELL. That is right.

Senator EASTLAND. Now is that a bankable transaction? Is the banker going to take that? You know we passed the appropriations act in December. How would you finance such a cotton program?

Mr. CALDWELL. We pointed out the uncertainties that would be involved under a production payment program are of such consequence that we do not favor its use except under very unusual and extreme circumstances.

The CHAIRMAN. Senator Aiken.

Senator AIKEN. I was going to ask one very short question that can be answered quickly. Could the domestic mills use an appreciable increased amount of cotton without reducing consumer costs? Do you anticipate that if the mills got their cotton for 8 cents less than they do now they would reduce consumer costs substantially?

Mr. NEWSOM. I don't know that that was my estimate. It would seem logical, but I don't know the textile business.

Senator AIKEN. Would they use more cotton if they didn't?

Mr. CALDWELL. I think the cost of the cotton is a factor in the cost of the goods. Of course there are a great many other factors.

Senator EASTLAND. It is a factor in heavy goods.

Senator AIKEN. If we are putting up \$400 million in money, who would get the benefits? Would it be the producer, the consumer, or the mills? Aren't the mills destitute at the present time? Are they showing a loss in earnings in the last few years, this year over last year?

Mr. NEWSOM. I would say, Senator, I don't know that our testimony on that would be worth much to the committee because I expect you have more complete information than we have. But I don't know that there is any evidence on the basis of the operating statements of the mills that they need this sort of payment. This was not our contention, however; our contention is that their utilization of cotton is going to decline by reason of the competitive influence of the foreign textile mill, arising out of the lower priced cotton that they get. And we think we have to stop.

Senator AIKEN. Then if the domestic mills got 22-cent cotton they wouldn't need any further protection by way of quotas or duties, would they, the world price being 24 cents?

Mr. NEWSOM. My impression in the answer to your question is yes they would not.

Senator AIKEN. Then consumer costs would come down by reason of competition.

Mr. NEWSOM. I think so but I have been surprised at what consumer costs don't do a few times.

Senator JOHNSTON. Let's keep the record straight. There is more that enters into it than just the price of the cotton. You have got the price of the labor. You have got the price of the machinery and all those things enter into the cost. And you find now in the United States that a great many mills are buying Japanese machinery because they can buy it much cheaper and bring it all the way over here, although they can manufacture it here. So all those things enter into the costs that we have to acknowledge.

Mr. CALDWELL. Mr. Chairman, may I make just one comment here. The suggestion was made here a few moments ago that seemed to convey the idea or the impression that the present dilemma of the cotton farmers may stem from the cotton program, the farm programs. I would like to say in my judgment that most of the farm programs grew out of the various pieces of legislation changes in the economic system that put the farmer at a great disadvantage in the marketplace in handling his products.

The farmer is not responsible for the minimum wage legislation which has had a profound effect upon processing and handling costs. The farm program is not responsible for other things that have been done by Government, rightly or wrongly over the years, all of which were intended to strengthen the total economy of the country. It seems to me to be a mistake for us to leave the impression that the present plight of the cotton farmer may be the result of the cotton program.

I think there are other factors, Senator, that have made these programs necessary as a means of offsetting some of the advantages that have been given to others which became disadvantages to the cotton farmers themselves.

Senator JOHNSTON. Then we have to acknowledge that the billions of dollars we have spent in other nations teaching them how to grow cotton, wheat and other things has brought some of this about, too?

Mr. CALDWELL. That is correct.

The CHAIRMAN. Any further questions?

Senator JORDAN. Mr. Chairman, I think I can answer the question that Senator Aiken asked awhile ago when he said would the consumer benefit if this price were adjusted downward.

He would get it all. The cotton mills wouldn't get one particle of it. The competition would automatically reduce it.

Now it has been testified before this committee that with the inventory—that is, of open cotton and finished goods—and the stock of the textile plants and other people who have it, who would not receive any payment for that, because it doesn't go beyond the bale, that there would be an immediate drop of about \$125 million to the textile plants and a loss in inventory right then, because the price would automatically drop at least eight and a half cents a pound. Now if it drops about 6 cents, it has been estimated it would be about \$75 million. But competition will not let a textile plant of any description make eight and a half cents a pound.

They wouldn't run but about 2 years and then all go to Europe and live on the Riviera and have a good time.

The CHAIRMAN. Any further questions? There is another phase of the cotton program, and that is diversion payments. You didn't touch that. What do you think about that?

In other words, as you know, the minimum acreage of cotton under the law is 16 million, and then 300,000 acres to adjust for the small farmer. Would you suggest or favor a program whereby the administration would be authorized to pay, let us say, a farmer for not producing cotton half of what he would make on the acreage to keep it out of production so as to reduce surplus?

Mr. NEWSOM. Our short-term position, which again is the one that was given attention at our session in Portland, Oreg., last November, is not predicated on the use of any payments for diversion.

The CHAIRMAN. Thank you.

Mr. NEWSOM. Thank you, Mr. Chairman.

The CHAIRMAN. The next witness is Mr. Bracey.

Before you start, I didn't see Senator Long of Missouri in the room, and he has left with the clerk a statement that he desires to have placed in the record at this point. Without objection it will be so ordered.

(The document referred to follows:)

STATEMENT FILED BY HON. EDWARD V. LONG, A U.S. SENATOR FROM THE STATE OF MISSOURI

On behalf of the cotton producers of Missouri I wish to thank the committee for undertaking these hearings to consider new cotton legislation.

That the American cotton industry has problems is a most familiar statement to all of us in Congress. The present difficulties of the cotton industry have generally been found to stem from a competitive disadvantage which the American textile manufacturer finds himself is due to the higher domestic cotton support price as compared to a much lower world price. The domestic manufacturer has had to compete with the finished product of the foreign textile manufacturer who is able to purchase at the lower world price. This situation has created the problems of a lessened demand for U.S. cotton, lower income for domestic cotton producers, and an increase in the size of our Federal cotton stockpile.

Mr. Chairman, the cotton producers of Missouri have problems, too, and I would like to briefly address the committee on the situation in my State. Under the existing cotton programs, we in Missouri are one of six States which plant approximately 98 percent of our allotted cotton acreage.

Unlike some of the other cotton-producing States, which have thousands of acres of unused cotton allotments each year, Missouri producers must stay within their basic farm allotment. The Missouri cotton producer is gravely concerned about the apparent direction in which new cotton legislation may be heading. We recently witnessed the adoption of new cotton legislation in the House which has a major provision, a new price support formula which, if adopted, will drastically reduce cotton producer income in States such as Missouri as well as pose serious consequences to the State's economy. To be acceptable, this provision would have to be accompanied with a corresponding acreage increase. It is the feeling of the Missouri cotton producers that the greatest need to be met by new cotton legislation would be a more equitable distribution of present cotton acreage allotments. In fact, if given the authority, Missouri producers would favor and strongly support new legislation which would permit them to produce additional cotton to compete on the world market and without any cost to the Federal Government.

I appreciate the committee's courtesy in permitting me to make this brief appearance and hope that my remarks as well as those of Mr. Hilton Bracey, executive vice president of the Missouri Cotton Producer's Association who will appear before you will be given your considerate attention.

STATEMENT OF HON. STUART SYMINGTON, A U.S. SENATOR FROM THE STATE OF MISSOURI

Senator SYMINGTON. Mr. Chairman, it is my privilege this morning to present to you and the members of this committee Mr. Hilton Bracey, executive vice president of the Missouri Cotton Producers Association.

Mr. Bracey has been a student of the problems in the cotton industry for many years. I have read the presentation which he will make to the committee and would hope that the members will find much of merit in it, as I did.

From the standpoint of the Missouri cotton producers, I would emphasize in particular two points Mr. Bracey makes in his statement:

1. That the present serious inequities in the distribution of individual cotton acreage allotments should be reduced through—

a workable individual producer choice plan whereby an individual producer could participate in price support and acreage control programs according to his individual needs and conditions.

2. Elimination of the inequity between domestic and foreign prices of U.S. cotton.

Unless progress can be made toward accomplishing these two objectives, Missouri cotton industry representatives believe that the House-passed bill leaves much to be desired and would be of little or no help without perfecting amendments. I also ask for your consideration in this regard.

I am very grateful to you, sir, for letting me make my statement.

The CHAIRMAN. Mr. Bracey, you have already been introduced to the committee by Senator Symington who had to leave in order to go to a committee meeting.

Do you have a prepared statement?

**STATEMENT OF HILTON L. BRACEY, EXECUTIVE VICE PRESIDENT,
MISSOURI COTTON PRODUCERS ASSOCIATION, PORTAGEVILLE,
MO.**

Mr. BRACEY. Yes, I do.

The CHAIRMAN. Do you wish to put the whole statement into the record and hit the highlights or do you prefer to read it?

Mr. BRACEY. If you don't mind let's start off reading it.

The CHAIRMAN. Proceed.

Mr. BRACEY. For the record, Mr. Chairman, my name is Hilton Bracey, here as a representative of the Missouri Cotton Producers Association of Portageville, Mo.

First of all we want to express out thanks to you and to the committee. The Missouri cotton producers appreciate your interest in the cotton farmers. In line with your request we will forego any reference to the ramifications of the present cotton situation and just touch on the House-passed bill, and S. 1190, if that is agreeable.

Domestic PIK—The first provision of H.R. 6196 authorizes and directs the Commodity Credit Corporation for the period beginning with enactment of the bill into law and ending July 31, 1967, to issue payment-in-kind certificates to persons other than producers to eliminate inequities due to differences in the cost of raw cotton between domestic and foreign users of such cotton.

The Secretary of Agriculture would determine the payment rate and designate a particular segment of the cotton trade to receive the payment. We are in complete accord with this provision of the bill.

There appears to be general agreement on the desirability for payments-in-kind to the domestic cotton trade to permit a reduction in the price of U.S. cotton to domestic users without penalizing the income of cotton producers. It is important to note, however, that agreement has not been reached on (1) the rate of the payment and (2) which segment of the cotton trade should receive the payment. Due to the absence of agreement on these two points, we strongly feel that the decisions involved should be left to the discretion of the Secretary.

AMOUNT OF EQUITY

With respect to the rate of domestic PIK payment, we wish to stress that the real difference or inequity between domestic and foreign

prices is the delivered price of U.S. cotton at the domestic mill door as opposed to the delivered price of U.S. cotton to the foreign mill. The difference has never been, is not now, nor is it likely in the future to be exactly the same as the export subsidy rate as some groups say it is. There is an average added cost of at least 3 cents per pound or \$15 per bale in transportation costs, insurance, brokerage fees, and other charges that foreign mills must pay to get U.S. cotton that is over and above the price paid by domestic mills. These additional costs to foreign mills mean that the actual difference or inequity is the domestic price level less some 3 cents per pound or roughly 5½ cents at prevailing price levels.

The attached table showing weekly and monthly average prices of Middling 1-inch U.S. cotton, c.i.f. specified world import markets, from April 4, 1963, to January 16, 1964, was prepared by the Foreign Agricultural Service of the U.S. Department of Agriculture. This table shows (1) that the price of U.S. cotton in world markets is considerably above our export sales price of 24 cents, and (2) that the price of such cotton has decreased rather sharply during this period. To this price that I have quoted here there will have to be another 100 points added as additional freight and brokerage fees and what have you. So these figures are really 100 points under the actual price as to what they must pay to get the U.S. cotton at the door.

The FAS also informally reports that U.S. cotton is being offered in world markets about 1 cent per pound under the price of competing foreign growths.

TRANSPORTATION COSTS

According to a study made by the American Cotton Shippers Association it costs \$30.45 a bale to get cotton from Memphis to Bremen via gulf ports as against \$12.30 a bale to get it from Memphis to group B mills (Carolina)—a difference of \$18.15. It takes \$31.95 a bale to get cotton from Dallas to Bremen, against \$14.90 a bale to get it from Dallas to group B mills—a difference of \$17.05. From Fresno to Bremen it takes \$32.55 a bale, against \$18.35 to get it from Fresno to group B mills—a difference of \$14.20. To get the same cotton from Fresno to Osaka it takes \$32.30 a bale—\$13.95 more than to group B mills.

I might add I checked these figures with Mr. Ned Cook of Cook & Co. of Memphis, Tenn., last Thursday, and he vouched for the accuracy of them.

He is also a member or official of the American Cotton Shippers Association.

Government price support levels vary with the location of cotton throughout the Cotton Belt. For example, the CCC support level in Charlotte, N.C., is 33.51 cents per pound against a support level in Memphis, Tenn., of 32.74 cents—a difference of \$3.85 per bale. In Fresno, Calif., the support price is 31.70 cents per pound as compared with Charlotte, N.C., support level of 33.51 cents per pound—a difference of \$9.05 per bale. Freight differentials have always been reflected in both the CCC loan level and the market price of cotton within the continental United States. Freight differentials as well as other transit charges are a part of our marketing system. Such charges are just as real and just as much a part of the marketing system between domestic and foreign points as they are within our domestic boundaries. If they are ignored, as some groups claim they

should be, in the establishment of the domestic subsidy rate the result would create still another and different inequity as domestic textile mills would then have some 3 cents per pound price advantage over foreign mills.

AFFECT EXPORTS

As you no doubt know, before H.R. 6196 was amended in the House it would have been mandatory beginning on August 1, 1964, for the domestic subsidy rate to be the same as the export subsidy rate. In addition to the reasons which we have already discussed, we fear that a mandatory requirement of this nature would in effect place a ceiling on the export subsidy rate. The built-in cost factor of such a requirement would make an increase in the export subsidy rate prohibitive even though it should become necessary, as the Secretary would be required to increase the domestic subsidy by the same amount. Under such circumstances export sales of U.S. cotton might be lost, and the advantages of the domestic subsidy would be severely limited or nullified altogether.

A requirement making the domestic subsidy rate the same as the export subsidy rate would increase Government costs and doubtlessly result in lower income to cotton producers. As cotton producers, we do not relish the idea of a cut in income that would be necessary to give preferential treatment to domestic textile mills, and as taxpayers, we do not believe that public funds should be used to provide such treatment for any segment of our economy.

On the question of which segment of the cotton industry other than producers themselves should receive the domestic subsidy payment, we have no particular preference. Due to the need for an objective and impartial appraisal of the many ramifications involved in such a determination, however, we again stress that it should be the responsibility of the Secretary.

The CHAIRMAN. I presume that you favor the so-called Jones amendment?

Mr. BRACEY. Yes, sir.

The CHAIRMAN. Which would leave it to the Secretary of Agriculture?

Mr. BRACEY. That is correct.

The CHAIRMAN. To fix the amount of subsidy to be paid to the domestic mills if Congress should so decide?

Mr. BRACEY. That is right, sir, to eliminate the inequity, whatever it happens to be.

The CHAIRMAN. Before you proceed, assuming that the cost to the taxpayer would be say \$30 a bale instead of \$42.50, to what extent would that increase the use of cotton by domestic mills? Assuming that the Secretary would decide to differentials in payments to the domestic mills should be \$30 a bale, to what extent do you believe that such a differential would increase the use of domestic cotton?

Mr. BRACEY. It would be a 6-cent-per-pound price reduction, and on the basis of a formula that is floating around in the Department of Agriculture and in the trade and just generally discussed, for each 1 cent per pound reduction in price, we could expect a hundred thousand bale increase in off take, that is in domestic off take. So your 30 cents per pound would be expected to give us a 600,000-bale increase on that basis.

The CHAIRMAN. A 600,000-bale increase?

Mr. BRACEY. Yes.

The CHAIRMAN. And that 600,000-bale increase would cost taxpayers let's say for last year, if that had been in effect——

Mr. BRACEY. \$180 million.

The CHAIRMAN. We consumed 8.6 million; \$30 on that, that would be \$258 million, and then on the extra 600,000 bales, that would be \$18 million, or a total of \$276 million. Do you think that would be a fair price to pay to get just 600,000 bales of cotton to be consumed by the domestic mills?

Mr. BRACEY. Well, there is just one other point that should be considered.

The CHAIRMAN. Just answer that question.

Mr. BRACEY. No, but there would also be a savings in markets we already have, Mr. Chairman. In other words, we are going to lose markets unless something is done.

The CHAIRMAN. What markets are we going to lose?

Mr. BRACEY. Domestic markets, I mean the trend is down.

The CHAIRMAN. You mean by using synthetics?

Mr. BRACEY. Yes.

The CHAIRMAN. I have heard that story for 26 years, since I have been here 27 years.

Mr. BRACEY. I have too, sir.

The CHAIRMAN. We have lost some.

Mr. BRACEY. Yes.

The CHAIRMAN. But I don't believe it has been as great as those who alleged that.

Mr. BRACEY. I agree with you entirely.

The CHAIRMAN. It has been fluctuating. You can see the use of cotton here has been 9 million bales, this year it has been 8,600,000.

Mr. BRACEY. We are up to the 10-year average in year. That doesn't mean we are where we want to be but we are still in better shape than we might have been.

The CHAIRMAN. I understand but it strikes me offhand it would be a terrific price for the taxpayers to pay, that is this extra \$276 million, to get about 600,000 bales more of cotton used. It wouldn't help anybody in my opinion.

Mr. BRACEY. Well, it might not, sir, but I still think we should consider the amount we might save as well as what we might increase in that determination.

Research—section 3 of H.R. 6196 authorizes an annual appropriation up to \$10 million for cotton production research. This is certainly a sound and desirable feature of the bill. However, in view of the rapid buildup in surplus cotton stocks, and the need for holding and discovering new markets for cotton, we do not believe this section should be limited to production research. We urge it should be amended to include utilization research as well. The need for research into new uses for cotton, and into newer, better, and cheaper methods of production, harvesting, ginning, and processing cannot be emphasized too much.

CCC SALES PRICE

Under section 4 the CCC would be authorized to reduce the minimum sales price of cotton for unrestricted use to 105 percent

of the effective loan rate plus carrying charges as opposed to the current minimum sales level of 115 percent of the effective loan rate. The desirability of this provision depends almost entirely upon the domestic price support level. If the loan is continued at a level that would adequately protect farm income, the subject provision could serve a useful purpose as it would place more emphasis on normal marketing functions. Concurrently, if the loan level is set below the level necessary to protect farm income, the lower sales price would endanger farm income and would be highly undesirable.

FIFTEEN-BALE PROVISION

Another objectionable and unworkable feature of H.R. 6196 is the provision which authorizes the Secretary to increase the price support level on not to exceed 15 bales of each farmer's production within the farm allotment in 1964, 1965, and 1966 to a level not more than 10 percent above the general support level, but not to exceed 32.45 cents per pound. This provision is a poorly disguised limitation on price support eligibility to individual producers which is opposed by all bona fide cotton producer organizations. In addition to establishing a highly undesirable precedent for cotton price supports, it would be impossible of responsible administration. It would permit some producers (with more than one ASCS farm contract) to get the higher support level on each of several farms. In other cases the 15-bale higher support level would have to be divided between several producers on a farm covered by a single contract.

Apparently this provision was put into the bill with the idea that it would help the very small producer. In actual operation, however, it could not accomplish this objective as it would seriously complicate the cotton price support program for all producers, both small and large. We contend that a healthy cotton industry depends upon fair and equitable treatment of all producers. All producers complying with the cotton production control program (excepting those that receive "bonus" allotments through release and reapportionment) make proportionate adjustments to qualify for price supports. The larger the producer the more he has to adjust and the more he has to surrender to qualify. We strongly urge that this provision be eliminated in its entirety.

The CHAIRMAN. As you know, or as I have been told, the highest price of cotton was suggested because it is rather difficult for small farmers to produce at less than 32.47, which is now the rate.

Mr. BRACEY. Yes, sir.

The CHAIRMAN. Instead of having the provision as you have just read it in the Cooley bill, the so-called Cooley bill, which you favor, that the cotton price be made at a certain level, retaining the parity concept at say 30 cents, and for the first 10 or 15 bales of cotton let all producers receive by way of payments in kind the difference between the 30 cents, if that be the support price, and the 32.47.

Mr. BRACEY. That would certainly be preferable to the provision in the Cooley bill or the 15-bale provision, sir.

The CHAIRMAN. Would you favor an amendment that the textile mills pay what they are now paying on the average amount of cotton they consumed in the past, and then if they use more than that

average, reduce the price of cotton say by 6 cents, 10 cents, or whatever the Secretary of Agriculture may deem wise, in order to encourage the use of more cotton over and above the amount they ordinarily use?

Mr. BRACEY. We think that idea has a lot of merit, Mr. Chairman. However, we would prefer the approach that is taken in the Cooley bill, that is the Jones amendment.

The CHAIRMAN. In other words, you would prefer making it apply to all cotton.

Mr. BRACEY. That is correct.

The CHAIRMAN. Irrespective of cost.

Mr. BRACEY. That is what it amounts to.

The CHAIRMAN. Thank you.

Senator JORDAN. Mr. Chairman, may I ask him a question at this point?

The CHAIRMAN. Surely.

Senator JORDAN. Mr. Bracey, you said that it would be in your opinion, or in the opinion of your association, impossible for the Government to keep up with the payment to the small producer up to the 15-bale acres. Why do you say that and why do you think it would be so hard to keep up with that?

Mr. BRACEY. It could be done, there is no question about it, but the House passed bill would not do it. That is really what I mean, sir. According to the view of the Department, and this has of course been given to us informally, but they say with the change in the Cooley bill, the provisions of the Cooley bill would mean that any man who may have we will say 5 contracts would be eligible for a price support on 75 bales, and concurrently several men on 1 farm with 1 contract, you might have to divide the 15 bales between 10 people. I don't think that is responsible administration. You could do it but I don't think the end results are responsible. That is really what I mean.

The CHAIRMAN. That could be remedied very easily in the bill.

Mr. BRACEY. It could be; yes.

The CHAIRMAN. What you are talking about I presume is under this acreage grouping, where say five farmers that had a 5-acre allotment, one man picked up all the allotments, he could claim five 5's.

Mr. BRACEY. Yes.

The CHAIRMAN. But that could be very easily taken care of in the bill.

Mr. BRACEY. It would need to be.

The CHAIRMAN. I agree with you on that, it should be.

Mr. BRACEY. I just want to point out as it passed the House it was not taken care of.

The CHAIRMAN. You may proceed, Senator.

Senator JORDAN. How do you mean to stimulate the manufacturers using 600,000 more bales of cotton unless you do something to keep other countries from piling the cloth into the United States, when at the present time as I understand it, a good many of the manufacturers have their warehouses full of cloth already produced?

Mr. BRACEY. That is a situation that needs to be dealt with, Senator. Actually about 600,000 bales, I mean cotton equivalent, is coming back in the form of textile products. But I believe that is pretty well under control. I don't believe there is any acceleration

in that flow back into the United States, and there are voluntary agreements you know between the importing countries. I believe it is under control, but nevertheless 600,000 bales is still too many.

The CHAIRMAN. You realize that the equivalent of around 500,000 bales of cotton domestically milled is shipped abroad?

Mr. BRACEY. That is exactly right, sir.

The CHAIRMAN. It is about in balance, almost in balance. You may proceed, sir.

Mr. BRACEY. Overplant: The provision in H.R. 6196, commonly referred to as the "overplant" provision is completely meaningless and of no significance whatever. The original purpose of this section of the bill was to provide badly needed flexibility in acreage and price to the individual producer, and to reduce the cost of the cotton program to the taxpaying public. However, the House-passed bill would make it mandatory for the current statutory minimum of 16 million acres to be exceeded by at least an additional 1 million acres of Government subsidized production before it would be permissible for the Secretary to allow producers to grow cotton at no cost to Government. This single restriction would cost the Government in excess of \$50 million annually, and would perpetuate rather than eliminate existing inequities in the distribution of individual cotton acreage allotments whereby some producers get all the acreage they want to plant (even up to 100 percent of their available cropland) while other producers are forced to operate under stringent acreage controls.

Each year since the release and reapportionment provision was enacted in 1959 some 1.5 million bonus acres have been distributed to individual producers in certain areas of the Cotton Belt. In all cases this bonus acreage went to producers who had already received their proportionate or fair share of the national acreage allotment. As this released acreage comes generally from low-yielding areas, and is reapportioned to producers in high-yielding areas, it is conservatively estimated that the 1.5 million acres involved adds at least 2 million bales annually to cotton stocks.

COST TO GOVERNMENT

From a standpoint of cost to the Government under existing legislation, the production from the bonus acreage is costing at least \$40 million annually through the export sales program alone (1½ million acres produces 2 million bales; 40 percent or 800,000 bales must be subsidized at roughly \$50 per bale—export subsidy of \$42.50 per bale plus other charges or outright loss through competitive bid program plus other charges). The loss on cotton going into CCC stocks from the other 60 percent or 1.2 million bales of this production cannot be determined with any degree of accuracy, but it is certainly significant.

Under H.R. 6196 the cost to the Government of the production from the bonus acreage would at least double current costs—probably run in the neighborhood of \$100 million annually.

From a standpoint of equity among producers under H.R. 6196, the current situation whereby producers in over one-half of the counties in the Cotton Belt get all the cotton acreage they want to plant and do nothing whatsoever to qualify for price-support protection while

thousands of other producers are forced to plant within allotments that are up to 40 percent below the 1960 level would be continued and intensified.

We urge that the very least that should be done to remedy the current situation would be to amend the so-called overplant provision of H.R. 6196 to allow producers who are suffering under severe acreage restrictions to grow additional cotton at world prices and at no cost to the Government. We sincerely and strongly urge that the need for eliminating existing inequities in the distribution of individual cotton acreage allotments should be the paramount consideration in any new cotton legislation.

The CHAIRMAN. I understood that that provision is very popular because it had the tendency of making it possible to keep acreage in the South and in various other areas of the country.

Mr. BRACEY. You mean the overplant provision?

The CHAIRMAN. Yes, in other words, as I understand it if a parish or a county has farmers who won't plant cotton, why it can be distributed in the county by someone there, and if there is nobody in the county that wants it, they could distribute it in the State. Now what is wrong with that?

The same acreage is planted. It strikes me that that was a savior to the old cotton producing States. It afforded them an opportunity to at least keep the acreage within their boundaries.

Mr. BRACEY. Mr. Chairman, we appreciate the need for the things you mentioned. We know that this release and reapportionment program serves a real purpose in a lot of areas and we are not opposed to it for the reasons you mentioned. The thing that is bothering us is in one State or in one county a farmer grows all the cotton he wants to plant. You can go over into another State, or area and the man is growing up to 40 percent under what he had in 1960 and there is nothing he can do about it.

It just doesn't add up insofar as equity among producers is concerned.

The CHAIRMAN. What difference does that make, if the cotton is planted and produced by four farmers instead of one?

Mr. BRACEY. It makes this difference, sir. In the first place, the man that gets that cotton acreage didn't have the history on his farm in most cases to qualify for it. In some he did.

No. 2, if he gets all the cotton acreage he wants to grow, under a control program, then certainly he is not making the adjustment for price support protection that the man is making where he can't grow the cotton he wants to grow. That doesn't seem to be equitable treatment insofar as we are concerned.

Senator JORDAN. Mr. Chairman, may I ask Mr. Bracey another question right there?

The CHAIRMAN. Surely.

Senator JORDAN. There is nothing wrong when you say a man's acreage has been cut 60 percent in this acreage reapportionment. He could pick up just as many of these acres as has been turned into the ASC as anybody else in proportion. In most counties the acreage is not actually taken up by anybody in the county.

Mr. BRACEY. That is right, sir. In your State over half your counties release acreage to the State committee which means farmers get more acreage than they want to grow. That situation doesn't exist

in Missouri and it doesn't exist in several other places. We have got no place to go to get such acreage because that acreage isn't there. So we have to live with our base allotment.

That base allotment now in 1964 insofar as we are concerned as individuals is 40 percent less than it was in 1960. On the other hand, a farmer in your State might be growing 60 or 100 percent more than he grew in 1960.

Senator JORDAN. You mean all of your counties or your cotton areas are growing——

Mr. BRACEY. All the cotton.

Senator JORDAN. It must be profitable in your section.

The CHAIRMAN. You have got six counties there that I guess are the most productive in the United States, that is without irrigation.

Mr. BRACEY. Yes, sir; that is right.

The CHAIRMAN. And most of the farmers there are fairly large farmers.

Mr. BRACEY. Well, over half of our farmers fit in the 15-bale category.

The CHAIRMAN. And none of them release their acreage to anybody.

Mr. BRACEY. That is right, sir. Well, I wouldn't say none, but very few.

The CHAIRMAN. Maybe you don't have as many as we have in the South, like in South Carolina, Georgia, and even Texas.

Senator JORDAN. Missouri has got a slightly different situation.

The CHAIRMAN. Oh, yes.

Senator JORDAN. But that law was designed to keep all this acreage in the Southeast from going to California, Arizona, and maybe Texas, where there is just absolutely unlimited—a lot of your acreage went out there, too.

Senator JOHNSTON. Yes.

Senator JORDAN. It has already gone and is going to stay there.

Mr. BRACEY. We are not quarreling with the purpose of the release and reapportionment provision. What we are saying now that it is in operation we have got some inequities between individual producers across the Cotton Belt. There should be a way provided to let most other people understand stringent controls to have a little relief. That is all we are saying. We are not against release and reapportionment. But we would like to live a little. It is a mighty tight situation right now.

The CHAIRMAN. Proceed.

Mr. BRACEY. Price support. Another provision of H.R. 6196 provides that the level of price support for the 1964 crop shall be the national average support price which reflects 30 cents per pound. For 1965 and subsequent years, the level of price support shall be the level in effect for the preceding crop adjusted to reflect reductions in the costs of producing cotton. However, the maximum price support level cannot go above 29½ cents per pound for the 1965 crop and 29 cents per pound for the 1966 crop. Under the provision there would be a cents-per-pound price support ceiling established each year that could never go above the level of the preceding year. It could only be adjusted downward to reflect reductions in the cost of producing cotton. It could never be adjusted upward to reflect increases in cost of production, inflation, the need to increase production to meet possible war needs, or any other unpredictable situation that might arise in future years.

We are strongly opposed to the price support provision in H.R. 6196 as it would drastically reduce the farm price for cotton without a compensating acreage increase except to those producers living in areas where additional acreage would become available through the operation of the release and reapportionment program. For example, in a State with both low-yielding hill areas and high-yielding delta areas, producers in the low-yielding hill areas would be squeezed out of production (through the lower price level), and their allotted acreage would be transferred to the high-yielding delta area within the same State. In addition to forcing the hill producer out of business the result would mean that (1) the delta producer would get almost unlimited cotton acreage even under stringent national controls, and (2) surplus stocks and Government costs would skyrocket as the allotted acreage is moved from the low-yielding hill areas to the fertile deltas where production per acre would be increased tremendously.

Senator JOHNSTON. There is one other factor that would increase the production of cotton.

Mr. BRACEY. You mean the price support level, sir?

Senator JOHNSTON. No, I am speaking about where you----

Mr. BRACEY. Oh, yes.

Senator JOHNSTON. Is not one of our troubles at the present time the oversupply of cotton on hand?

Mr. BRACEY. Senator, any time you take a hill county out generally speaking and send that cotton acreage to a delta area, you are doubling the per acre yield as a rule of thumb.

The CHAIRMAN. All of yours is delta?

Mr. BRACEY. Yes, sir. That is all we have.

Cotton producers in the low-yielding areas of all States, and producers in States and areas that are excluded from bonus allotments made available through the release and reapportionment provision would suffer the adverse consequences of the price support provision in H.R. 6196.

We continue to believe that the parity concept is the only realistic indicator of the relationship between what it costs to produce a crop and what that crop finally brings in the marketplace. The producer's return on his investment, the profit on his crop, even his daily wage, depend on the cost-price relationship. In recognition of these basic considerations and the other objections which we have enumerated, we stand opposed to the price support provisions of H.R. 6196 and to any other move aimed at destroying the parity concept which in a real sense measures the success or failure of farm programs. We urge that this provision be eliminated in its entirety.

This next point is on acreage diversion which is not in the bill. I would like to comment on it if you don't mind.

The CHAIRMAN. As I understand it, you don't like any part of the Cooley bill except that part which deals with equalization of price for the domestic users and the foreign users of cotton.

Mr. BRACEY. That essentially is correct, sir.

The CHAIRMAN. And you are for the Jones amendment which would let the Secretary of Agriculture fix the differentiation?

Mr. BRACEY. That is correct, sir.

The CHAIRMAN. Since you are for that only, what good would that do to the producers?

Mr. BRACEY. The only good it would do would be to maintain and possibly increase the markets.

The CHAIRMAN. From your own statement it would increase it only to the extent of about 600,000 bales per year, and that is just a pittance compared to the huge surplus that we now have on hand, 13-million-plus bales.

Mr. BRACEY. You are exactly right, sir. It is a pittance. At the same time it is better to have 600,000 above what we have than maybe have 600,000 below what we have. That is the way we are looking at it.

The CHAIRMAN. Yes.

Mr. BRACEY. That is the way it appears.

The CHAIRMAN. And that would cost almost \$300 million.

Mr. BRACEY. A big chunk of money; yes, sir.

The CHAIRMAN. Of course it is. It would be silly to do it in my opinion, with all due respect to your own views.

Mr. BRACEY. Acreage diversion. On December 30, 1963, the U.S. Department of Agriculture issued a statement which said in part:

The cotton situation has reached the point where the greatest need for legislation is to get control of the excessive buildup in surplus cotton stocks. With the phenomenal increase in yields per acre for the 1963 crop, the carryover will increase almost 2 million bales to a total of about 13 million. This is some 6 million bales in excess of what it should be.

The Department of Agriculture has been considering a voluntary acreage diversion program for upland cotton, somewhat like the feed grain program. There appears to be no other way to reduce Government expenditures and maintain net farm income.

The following table illustrates the cause for concern expressed by the USDA over the buildup in surplus cotton stocks:

Year	Carryover (Aug. 1)	Crop	Acreage (planted)
1962.....	7.8	14.9	16.3
1963.....	11.2	15.5	14.8
1964 ¹	13.1	15.0	14.8
1965 ¹	14.5	15.0	14.8

¹Estimates based on current acreage, adjusted yields, and offtake.

This table indicates that production (15.0) is outrunning offtake (13.6) about 1.4 million bales per year. The USDA has indicated that something must be done to remedy the situation, and we share their views at least in part.

While more competitive prices for cotton as provided in the House-passed bill would definitely be expected to stimulate the domestic offtake of cotton there appears to be little, if any, possibility that competitive prices alone would increase offtake enough to halt and reverse the current buildup in surplus stocks. It is clear that something more than competitive pricing is in order. Additional research and promotion would probably help. But there is no real hope that such activities even if intensified and coupled with competitive prices would stand any chance of doing more than keeping up with increases in yields per acre. The buildup in surplus stocks cannot be taken lightly.

As we mentioned earlier, production from the "bonus" acreage which in all cases is allotted to producers who have already received their proportionate or fair share of the national acreage allotment

amounts to some 2 million bales annually. This bonus production is very close to the reduction that would be required to halt and reverse the current buildup in surplus stocks.

Under the present system the producer who actually owns the released acreage gets absolutely nothing for it. He merely signs a release and the acreage goes to some other producer who plants it over and above his proportionate share of the national acreage allotment.

The CHAIRMAN. At that point, suppose we didn't have the provisions in the bill that you are complaining about, and this cotton, extra cotton that is not planted let's say in Louisiana or in Georgia or in North Carolina was transferred to the West, where they produce an average of three bales per acre, probably in your State where they produce—what was your average last year, about $2\frac{1}{2}$ bales?

Mr. BRACEY. Oh, no, sir; 620 pounds.

The CHAIRMAN. 620 pounds?

Mr. BRACEY. Yes.

The CHAIRMAN. Suppose you sent all that acreage to States wherein the baleage would be greater than from the hills, as you just pointed out, or the delta areas. Wouldn't the conditions be aggravated, more so than to leave it as it is?

Mr. BRACEY. Yes, sir; if you sent it to the highly yielding areas it certainly would.

The CHAIRMAN. That is what has been done in the past?

Mr. BRACEY. We wouldn't advocate doing that.

The CHAIRMAN. That is what was done in the past. That is why the South has lost all of its acreage, because we didn't have such a provision in the law which would permit the transfer of unplanted cotton first to the county, then to the State. That is why it was put in there.

Mr. BRACEY. Well, again sir, I agree it has a lot of merit. At the same time it causes some complications.

The CHAIRMAN. It has some merits, but if we had it under the old law, I think it would take from under the argument you are now making that it would mean 2 million bales less. In my way of thinking if it was sent to California or Arizona, where they produce as much as $2\frac{1}{2}$ to 3 bales per acre, instead of having 2 million bales less, it might be 2 million bales more.

Mr. BRACEY. A voluntary acreage diversion program for cotton limited to producers who in the past have given their production rights free of charge; to other producers would (1) put some badly needed funds into the hands of producers who now get nothing for their production rights, (2) get control of the buildup in surplus cotton stocks, and (3) reduce costs to Government. The suggested approach would mean that all producers would be placed on an equal basis. They would share and share alike in the national acreage allotment—no one would get "bonus" acreage or preferential treatment. We strongly recommend that such a program be made a part of pending cotton proposals or that the release and reapportionment provision be repealed. Either approach would be an effective and logical move toward halting and reversing the buildup in surplus cotton stocks.

S. 1190

The principal attraction of S. 1190 is that it would allow the producer to adjust his production to suit his individual needs and conditions. This approach is certainly desirable. The primary consideration for any future cotton program is the need for allowing the production of noncommercial producers to become more competitive in price without reducing farm income levels, and to allow other producers wishing to operate with an expanding volume to aid in strengthening cotton's competitive price position and hold Government costs to the minimum through the more efficient use of land and equipment.

There are several objections to the approach taken in S. 1190 including the following:

1. It would require a price support level at or below the world price for cotton. Very few producers would be willing to accept price support at this level even though other income supporting devices were employed.
2. There is serious objection to the substitution of farm baleage quotas for acreage allotments based on a national marketing quota.
3. There is little support for repeal of production restrictions on cotton.
4. Some producers fear that the bill would include limitations on payments used to maintain farm income.

To meet various objections and to reconcile differences between House passed H.R. 6196 and S. 1190 it is suggested:

1. Set the price support level at 28 cents. (This level compares with 24 cents under the Talmadge bill and a maximum of 29 cents under the Cooley bill.)

This is kind of a compromise between the two bills on price support.

2. Make a domestic payment-in-kind payment to the cotton trade between the world price and the price support level as a means of reconciling differences between domestic and foreign prices.

This is the same principle as employed in both bills.

3. Make a payment-in-kind payment through the first buyer or directly to all producers planting within their basic acreage allotments (the payment to be in an amount equal to the difference between the loan or market level and the present price support level); or allow producers on an individual basis to overplant their basic allotments up to 40 percent and forgo the payment. (Threat of limitations would be eliminated as there would be no payment to such producers.)

They would actually be growing all their cotton for 28 cents a pound.

SENATOR JORDAN. You support the whole business of 28 cents?

MR. BRACEY. Yes. You would give them a payment on top of it. If the man wanted to expand you would give them no payment.

SENATOR JORDAN. But you would support the total at 28 cents?

MR. BRACEY. That is the suggestion; yes, sir.

SENATOR JORDAN. You had better start building more compresses.

THE CHAIRMAN. Would you expand this payment not only to domestic but to foreign sales?

MR. BRACEY. Well, if you are going to make a payment to a producer I think you are going to have to make it to him on everything he produces. That would be both domestic and foreign.

The CHAIRMAN. And as much as he wants to produce?

Mr. BRACEY. No, sir; just to the people who want to stay within their basic allotments.

The CHAIRMAN. But that basic allotment would have to be increased?

Mr. BRACEY. No, sir. Why would it? I wouldn't think so.

The CHAIRMAN. How would it differ from the present law?

Mr. BRACEY. I think it would take additional legislative authority to do it. It is a suggestion as to how we might reconcile the differences between the House passed bill and S. 1190. There is a real objection to a payment to producers on their entire production, but there needs to be a way out for the noncommercial producer to maintain his farm income level, and for the commercial producer to go ahead and grow more cotton at a lower price.

That is really what we are after, sir, and regardless of how we get it, the important thing is that we do provide some way for these people to grow more cotton and the other people to hold their income if they want to stay where they are.

The CHAIRMAN. I handled the legislation back in 1958 that fixed the minimum acreage at 16,300,000 plus acres as a minimum, and the price that was paid for that was that we reduced the support price from 75 to 90 to 65 to 90. The theory was then that in order to keep the farmers' volume of income at a level, as the acreage was increased, the price support would be decreased. You recall that?

Mr. BRACEY. Yes, sir; very well.

The CHAIRMAN. And, of course, that wasn't done, as was anticipated. The acreage increased in 1961 as I recall by almost 2 million acres, but the price support remained at a high level. So that here we had the law that we enacted violated more or less. The acreage was increased and the price remained the same.

Senator JOHNSTON. That is what has helped us get into the trouble we are in.

The CHAIRMAN. There is no doubt about that. I am not blaming anybody for that, but that was the theory under which the act of 1958 was presented to the Congress and to the President for his signature. Somehow it wasn't administered as we anticipated. It was 33.04 cents per pound in 1961.

Now let me ask you this while we are discussing the legislation; that is, your suggestions. As I stated after we convened here, I doubted that we could pass legislation during this session of Congress if we materially changed the present law.

Mr. BRACEY. Yes, sir.

The CHAIRMAN. Do you agree to that?

Mr. BRACEY. Yes, sir.

The CHAIRMAN. What would be your criticism if any to a provision being put in the present law whereby all producers of cotton up to say 10 bales would be paid at let's say the prevailing price of cotton, but the support price for all growers would be say 30 cents, and those producing up to 10 bales would receive the difference in kind up to 32.47.

What would you think of a provision of that kind in the bill, in order to assist the small farmer, and also in a measure assisting the bigger farmer?

Mr. BRACEY. Certainly the small farmer needs help. The big one does too. I would think, Senator, offhand that it has some merit. If you allow me to be real frank, I think it could be done better, but still and all with the complications you mentioned——

The CHAIRMAN. Tell me how it could be done better. That is what you are here for?

Mr. BRACEY. Yes, sir.

The CHAIRMAN. I wish you would tell us what would you do if you were in my place here. That is what I would like to hear from you.

Mr. BRACEY. What I would do if I were in your place is about along the lines we have outlined here. That is what we would suggest that you do. We realize you have some real complications. But may I say one thing——

The CHAIRMAN. In my opinion, there would be no chance to strike from the present law the provisions that you have just mentioned, that is this transfer of cotton. So, that is out.

Mr. BRACEY. Yes, sir. You certainly know what you are talking about there. There would be no question about that.

The CHAIRMAN. I think I do.

Mr. BRACEY. The only thought that I might raise is this. We do need cotton legislation. But as we discussed earlier, we may not be in the emergency here that some follow, seem to think we are in. Maybe we should take a little more time and develop something that is sound and far reaching, rather than to rush into something and grasp at a few straws, and perhaps do more harm than good.

If you will permit me to suggest that, I think that would be preferable than to take off on some of these other things. I am sincere in that.

The CHAIRMAN. I should have told you that the suggestion that I am making now would be for only a 2-year period, and in the meantime, of course, you would have to continue to study the problem.

The second suggestion I made was that we, in order to encourage the mills, the domestic mills to use cotton, to let them pay cotton at the present rate up to 8 million bales, which is about the average I would say, and for every bale they use over and above that, give them a good discount, not world price but maybe 10 cents a bale, in order to encourage the domestic mills to use more and more cotton.

Don't you think that that might work a little better than this idea of reducing it only to 600 bales and get out of the taxpayers' pockets almost \$300 million?

Mr. BRACEY. It makes a lot of sense.

The CHAIRMAN. To use 600,000 bales?

Mr. BRACEY. It makes a lot of sense, sir.

The CHAIRMAN. Yes, I agree.

Mr. BRACEY. One thought you might consider is rather than take the mills back to their we will say 3-year average and maybe 50 or 75 percent of the 3-year average, give them a discount above that or something or other.

The CHAIRMAN. That is a good suggestion.

Mr. BRACEY. Senator Jordan knows textile people.

The CHAIRMAN. He is in the textile business himself. He knows more about it I guess than any man on this committee. I grant that.

Senator JORDAN. I doubt it.

Mr. BRACEY. They need some relief and we need for them to get some relief. I think that is the principal consideration.

The CHAIRMAN. I am not so certain they need relief at all. What they want, of course, is cheaper cotton so they won't have to go into the use of synthetics. That is the argument advanced to us, because they tell us, "We can use synthetics as well as cotton. If you don't lower the price of cotton we will use more synthetics."

They are not worried so much about the profits they are going to make. It is just that they want to use more cotton. That is why they want it cheaper. "If you don't give us cheaper cotton we will go to synthetics."

But it would seem to me that if we are to encourage the mills to use more of our cotton, I would prefer, speaking for myself, a way by which that could be done. That is to reduce the price of cotton over and above a fixed amount that will not be so costly and that will be cheaper than the present program.

Mr. BRACEY. It might work just as well.

The CHAIRMAN. I think it will work better.

Mr. BRACEY. It might at that.

The CHAIRMAN. Yes. Proceed.

Mr. BRACEY. I just have a few paragraphs here.

4. Other provisions such as resale at 105 percent of the loan and limited voluntary acreage diversion program could be included if desired.

Under the suggested approach (1) cotton would become fully competitive in price immediately, (2) cotton farm income would be maintained, and (3) costs to Government would be no more than anticipated under either of the subject bills.

The desirable features of both bills would be retained, and the objectionable features would be eliminated.

In summary, we urge that regardless of the approach taken in cotton legislation there are two major and necessary considerations involved. The first consideration should be to eliminate or at least reduce the serious inequities that now exist in the distribution of individual cotton acreage allotments. We feel that the most desirable approach toward this objective would be through a workable individual producer choice plan whereby an individual producer could participate in price support and acreage control programs according to his individual needs and conditions. The second consideration should be to eliminate the actual inequity between domestic and foreign prices of U.S. cotton. This objective could be accomplished by adoption of the appropriate section of House-passed H.R. 6196 or almost identical provisions to be found in S. 1190 and S. 608.

(The attachments to Mr. Bracey's statement follow:)

Weekly shipment offering prices for U.S. Middling 1-inch cotton, c.i.f. Foreign Import Markets, Apr. 4, 1963, to Jan. 16, 1964
[In U.S. cents per pound]

Date	Liverpool		Bremen		Milan		French port		Osaka	
	Shipment date	Price	Shipment date	Price	Shipment date	Price	Shipment date	Price	Shipment date	Price
1963 Apr. 4 11 18 25	April-May	28.59	April	28.20	April	28.35			Prompt	29.30
	do	28.60	do	28.10	do	28.01			do	29.69
	do	28.59	do	28.59	April-May	28.01			do	29.69
	May-June	28.59	May	28.20	May-June	28.11			do	29.79
	Average	28.59		28.18		28.12				29.62
May 2 9 16 23 30	August-October	27.53	May	28.05	May-June	28.65			Prompt	29.66
	do	27.53	do	28.05	May	28.44			do	29.17
	do	27.06	do	27.95	do	28.44			do	29.17
	do	27.07	June	27.95	do	28.35			do	29.15
	do	27.07	do	27.95	June	28.22			do	29.15
June 6 13 20 27	Average	27.25		27.99		28.42				29.26
	August-October	27.07	June-July	27.95	August-December	26.66			Prompt	29.15
	do	27.18	do	27.95	do	26.66			do	28.61
	do	27.19	do	27.95	do	26.64			do	28.58
	do	27.19	July	27.95	do	26.68	Prompt	29.80	do	28.58
July 3 10 17 24	Average	27.16		27.95		26.66				28.73
	August-October	27.19	July	27.95	August-December	26.72			Prompt	28.42
	do	27.07	do	28.05	do	26.79	do	29.55	do	28.42
	do	27.07	July-August	28.05	do	26.79	do	29.55	do	28.42
	do	27.07	August	28.05	do	26.48	do	28.50	do	28.67
Aug. 1 8 15 23 30	Average	27.10		28.02		26.73				28.48
	August-October	26.84	August-September	27.05	August-December	26.39			Prompt	28.67
	do	26.84	do	26.65	do	26.12	do	28.47	do	28.67
	do	26.84	do	26.65	do	26.43	do	28.47	do	28.47
	September-October	26.82	do	26.65	September-December	26.43	Prompt	28.47	do	28.28
Aug. 30	do	26.58	September	26.65	September-October	26.43	do	28.47	do	27.22
	Average	26.78		26.73		26.34				28.26

Weekly shipment offering prices for U.S. Middling 1-inch cotton, c.i.f. Foreign Import Markets, Apr. 4, 1963, to Jan. 16, 1964—Continued

[In U.S. cents per pound]

Date	Liverpool		Bremen		Milan		French port		Osaka	
	Shipment date	Price	Shipment date	Price	Shipment date	Price	Shipment date	Price	Shipment date	Price
1963										
Sept. 5--	September-October	26.58	September-October	26.35	September-December	26.30	Prompt	28.47	Prompt	27.54
Sept. 12	do	26.58	do	26.50	do	26.12	do	28.74	do	27.78
Sept. 19	October-November	26.58	do	26.40	do	26.41	do	28.74	do	27.78
Sept. 26	do	26.58	October	26.25	October-December	26.43	do	27.73	do	27.74
	Average	26.58		26.37		26.32		28.42		27.71
Oct. 3	October-November	26.58	October	26.25	October	26.30	Prompt	27.73	Prompt	27.57
Oct. 10	do	26.58	do	26.25	October-December	26.12	do	27.33	do	27.46
17	do	26.58	October-November	26.35	October	26.45	do	27.83	do	27.17
24	November-December	26.46	do	26.35	October-December	26.62	do	28.47	do	27.27
31	do	26.46	November-December	26.35	November-December	26.20	do	28.74	do	27.44
	Average	26.53		26.31		26.34		28.02		27.38
Nov. 7	November-December	26.58	November-December	26.35	November-December	26.11	Prompt	28.74	Prompt	27.42
14	do	26.58	do	26.35	do	26.35	do	28.74	do	27.31
21	December-January	26.58	do	26.50	do	26.17	do	27.37	do	27.31
28	do	26.58	December	26.50	December	26.57	do	27.37	do	27.31
	Average	26.58		26.42		26.30		28.06		27.34
Dec. 5	December-January	26.57	December	26.50	December	26.40	Prompt	27.37	Prompt	27.31
12	do	26.68	do	26.50	do	26.72	do	27.37	do	27.31
19	do	26.69	December-January	26.50						
26	do	26.68	January		January	26.32			Prompt	27.20
	Average	26.66		26.50		26.48		26.37		27.20

1964 Jan.	2	January-February	26.69			January	26.32				
	9	do.	26.71	January-February	26.35	do.	26.70	Prompt	28.95	Prompt	27.00
	16	do.	26.82	do.	26.35	January-March	26.35	do.	29.11		

Source: Foreign Agricultural Service, U.S. Department of Agriculture.

The CHAIRMAN. There is one more question I would like to ask you. You have heard of diversion payments to reduce the surplus. In other words, it has been suggested that we divert as many as 2 million acres of the 16 million minimum that we now have, and pay a farmer not to produce.

What is your view on that suggestion?

Mr. BRACEY. Well, the alternative is what scares us. The alternative, of course, is to reduce the national minimum acreage allotments of 16 million acres.

When we face the alternative, then, of course, the voluntary acreage reduction plan has a lot more attraction. We would not come here and advocate an acreage diversion plan as such if we thought there was some other way out, and there may be some other way out.

But as an alternative to an outright reduction across the board, certainly it ought to be done on a voluntary basis, in order to maintain farm income, because you don't maintain farm income by slicing 16 million, we will say, down to 14 without paying the producer.

On the diversion plan you would maintain farm income when you cut the production down. That is the principle with feed grains and there is a good precedent for it.

The CHAIRMAN. Any further questions? If not, we thank you very much.

Mr. BRACEY. Thank you, Mr. Chairman, and members of the committee.

The CHAIRMAN. All right, Mr. Reynolds, will you step forward, please.

Will you identify yourself for the record, Mr. Reynolds?

STATEMENT OF JOHN ARTHUR REYNOLDS, EXECUTIVE VICE PRESIDENT, WESTERN COTTON GROWERS ASSOCIATION OF CALIFORNIA, FRESNO, CALIF.

Mr. REYNOLDS. Yes, sir. My name is John Arthur Reynolds, executive vice president of the Western Cotton Growers Association of California.

Mr. Chairman, we are happy to be here and we appreciate the fact that this committee wants to get to work after it hears us, and my testimony is going to be real brief.

I do not intend to pursue the testimony we gave last year, unless questions indicate it.

We have been meeting for 2 years with growers organizations on this problem—your committee has—and I will swear I have attended 100 meetings with growers, and it is real complicated and real difficult and there are all kinds of conflicting interests between the growers in your State and the growers in our State, and it is real difficult.

We feel, and we felt in the House, that some legislation could be passed if it were fairly close to present legislation on the books.

We felt that the Cooley bill as it was passed was not too far away from the present legislation to pass the House, and, of course, in that we were right and it did pass the House.

Now since we appeared here last time, there have just been several new things come up that you have asked the witnesses about.

The Department of Agriculture and the Cotton Advisory Committee had approved the voluntary acreage diversion program. Now

they presented it on the basis that it would lower the costs to the Government. It would cost less to the Government to have the acreage diversion program without it, and that meets one test of legislation that you have just suggested.

In the second place, it would reduce the carryover, which is what causes all this trouble

In the third place, it would give each grower a choice, that is each grower could determine whether or not be wanted to take the diversion payment.

We favor this, Mr. Chairman. If a grower feels that in his individual farming operation that he as a grower would be better off to take this diversion payment for himself, and if at the same time that would save the Government money, and if at the same time it would reduce this carryover that is causing our trouble, we just feel that he should be allowed to do it, and a number of growers in California would do it, of course, not just in your area but in California.

Now another program which is new——

The CHAIRMAN. Before you go to another program, would you want that only in the case that they would decrease the minimum acreage to be planted each year?

Mr. REYNOLDS. What do you mean, Senator?

The CHAIRMAN. The previous witness stated, as I understand it, that rather than have a decrease of the 16 million acres——

Mr. REYNOLDS. Oh, yes. This was the choice that was presented to the National Cotton Advisory Committee. Either we have a voluntary program or you have a compulsory program. We feel that the voluntary program, if it will do the job—and the Department thinks it will—and if it will cost considerably less—and the Department thinks it will—we would prefer that type of program, yes, particularly if each individual grower could decide for himself what he wanted to do.

The CHAIRMAN. You mean as to whether or not he wants to decrease?

Mr. REYNOLDS. That is right, whether or not he wants to take the diversion program and save the Government money and make more himself at the same time.

The CHAIRMAN. I have been dealing with these voluntary programs for quite a while, and they don't work too well, because the farmers take their pencils and they sharpen them a good deal and they figure out "how will I come out," and then they make the decision, and I don't blame them for that, you understand.

Mr. REYNOLDS. Yes, sir, and if they figured they would come out more money ahead by taking the diversion program, they would.

The CHAIRMAN. Of course, then on these diverted acres the question would arise as to whether they should plant anything on it.

Mr. REYNOLDS. Oh, you can get real complicated right quick; yes, sir.

The CHAIRMAN. Of course, you can.

Mr. REYNOLDS. Yes, sir.

The CHAIRMAN. That is the weakness of this program, and another weakness, of course, is that it disturbs the community by putting out of cultivation thousands of acres, the same as it did years ago under the soil bank plan. You recall that?

Mr. REYNOLDS. Yes, sir. We understand that.

The CHAIRMAN. The machinery man suffered, the fertilizer man suffered, and the little corner grocery man suffered.

Mr. REYNOLDS. Yes, sir; and I have some real good friends in the machinery business in California.

The CHAIRMAN. I am sure they are not for what you say.

Mr. REYNOLDS. Wait a minute. I have some real good friends in the fertilizer business. But when it comes to whether or not I, as representing the cottongrowers, want to help the cottongrower or want to help the machinery man, Mr. Chairman, I want to help the cottongrower. There is no question about that in my mind.

Now another program which is new in some respects, since we testified last time, is that of the McIntyre amendment which reduces the mandatory price support on the bulk of the production, the 30 cents a pound and then on down.

Now this again meets one of the tests that you put up for a program, will it save money for the taxpayer? This would. We supported it when the House was considering it with the provision that the first 15 bales receive a higher support price.

Now we in California are certainly not unmindful of the small growers that we have in California and that you have in your State, and that other States have. We feel that those folks should be given consideration. We also feel that those folks who produce 15 bales on 15 acres, for example, should have a choice, and in California we think they ought to have a choice, as to whether or not they want to take the diversion payment or whether they want to plant the 15 acres.

But we don't think the Government ought to say to them, "You have got to plant those acres to help out the machinery man and the fertilizer man and somebody else and the ginner, in order to get money out of your cotton allotment that you have worked and sweated for, for 25 or 30 years." We don't agree to that in California.

Now we previously testified in favor of the equalization fee to make the cotton prices lower to the mills, and thereby to increase the consumption of cotton, and thereby to increase eventually the production of cotton, which in California is real essential to all of agriculture, because every time acres are taken out of cotton, as you well know in your area, it disrupts other parts of agriculture.

Mr. Chairman, that is the substance of my brief statement. I would be very happy to answer any questions.

The CHAIRMAN. If you were in my place now as chairman of this committee, what would you suggest to the Congress?

Mr. REYNOLDS. I am glad you asked me that, Mr. Chairman.

The CHAIRMAN. I want to know.

Mr. REYNOLDS. I don't envy you in your position, because it is real difficult to adjust all these conflicting interests. But I think if we don't do something, there is more than 600,000 bales of cotton a year at stake. If we will gain 600,000 bales, which I think is conservative, I think myself we would gain 800,000 or perhaps more, with the equalization payment of the Cooley bill, and if we don't do that, we may lose 800,000. Now this is 1,600,000 bales, and over 3 years this is a real big figure. This is what scares us.

The CHAIRMAN. How do you figure we are going to lose? We didn't lose last time because we overproduced on the acres. There has never been a year in our history in which so much cotton was produced on so few acres.

Mr. REYNOLDS. I see what you mean. If production continues on the basic 16 million minimum, and if our friends in the textile mills start using more synthetics, as they indicate they are going to have to, even though they would prefer to use cotton, then the consumption of cotton is going to go down, the surplus is going to go up and your committee and the Congress is going to have to reduce the acreage.

The CHAIRMAN. I have been hearing that same argument for 27 years that I have been on this committee. I have been hearing the same argument.

Mr. REYNOLDS. In California we have had our acreage reduced in the last 10 years.

The CHAIRMAN. Not too much.

Mr. REYNOLDS. In California? We have had our acreage reduced from almost 1½ million down to 736,000 because of this thing, and because of what you point out earlier, that the price of cotton, when the 1958 bill was passed by this committee, we had that 2-year A and B plan, which was supposed to level things out and give everybody a chance to readjust, then the price of cotton was increased, and our consumption either dropped or stayed stationary where the consumption of synthetics went way up, and had the price been trended down instead of up, my feeling is, Mr. Chairman, we wouldn't be worrying your committee with this.

The CHAIRMAN. That was supposed to be a cure-all also, you know, when we passed it back in 1958. But it didn't work that way, and, as I said several times since we met this morning, we can't possibly get any cotton legislation through this session of Congress that will affect this year's crop, unless we take the present law and amend that, period.

Mr. REYNOLDS. That may be true. I certainly am not expert on congressional strategy.

The CHAIRMAN. I am sure it is true because it would have to go through the House, and then we are faced here with a tax bill which will come out of committee probably in the next week or two, and you have got the civil rights bill that has got to come up. That, of course, holds precedence over the cotton bill.

Mr. REYNOLDS. Let me finish my statement. I don't very often get the opportunity to have the chairman ask me what I would do if I were in his place.

The CHAIRMAN. Shoot. I want to hear. My ears are open and my eyes too.

Mr. REYNOLDS. If I were in your place, Mr. Chairman, considering what I think we are faced with, and you may not agree, I would take the Cooley bill as passed by the House. I would use that as the basic thing.

The CHAIRMAN. You mean as a vehicle to pass our bill?

Mr. REYNOLDS. Yes; as a basic thing to work on. Keep the 15-acre deal, which has a lot of objections, I know, but my goodness, all farm legislation is complicated. And add the acreage diversion plan to it, which would cut the cost down really according to the Department a great deal.

I will be very interested to see what their figures are. If the Cooley bill, with the acreage diversion bill would bring the cost down to some place near the present program, maybe it would be worth looking at.

The CHAIRMAN. Do you think that the acreage diversion program would pass the House? Say "No," because it will be "No." They are not going to pass that, and I don't believe the Senate would do it.

Mr. REYNOLDS. I think if the acreage diversion program passed this committee and passed the Senate and went to conference they could work out something that the House would accept.

We have some real tough problems over there which were worked out. My goodness, everybody was yelling back and forth but we finally got a bill out. We sure didn't get what we wanted, all of it. But by good will a bill was passed.

The CHAIRMAN. I know, but if that bill was before the House now and you let everybody vote as he desired it would never pass. There was a little pressure used here and there.

Mr. REYNOLDS. This surprises me.

The CHAIRMAN. Oh, it does? It doesn't surprise me.

Mr. REYNOLDS. I am just a country boy, Senator.

The CHAIRMAN. They wanted the cotton bill through, and that is why they sent the mess over here to us, to try and do something with it. Thank you.

Mr. REYNOLDS. Thank you, Mr. Chairman.

The CHAIRMAN. Is Mr. Weil present?

Is Mr. Gloer present?

Is Mr. Bohlmann present and Mr. Traylor?

All right. Now will each of you gentlemen tell me how much time you believe it will require to make your presentation to the committee?

(Discussion off the record.)

The CHAIRMAN. The committee will stand in recess until 1:30 o'clock.

(Whereupon, at 12:35 p.m., the committee recessed to reconvene at 1:30 p.m., of the same day.)

AFTERNOON SESSION

The CHAIRMAN. The committee will please come to order.

Mr. Weil, will you please step forward?

Mr. WEIL. Yes, sir.

The CHAIRMAN. Have a seat.

Mr. WEIL. Thank you, sir.

The CHAIRMAN. All right, Mr. Weil, will you identify yourself for the record?

STATEMENT OF ROBERT S. WEIL, PRESIDENT, AMERICAN COTTON SHIPPERS ASSOCIATION, MONTGOMERY, ALA.

Mr. WEIL. Yes, sir.

Mr. Chairman, my name is Robert S. Weil, Montgomery, Ala., president of the American Cotton Shippers Association, which represents the cotton merchandising industry of the United States.

We have six affiliated regional associations each of which joins in my testimony here today, and some of which will appear later to submit supplementary testimony. These affiliates are the Arkansas-Missouri Cotton Trade Association, the Atlantic Cotton Association, the Oklahoma State Cotton Exchange, the Southern Cotton Associa-

tion, the Texas Cotton Association, and the Western Cotton Shippers Association.

Since we appeared before your committee last May, the cotton problem has broadened from one primarily directed to preservation of our domestic market, in fairness to domestic mills to critical concern for the entire market, foreign and domestic for U.S. cotton. The action of this committee on cotton legislation this year may very well determine whether cotton is to remain a major crop of the United States.

Faced with this expanded alarming threat to an entire cotton market, the directors of the American Cotton Shippers Association met in December to reevaluate the situation and as a result adopted unanimously this statement of the legislative program which I am presenting today.

At the time of the Senate hearings last May, the attention of the cotton trade was focused on the "unique burden" of the two-price system on domestic mills and on the inroads of synthetics on domestic cotton consumption. To quote our testimony at those hearings:

Our best customers, the domestic mills, have encountered the competition of imported textiles manufactured out of cheaper foreign cotton (which they cannot buy) or even subsidized U.S. cotton (which they may buy only at the higher support price).

Being thus squeezed, our mills will continue to convert to synthetics at an accelerated pace until domestic consumption recedes to the irreducible minimum—perhaps 4.5 to 5 million bales. The cotton industry and the Nation cannot afford to let this happen.

In the past 6 months, U.S. cotton has been saved from more serious losses by reason of rationed supplies from domestic synthetic producers and limited availabilities of imported manmade fibers.

Only recently has the abrupt deterioration in our export position come to notice. In only 2 years exports fell from 6.6 to 3.3 million bales—even with the support of aid programs.

Senator EASTLAND. Right there, do you mind if I ask a question?

The CHAIRMAN. Sure.

Senator EASTLAND. That was because of an increase in the support price by the Department of Agriculture, and not a corresponding increase in export subsidy, wasn't it?

Mr. WEIL. No, sir, I think our export price was the same in 1962-63 as it was in 1961-62.

Senator EASTLAND. Yes, but we put the price of cotton up.

Mr. WEIL. I think, sir, that that began in 1961-62, if my recollection is correct.

Senator EASTLAND. Yes. But we didn't increase the subsidy, the export subsidy.

Mr. WEIL. We went to 6 to 8½ cents at the same time we increased from 30 to 32½, 32.7, that is my recollection.

Senator EASTLAND. All right, now.

Well, my recollection is that it lacked a cent of the price increase, the support increase was a cent more than the increase in subsidy, but maybe I am wrong.

Mr. WEIL. We have had eight and a half cents.

Senator EASTLAND. Maybe I am wrong.

Mr. WEIL. An equal decline in domestic consumption would have already brought that offtake to the irreducible level of 5 million bales.

Table I you will see the breakdown of figures, and this is broken down total and the various forms of foreign aid, such as Public Law 480, Mutual Security Act, Export-Import Bank financing, and deducting those we have the free dollar exports in the righthand column.

You will see that the rate of decline in the free dollar areas is much greater than the total decline.

(Table I referred to follows:)

U.S. cotton exports by source of financing

[Millions of bales]

	Total	Public Law 480	Mutual Security Act	Export- Import Bank	Free dollars
1962-63-----	3.3	1.2	None	0.4	1.7
1961-62-----	4.9	1.1	0.1	.4	3.3
1960-61-----	6.6	1.4	.3	.3	4.6
1959-60-----	7.2	.8	.4	.3	5.7

Source: USDA Economic Research Service, Economic and Statistical Analysis Division.

Mr. WEIL. Our export defect looks large in national importance. While our exports dropped by 3.3 million bales, we added 4 million bales to our already burdensome surplus. While our unfavorable balance-of-payments position stands critically at over \$2 billion, free dollar exports of cotton have declined by one-half billion dollars. In other words, we are piling up a cotton surplus while we are losing gold. Cotton should be earning \$1 billion annually from free dollar exports. In table II, sir, you will see that in 1959-60 we exported for free dollars, \$706 million, which declined to \$209 million last year.

(Table II referred to follows:)

Estimated dollar value of free dollar cotton exports

[Millions of dollars]

1962-63-----	209.2	1960-61-----	609.9
1961-62-----	461.2	1959-60-----	706.1

Senator EASTLAND. How much would the subsidy be increased to get our share of the export dollar?

Mr. WEIL. Senator, as we develop it later in here, we think that without the subsidy, of course, we would be doing much, much worse, but we think with the subsidy we still are operating with a fixed price, which foreign producers can use as an umbrella to shoot at because of the fixed price.

Senator EASTLAND. Because they have got to sell their product.

Mr. WEIL. They have to sell their products.

Senator EASTLAND. That is correct.

Mr. WEIL. They have no loan, they have to sell it.

Senator EASTLAND. But it would dry it up if you make it unprofitable for them to grow it at that price, it would dry up this production, would it not?

Mr. WEIL. If the price were lower than 24 cents?

Senator EASTLAND. Yes, sir.

Mr. WEIL. I don't know what the breakoff point would be but I would imagine at some point it would break off.

We do know that in Mexico, for instance, there is an export tax. In other words; the price to the farmer is even less than the world price because of the export tax which could be reduced.

Significantly, free dollar exports (which move independently of foreign aid programs) have lost ground in our traditional markets of Western Europe.

In table III there are eight selected countries in Western Europe and as you will notice the total of their take of U.S. cotton is about half of our free dollar exports. That is why these countries are important.

(Table III referred to follows:)

U.S. cotton exports to selected West European countries

[Thousands of bales]

	1960-61	1961-62	1962-63
Belgium.....	179	100	72
France.....	549	300	180
West Germany.....	421	205	101
Italy.....	454	376	192
Netherlands.....	179	106	71
Sweden.....	101	99	56
Switzerland.....	99	75	37
United Kingdom.....	371	270	139
Total, selected group.....	2,353	1,531	848
Total U.S. cotton exports.....	6,632	4,915	3,351
Total U.S. cotton free dollar exports.....	4,600	3,300	1,700

Source: Foreign crops and markets and Bureau of the Census.

Mr. WEIL. You will notice the drop, for instance, in West Germany is at the rate of 50 percent per year; 421,000 in 1960-61 to 205,000 in 1961-62 to 101,000 in 1962-63.

The CHAIRMAN. Where does Germany get its cotton, do you know?

Mr. WEIL. Yes, sir; I have the list of imports. Would you like to see them?

The CHAIRMAN. Well, are they going to synthetics or going to to cheaper cotton from some other source?

Mr. WEIL. They are getting both, but we are losing—as will be developed in our next table—they are getting cheaper cotton from other sources. In other words, our percentage of the market is dropping in relation to other cottons. It is not just cotton——

The CHAIRMAN. If you have the information it might be well to obtain it and find out where they are getting that cotton.

Mr. WEIL. Yes, sir; I have that.

The CHAIRMAN. Good. If you don't have it available now——

Mr. WEIL. I have it in these papers.

The CHAIRMAN. Supply it for the record.

Mr. WEIL. Yes, sir.

(The information is as follows:)

Arrivals of raw cotton at Bremen and Hamburg, West Germany, Aug. 1, 1962, to July 31, 1963

	<i>Total bales, Aug. 1, 1962, to July 31, 1963</i>		<i>Total bales, Aug. 1, 1962, to July 31, 1963</i>
United States.....	132, 750	Iranian.....	14, 599
Mexican.....	248, 103	East African.....	70, 031
Nicaraguan.....	51, 322	Sudan.....	80, 613
Guatemalan.....	11, 880	Tchad.....	5, 493
El Salvadoran.....	22, 341	Cameroon.....	3, 928
Honduran.....	11, 356	Moroccan.....	160
Argentine.....	28, 970	Nigerian.....	3, 665
Peruvian.....	72, 163	Mali.....	1, 389
Paraguayan.....	4, 300	Togo.....	47
South Brazilian.....	125, 678	Egyptian.....	14, 750
North Brazilian.....	102, 999	Syrian.....	23, 056
Colombian.....	25, 885	Turkish.....	110, 145
Russian.....	89, 674	Israeli.....	4, 053
Pakistan.....	7, 809	Greek.....	400
Burmese.....	998	Spanish.....	6, 212
Indian.....	1, 790		
Yemen.....	180	Total.....	1, 276, 739

Source: Bremer Baumwollborse, Aug. 10, 1963.

The CHAIRMAN. They are supposed to be our good close friends, but if they can get cotton at a quarter of a cent cheaper they will get it somewhere else, I presume.

Mr. WEIL. Yes, sir. It is a very competitive market.

Now, almost the same is true in these other countries. It is true—it is not exactly a 50-percent drop. Instead of a 50-percent drop, it is maybe 45 or 40 percent. We have in the other major markets like France and Italy and the United Kingdom. But this is happening in all of these free markets. This is where we are meeting the competition of these other growths.

This trend repeats the experience of the 1954-55 and 1955-56 seasons, which moved Congress to pass section 203 of the Agricultural Act of 1956.

Our traditional customers are turning increasingly to competitive foreign growths, as witnessed by our decline in percentage volume of total cotton imports into these respective markets. Here, Mr. Chairman, we are getting to the area that you just brought up, where we are losing to synthetics and other cottons.

On table IV you will see—this is on a percentage basis—U.S. cotton imported as to the total of all cotton imported in each of these countries in each of these years.

(Table IV is as follows:)

Percentage of U.S. imports to total cotton imports, by country

[Percent]

	1960-61	1961-62	Partial, 1962-63	
			August through—	
Belgium.....	47.4	24.9	January.....	16.8
France.....	45.2	29.0	February.....	14.4
West Germany.....	34.1	17.5	do.....	6.9
Italy.....	52.0	40.6	December.....	25.0
Netherlands.....	51.6	33.2	March.....	24.4
Sweden.....	89.8	85.0	do.....	59.2
Switzerland.....	45.5	35.2	do.....	18.2
United Kingdom.....	40.0	30.4	do.....	18.3

Source: Developed from statistics in Cotton-World Statistics, vol. 16, No. 12, pt. II, July 1963.

Mr. WEIL. You will notice in Germany in 1960-61, approximately 1 out of 3 bales was American cotton, but this past year about 1 out of 14 was American cotton. You will also notice that France, 2 years ago, approximately 1 out of 2 bales was American cotton, in the past year about 1 out of 7, and so forth. So we are decidedly losing in our competition to foreign growths, because this is a percentage of all cotton.

The CHAIRMAN. Now, take for 1961-62, are we to understand that 29 percent of the cotton used by France was purchased from us?

Mr. WEIL. Yes, sir.

The CHAIRMAN. And the rest was synthetics—

Mr. WEIL. No, sir; the rest was other cotton.

The CHAIRMAN. You don't deal with synthetics?

Mr. WEIL. No, sir.

The CHAIRMAN. Only cotton?

Mr. WEIL. Yes, sir.

The CHAIRMAN. Would you know how much synthetics France has used in that same period that they reduced their cotton purchases from us.

Mr. WEIL. I think we can get that information, sir.

The CHAIRMAN. If you can, I wish you would put it in the record at this point, just to show the extent to which France is veering toward the use of synthetics rather than cotton.

(The information referred to follows:)

Supply and distribution, rayon and other manmade fibers, years 1959 through 1962, inclusive—France

[Thousands of metric tons]

	1959	1960	1961	1962
Rayon and acetate staple:				
Production.....	52.8	66.9	70.7	70.8
Imports.....	1.6	3.2	6.9	12.5
Exports.....	13.5	11.7	19.9	25.5
Balance.....	40.9	58.4	57.7	57.8
Rayon and acetate yarn:				
Production.....	57.0	55.0	56.5	58.0
Imports.....	2.3	1.5	1.9	2.5
Exports.....	12.8	10.9	10.8	11.0
Balance.....	46.5	45.6	47.6	49.5
Other manmade fibers:				
Production.....	32.5	45.3	51.4	65.4
Imports.....	2.3	8.5	5.1	8.6
Exports.....	5.1	7.3	9.0	12.8
Balance.....	29.7	46.5	47.5	61.2

Source: "Cotton, World Statistics," vol. 16, No. 12 (pt. II).

Mr. WEIL. We know they are increasing their synthetics.

The CHAIRMAN. Yes, but I would like to get it specifically. Because after all, it might be, this percentage of decrease may not be because of the, so much the, the higher price, but the use of synthetics.

Mr. WEIL. No, sir. This percentage of decrease means that we have lost to other growths. We have lost to Syrian and Turkish and all the other growths, Mexican, Brazilians, all the other growths which France imports. They are also in competition with synthetics.

But the total consumption of cotton in these countries has not materially changed in the way that these figures have changed. In other words, we are losing this to other cotton-growing countries.

The CHAIRMAN. Because they can produce it cheaper and sell it cheaper than we can.

Mr. WEIL. Because primarily we have a fixed price at which they can undersell us. They see our price at 24 cents and they can set their price at 23½ cents. They must sell their cotton and when they get through selling we can sell.

Senator EASTLAND. Can we produce cotton at 23 cents?

Mr. WEIL. I am not qualified to say.

Senator TALMADGE. We don't produce it at 24 now.

Mr. WEIL. We don't sell it at that price.

Senator TALMADGE. I mean the Government subsidy fixes the price of cotton.

Mr. WEIL. Yes, sir.

More serious, the adverse trend will continue. The expressions of mill buyers and exchanges in those markets leave no doubt that buying intentions are to seek other growths and to rely less on American cotton. The deleterious effect of our program abroad has been recited recently by the resolution of the International Federation of Cotton and Allied Textile Industries.¹

The CHAIRMAN. Do you know whether or not some of these countries that we are talking about now, or in fact any other country, have failed to buy cotton from us because of the lack of dollars?

Mr. WEIL. Not in this market, sir. This is in the European Economic Community, and they have dollars and in fact this is where a lot of our dollars and gold have been drained off to. They have plenty of dollars to buy our cotton.

The CHAIRMAN. We helped then out before.

Mr. WEIL. And furthermore, they are buying some of these other cottons in dollars, too. So it is not for the lack of dollars.

Mr. Chairman, after the May hearings, I went on a selling trip to Europe where I called on the exchanges and individuals in the important consuming countries.

I am distressed to say I found an intense resentment against our cotton program. Moreover, there is no longer a preference we once enjoyed for American cotton. In fact, some mills which formerly consumed only U.S. cotton now boast that they are entirely independent of U.S. cotton.

The CHAIRMAN. Why do they resent our program? What was the trouble with it?

Mr. WEIL. Because the effect of our program is to have a pegged price, a pegged export price which is the loan minus the subsidy, which works out to 24 cents in the interior.

The CHAIRMAN. Is it your view that this has the effect of fixing world prices?

Mr. WEIL. Yes, sir; it has that tendency, because what it does—

The CHAIRMAN. What would happen if Congress were to pass a

¹ Resolution adopted by the Committee of Management of IFCATI at its annual meeting held in Athens Greece, on the 20th of September 1963:

"IFCATI reaffirms its position that the return to a competitive one-price policy for U.S. cotton is urgently necessary in order to relieve the uncertainty and disruption created by existing policy in both cotton and cotton textile markets throughout the free world. Removal of this uncertainty and resumption of more normal marketing practices should encourage the use of cotton and contribute to the progress of the cotton and cotton textiles industries."

law tomorrow and say, "We will sell all the cotton we have at world prices."

Mr. WEIL. Including our carryover, sir?

The CHAIRMAN. Everything.

What would happen?

Mr. WEIL. Of course, if we put 13 million bales on the market it would have a terribly bearish effect. I don't think we could afford to do that.

The CHAIRMAN. But I am just asking, you say people are looking for bargains, they are looking for cheaper cotton, and I am just wondering what would happen.

Mr. WEIL. Well——

The CHAIRMAN. Could you tell us?

Mr. WEIL. No, sir, but I got into this same kind of discussion in one of the exchanges, at the Bremen Cotton Exchange last summer, and I assured them that in our opinion, we didn't think that the U.S. price would be reduced—that we thought they could go ahead and buy with certainty without fear of a subsequent reduction and I was answered in this way: It was not that they didn't believe what I said or that they didn't believe in the good intentions of our Department of Agriculture but they said the very fact that the Secretary of Agriculture has the power to change it, and can change his mind, acts as a deterrent to them from buying or having any confidence in the world market situation.

The CHAIRMAN. Well, I presume they have the same feeling in regard to prices in the future as our own textile mills have here.

Mr. WEIL. Except that they can buy other cotton at that price, at the world price. They have access to other cottons as well as synthetics. They don't have to buy our cotton.

The CHAIRMAN. Well, is it your view that the policy we now have in fixing support prices and reselling them at support less the eight and a half cents, that that has the effect of fixing the world price in cotton?

Mr. WEIL. Yes, sir, that fixes an umbrella, it makes us in the vernacular "a sitting duck." We have a fixed price that our competitors, our competitor nations can shoot at.

If we put it at 24 cents they can shoot at 23.75. If we put it at 23 cents they may shoot at 22.75, or if it were 25 cents, at 24.75.

Similarly the buying markets knowing the U.S. price is 24 cents will shop on all of these other growths which are selling just below before they come to us. That is what makes us what we call the residual supplier. We export what the other countries don't sell.

The CHAIRMAN. Because they don't have it.

Mr. WEIL. Yes, because they must sell it and they sell it below that fixed price that we have; below the 24 cents before we can sell.

The CHAIRMAN. How does their cotton compare to yours?

Mr. WEIL. It is improved, sir, and qualitywise I would say that we no longer have the advantage that we once had. And in fact we also——

The CHAIRMAN. I would assume, then, that their cotton is as good as ours.

Mr. WEIL. Yes, sir, in most cases. In fact the quality of our cotton is another worry.

The CHAIRMAN. You may proceed, and I hope you give us your view as to the solution of the problem.

Mr. WEIL. Yes, sir.

Against this performance, foreign free world consumption for the past 15 years has increased at an average rate of almost 700,000 bales per annum. Our share today of the foreign free world market, by historic standards, is 8 million bales. Yet, all during this time foreign production has taken the entire increase in market consumption.

Here on table V is probably the most striking evidence of our failure to compete in foreign markets even with the aid of vigorous export programs which have certainly helped us.

(Table V referred to follows on p. 367.)

Mr. WEIL. In this you will see the average increase in consumption is 600,000 bales per annum and more than all of this has been taken over by foreign free world production.

They have taken the entire increase, although this is an expanding market. This is cotton consumption which is expanding from about 13 million bales up to about 25 million bales. It has almost doubled in 15 years; foreign production has taken it all, taken all of the increase.

The failure of the U.S. cotton to compete abroad lies in the nature of our cotton program under which the United States supinely assumes the role of residual supplier, a self-defeating policy.

The use of the high loan as a price support mechanism inevitably results in a pegged export price which acts as an umbrella for the increase in foreign production and as a ceiling target for our foreign customers to choose between our cotton and competitive growths.

Moreover, our crops each year accumulate in the loan reservoir while competitive crops freely flow into the world market and preempt the demand. Then I put in the testimony which we gave last May if you would like me to read it.

The CHAIRMAN. It will be put in the record.

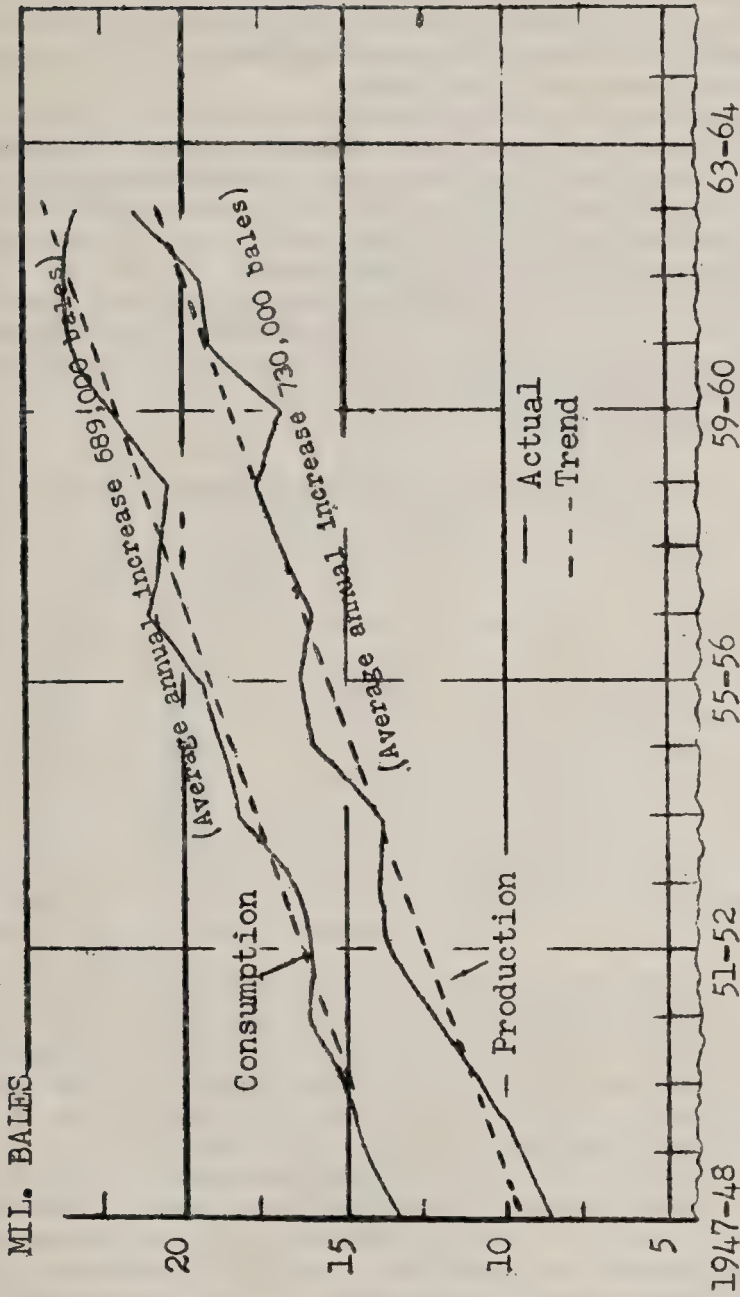
(The testimony referred to follows:)

FROM TESTIMONY OF PRESIDENT ROBERT S. WEIL AT HEARINGS BEFORE THE
SENATE AGRICULTURAL COMMITTEE ON MAY 22, 1963

Thus, cotton has found its way increasingly into Government stock instead of the mill opening room; the Government, increasingly in the cotton business instead of the trade; and the taxpayer, increasingly the owner of a commodity it can neither spin nor consume.

The loan, while serving as an effective price-support mechanism, has taken on other functions not originally intended and inadvertently has contributed to the breakdown of the effective marketing of the crop. First, the market level tends to seek the loan level because the minimum price to the farmer also becomes a maximum target for the mill buyer. The result is that we have a rigid inflexible pegged price, which of itself, discourages demand, and in the end even serves as an umbrella for foreign growths, causing the United States to be a residual supplier instead of the leader in world cotton trade, which is its heritage. Much worse, the loan becomes a market itself and the producers soon become responsive, not to the needs of the mills, but to the values set by the loan. Because of the economic waste attached to routing cotton into the loan, there is a tendency to accumulate surpluses in Government stocks. All agree that these results are to be avoided and it is of utmost importance that any legislation to relieve the cotton situation should be shaped to make cotton seek the consuming outlets instead of Government stocks.

FOREIGN FREE WORLD PRODUCTION
AND CONSUMPTION OF COTTON



See Pound Gross Weight Bales Crop Year Begin. August 1 1962-63 Estimated

Source: USDA - Economic Research Service

Mr. WEIL. Until the world knows that the United States will sell its entire production every year at home and abroad, more foreign acreage will be converted to cotton, some even by the hand of some United States farmers who, limited in acreage at home, will raise cotton at world prices in other countries.

It is therefore indispensable that any meaningful cotton program must abandon the use of the loan mechanism and must devise a different way to support farm income.

Our approach to cotton legislation must be total.

In the current year, under the statutory minimum acreage, we will produce an estimated 15,548,000 bales. In only 2 seasons in the past 30 years has the total offtake of U.S. cotton exceeded 15 million bales (1956-57 and 1959-60). The average offtake for 12 years since the Korean war has only been 13,387,000 bales.

In table VI, we show domestic consumption, exports and total offtake in the third column. You will notice the domestic consumption level is fairly constant. It is an even line but dips down in the last few years from the average.

(Table VI is as follows:)

U.S. cotton offtake, years 1951-52 through 1962-63, inclusive

[Thousands of bales]

	Domestic consumption	Exports	Total offtake
1951-52.....	9,111	5,520	14,631
1952-53.....	9,328	3,048	12,376
1953-54.....	8,445	3,761	12,206
1954-55.....	8,714	3,447	12,161
1955-56.....	9,087	2,215	11,302
1956-57.....	8,542	7,593	16,135
1957-58.....	7,926	5,717	13,643
1958-59.....	8,613	2,790	11,403
1959-60.....	9,017	7,182	16,199
1960-61.....	8,279	6,632	14,911
1961-62.....	8,979	4,915	13,894
1962-63.....	8,429	3,351	11,780
Average.....	8,706	4,681	13,387

Mr. WEIL. The exports fluctuate a great deal. This is probably due to several factors, one of which in some years we have had very vigorous export programs such as the one in 1956-57, and also because of the fact that since we are residual suppliers, we make up the difference between foreign consumption and production, instead of exporting everything that we don't use domestically.

There would still be some variations but probably not to the extent we have in these figures. Our total off-take averages 13,387,000 bales, you will see also that it shows no increase since the Korean war.

We must expand our markets. It would be senseless to expand when the cotton market is contracting. The alternative is economic atrophy: further accumulation of surpluses, further restrictions on acreage with consequent reduction in land values, new dislocations in employment as farm production and the allied industries which feed off cotton must contract reduction in farm income and gross national product, and loss of dollar earnings abroad.

Diversions into alternate crops, serious economic impact on rural communities bring a new distress situation. We have a market

potential within reach of 20 million bales, given that our cotton will have the ability to compete freely in a free market.

The Cooley bill was conceived and designed to meet the intolerable domestic situation, but it never purported to deal with the export area, the deterioration of which was not even in evidence when the Cooley bill was proposed.

The two essential ingredients in any effective cotton legislation must be:

1. To abandon the high loan as a price support mechanism, and
2. To maintain farm income by an equalization payment to producers or as cotton is sold by the producer.

We urge incorporation of this approach in any new legislation. It is an important feature of the Talmadge-Humphrey bill, and the Cooley bill can easily be amended to provide it as we think it must.

We do not pretend that this approach finds ready enthusiastic support from some industry groups.

For instance, the domestic mills who would no doubt agree to this approach will naturally grasp the closest legislation which will answer their peculiar dilemma. It will require a broadminded mill interest to support a program which is aimed equally to maintain an export market, which, to the mills, is only of peripheral concern.

Producers who have used the loan as an artificial market will not be anxious to abandon that convenience, even if their gross income is equally supported. Those producers who have accounted for the 40 to 60 percent of the entries into the loan each year must be farsighted to see that their production must flow into the consuming markets or otherwise face curtailment in future years.

We no longer have a simple choice between a high loan program and a program of equalization payments with a protective loan, but it is a choice today of a high loan program with acreage cut-backs or else a program of equalization payments and a protective loan which will result in increased consumption.

Broadminded mills, farsighted producers and all those interested in the national welfare with which cotton concerns itself must unite to support the logic of this approach.

Speed is of the essence.

The situation of cotton is too critical to survive a long-range lowering of the support price over a number of years. Foreign growths and synthetics will not permit this alternative.

Six months' leadtime is needed before the movement of the new crop for producers and the trade to adjust to new conditions. If we wait beyond February the effect of any new legislation may only take place 2 years from now.

It is painfully evident from the figures reflected herein that in 2 years our loss of markets may be irretrievable.

In order to meet our problems, it is respectfully suggested that ancillary provisions (such as those dealing with future levels of price support) should be settled in a later year, because the immediate need is to change the method of protecting farm income and of enhancing our selling to our rightful markets.

In conclusion, we are concerned that we are spending three-quarters of a billion dollars annually on our present cotton program but we are even more concerned with what we are getting for our money.

Over the years the cost to the taxpayer and the consumer has not been reduced. More serious, consumption of U.S. cotton has not been increased, even though its competitors, synthetics and foreign cotton have thrived on an expanding fiber market.

We hold that to be successful the cotton program must increase the consumption of U.S. cotton. Only by allowing cotton to compete freely for its markets here and abroad can consumption be increased. We are convinced our program will attain that end and at the same time sustain farm income.

Mr. Chairman, I wish to thank you and the members of this committee for the privilege of appearing before you and expressing our views on much needed cotton legislation.

The CHAIRMAN. If I am to understand your program, it envisions the adoption of the Talmadge bill.

Mr. WEIL. That approach.

The CHAIRMAN. That approach. Would you permit farmers to plant all they desire?

Mr. WEIL. That is not a part of our program, sir——

The CHAIRMAN. I am asking you. How would you——

Mr. WEIL (continuing). We are, in principle, in favor of as free a production as possible, but we do not advocate any particular necessary steps at this time. As we said in the last part of this, that the other provisions such as acreage and price, we think, would have to be left to another year because we don't have much time to change our program now.

The CHAIRMAN. Well, finally, though, I presume that the program you are suggesting would mean in the long run the freedom to the farmer to plan all the acreage he desires.

Mr. WEIL. Yes, sir; but it is not part of this program—this is not part of this——

The CHAIRMAN. I said in the long run.

Mr. WEIL. In the long run we would hope for that, sir.

The CHAIRMAN. And you would want whatever cotton that is sold on the markets, be it domestic or foreign, to be sold at whatever the market price is.

Mr. WEIL. Determined by the free forces of supply and demand.

The CHAIRMAN. Yes.

Now, you would suggest that the farmer, the producer of that cotton, would be paid the difference between what the market brings and any fixed price that the Secretary of Agriculture would fix through laws that we enact?

Mr. WEIL. Yes, sir.

The CHAIRMAN. In other words, the compensatory plan?

Mr. WEIL. Yes, sir; essentially.

The CHAIRMAN. What do you do in the cotton business. You are here, you come here as——

Mr. WEIL. Shippers.

The CHAIRMAN. Cotton shippers.

Mr. WEIL. Yes, sir.

The CHAIRMAN. To what extent do you buy cotton?

Mr. WEIL. Well, we buy all the cotton we sell.

The CHAIRMAN. You buy all the cotton you sell.

In other words, you buy the cotton and resell it?

Mr. WEIL. Yes, sir.

The CHAIRMAN. Domestic as well as foreign?

Mr. WEIL. Domestic and foreign.

The CHAIRMAN. That is what I meant.

Mr. WEIL. Yes.

The CHAIRMAN. You would expect the Government or the Congress to provide by way of appropriations the difference in what the cotton would sell for and whatever the price, support price, would be fixed for the cotton producer?

Mr. WEIL. Yes, sir; and there are many ways of doing that. We think the payment-in-kind approach would probably be the best method.

The CHAIRMAN. How many of the associations, dealing with cotton that you know of, agree with your view?

Mr. WEIL. All of ours, sir.

The CHAIRMAN. I don't mean associations, I mean for instance the Cotton Council, do they agree with what you have suggested?

Mr. WEIL. Well, the Cotton Council, I don't know that they would come up with a present—but they have been in favor of a competitive one-price system and I don't see how they could fail to agree with this.

The CHAIRMAN. Do you know of any farm organizations that agree with your views?

Mr. WEIL. I don't know whether you would call them farm organizations. Certain farmers, we know that there are certain groups in the Southeast that agree with this, and we have farmers in Alabama who agree with this.

The CHAIRMAN. As individuals?

Mr. WEIL. I don't know whether they would represent more than individuals. They are people, they are individuals who have taken the leadership in farm affairs.

The CHAIRMAN. Well, you are aware of the fact, I am sure, that Congress has been tinkering with legislation of the kind you want for the past 30 years.

Mr. WEIL. Yes, sir. We had it, sir, in 1935, I think Oscar Johnson plan was essentially what we were talking about.

The CHAIRMAN. It didn't last long.

Mr. WEIL. No, sir, 1 year.

The CHAIRMAN. Just 1 year.

Senator TALMADGE. Will the chairman yield at that point?

The CHAIRMAN. Yes.

Senator TALMADGE. Wasn't that just prior to entering into World War II when increased demand caused removal of cotton controls and price supports?

Mr. WEIL. I believe the year, Senator, was 1935-36. I don't know what happened. That was before I was in business.

Senator TALMADGE. Do you remember what the support price was and what the compensatory payment was?

Mr. WEIL. Ten cents, I believe, was the support price and 2 cents was the compensatory payment.

Senator TALMADGE. I am interested in the results. I have heard the results, and in my opinion the same situation as described in your statement would happen if we renewed that program.

Mr. WEIL. Yes. Well, that year domestic consumption rose roughly a million bales and exports rose roughly a million and a

quarter, I believe the total actually was two million two hundred some odd thousand.

Senator TALMADGE. In other words, production and exports of cotton expanded under the program?

Mr. WEIL. Yes, sir; that is correct.

Senator TALMADGE. I thank the Chair for yielding.

The CHAIRMAN. Well now, could you make an estimate of how much the program you are advocating would cost the taxpayers?

Mr. WEIL. Well, I couldn't, sir. But that would depend on what the support price would be determined on.

The CHAIRMAN. You would have to have the cotton grown, and the cost of growing cotton in this country is much greater than abroad, and you have heard testimony all morning to the effect that the cost of producing is much over 24 cents.

Mr. WEIL. Sir, I don't know. I know that Senator Talmadge's bill, I forget what the estimate was, but it seemed to me it was in the neighborhood of six hundred and some odd million dollars.

Senator TALMADGE. I didn't get that.

The CHAIRMAN. About \$635 million.

Mr. WEIL. The cost of your bill.

Senator TALMADGE. Here is the Department's estimates, Mr. Chairman, on the current legislation, the Cooley bill and the Talmadge bill, a complete breakdown of the figures, together with an estimate of the income to the cotton producers who would produce 20 bales, 50 bales, 100 bales, and 1,000 bales, and I ask unanimous consent that it may be inserted in the record at this point.

The CHAIRMAN. Without objection it will be included.

Senator TALMADGE. Here are the Department figures if you would like to see them.

The CHAIRMAN. I have those figures. They have been revised though, quite often. There is a later revision than the one you just put in, may I say.

Senator TALMADGE. May I see it, it is the latest one I have seen.

The CHAIRMAN. Well, according to the—without objection the data that you have suggested be put in the record will be placed in the record at this point, Senator Talmadge.

(The information referred to follows:)

Gross and estimated net returns for various size groups under present and proposed cotton legislation

	Under—		
	Current legislation ¹	Cooley bill	Talmadge bill
20-bale producer in 1964:			
Production.....	20	20	² 15+2
Value of sales.....	\$3,200	\$2,950	\$1,955
Payments.....	0	185	975
Gross income.....	3,200	3,135	2,930
Production costs (26 cents per pound) ³	2,600	2,600	2,210
Net income.....	600	535	⁴ 720
50-bale producer in 1964:			
Production.....	50	50	² 35+3
Value.....	\$8,000	\$7,375	\$4,370
Payments.....	0	185	2,025
Gross income.....	8,000	7,560	6,395
Production costs (26 cents per pound) ³	6,500	6,500	4,940
Net income.....	1,500	1,060	⁴ 1,455
100-bale producer in 1964:			
Production.....	100	100	67+5
Value.....	\$16,000	\$14,750	\$8,280
Payments.....	0	185	3,465
Gross income.....	16,000	14,935	11,745
Production costs (24 cents per pound) ³	12,000	12,000	8,640
Net income.....	4,000	2,935	⁴ 3,105
1,000-bale producer in 1964:			
Production.....	1,000	1,000	² 660+840
Value.....	\$160,000	\$147,500	\$172,500
Payments.....	0	185	30,150
Gross income.....	160,000	147,685	202,650
Production costs (20 cents per pound) ³	100,000	100,000	150,000
Net income.....	60,000	47,685	52,650

¹ Price support levels assumed to be unchanged from 1963.

² Production for export in addition to domestic allotment.

³ Assumed.

⁴ Plus some net return on cotton acreage released for planting to other crops.

COTTON PROGRAMS

Upland cotton—Basic data for current legislation, H.R. 6196 and S. 1190

Item	Current legislation			H. R. 6196—Cooley bill			S. 1190—Talmadge bill		
	1963 crop	1964 crop	1965 crop	1964 crop	1965 crop	1966 crop	1964 crop	1965 crop	1966 crop
Acreage:									
Allotted.....	16,250	16,200	16,200	16,200	16,200	16,200	(1)	(1)	(1)
Diverted: Soil bank.....	586	413	334	413	334	320			
Planted.....	14,710	14,800	14,800	14,800	14,800	15,000			
Harvested.....	14,113	14,200	14,300	14,200	14,300	14,400			
Yield: Pound per acre harvested.....	524	480	490	480	490	500			
Domestic allotment.....							9,800	9,800	9,800
Supply and utilization:									
Production.....	15,350	14,200	14,600	14,200	14,600	15,000	14,200	14,200	14,200
Beginning stocks (including preseason ginning).....							(9.6+4.6)		
Imports and city crop.....	11,000	12,850	13,550	12,850	12,850	13,450	12,850	12,550	12,250
Domestic disappearance.....	8,600	8,600	8,600	8,600	8,600	9,200	9,600	9,600	9,600
Exports.....	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Ending stocks.....	12,850	13,550	14,650	12,950	13,450	14,350	12,550	12,250	11,950
Free stocks (July 31).....	3,000	3,000	3,000	3,000	3,000	3,000	3,500	3,750	4,000
CCC stocks (July 31).....	9,850	10,550	11,650	9,950	10,450	11,350	9,050	8,500	7,950
Support price per pound (Middling 1-inch).....	32.47	32.47	31.72	30.00	29.50	29.00	22.75	22.75	22.75
Support price per pound (average of crop).....	31.72	31.72	31.72	29.25	28.75	28.25	22.00	22.00	22.00
Producer payment rates or increased support.....				2.47	2.95	2.82	13	13	13
Effective price—Domestic use (average of crop).....	32.00	32.00	32.00	26.00	26.00	26.00	11	11	11
Effective price—Export, per pound (average of crop).....	23.50	23.00	23.00	23.00	23.00	23.00	9	9	9
CCC sales price (unrestricted use) (average of crop).....	36.47	36.47	36.47	30.71	30.19	29.66	23.00	23.00	23.00
Export payment rate per pound.....		9.0	9.0	6.5	6.0	5.5	23.10	23.10	23.10
Trade incentive rate per pound.....	8.5			3.5	3.0	2.5			
Farm value of production.....	\$2,456	\$2,272	\$2,336	\$2,156	\$2,191	\$2,207	\$2,150	\$2,150	\$2,150

1 No limit.

2 Includes \$62,000,000 payments.

3 Includes \$74,000,000 payments.

4 Includes \$70,000,000 payments.

5 Includes \$517,000,000 payments.

Source: ASCS-PPA, Dec. 13, 1963 (based on Dec. 8 crop report).

Upland cotton—Comparison of estimated expenditures under current legislation, H.R. 6196 and S. 1190
[In millions]

Fiscal year	Current legislation				H. R. 6196—Cooley bill			S. 1190—Talmadge bill		
	1963-64	1964-65	1965-66		1964-65	1965-66	1966-67	1964-65	1965-66	1966-67
Major items of receipts or expenditures:										
Loans made.....	-\$1,280	-\$1,200	-\$1,280		-\$1,018	-\$1,073	-\$1,115	-\$330	-\$357	-\$330
Loans repaid.....	+282	+304	+320		+280	+290	+285	+208	+198	+170
Sales proceeds.....	+518	+563	+563		+563	+563	+563	+231	+231	+231
Estimated carrying charges, interest, etc.....	-89	-95	-105		-89	-94	-102	-70	-66	-62
Subtotal, price support.....	-569	-428	-502		-264	-314	-369	+39	+6	+9
Export subsidy (100,000 bales).....	-4	-4	-4		-3	-3	-3	0	0	0
Cotton products.....	-17	-17	-17		-7	-6	-5	0	0	0
Public Law 480.....	-192	-117	-117		-117	-117	-117	-117	-117	-117
Trade incentive payment.....					-161	-138	-115			
Increase on 1st 15 bales.....					-62	-74	-70			
Producer payments.....										
Total major expenditures.....	-782	-566	-640		-614	-652	-679	-517	-517	-517
Change in CCC stocks (June 30).....	+1,830,000	+700,000	+1,100,000		+100,000	+500,000	+900,000	-800,000	-550,000	-625
										-550,000

Note.—Does not include the "1-time" transition expenditures that could be incurred in either 1963-64 or 1964-65. Source: ASCS-PPA, Dec. 13, 1963 (December crop report).

The CHAIRMAN. I notice here that all of these programs contemplate diversion of acres. That would mean pay farmers not to plant, as I understand it.

Are you for that?

Mr. WEIL. No, sir.

The CHAIRMAN. You are not for it?

Mr. WEIL. Yes, sir; we are for expanded consumption. We are for the positive instead of the negative.

The CHAIRMAN. So that your program would be for more or less full production and the cotton to be sold at whatever the market will bring, and the Government bearing the difference in cost to the farmer between that market price and whatever support would be fixed by the Government.

Mr. WEIL. Yes, sir; we wouldn't expect, Senator, that, frankly, you could turn production loose right away.

The CHAIRMAN. How would you do it?

Mr. WEIL. As long as you have a 23 million bale carryover.

The CHAIRMAN. You would have to have some kind of controls.

Mr. WEIL. Well, this is not part of the program, but it is our considered opinion that we probably would have to continue acreage controls until our surplus became manageable, until our carryover was brought down to proportion.

The CHAIRMAN. According to the latest table I am told, that is available, under the current legislation, without diversion, the cost of the program would be \$566 million per year. The Cooley program, that is the Cooley bill, without the diversion program would be \$696 million a year, and without the Jones amendment.

You are familiar with the Jones amendment?

Mr. WEIL. Yes, sir.

The CHAIRMAN. And I may state for the record that the Jones amendment would leave it to the Secretary of Agriculture to fix the price at which the differential should be to domestic mills.

With the Jones amendment the Cooley bill would cost \$614 million.

Now, going to the Talmadge bill, which is the compensatory bill that you are talking about now, the cost would be, without diversion, \$595 million.

Mr. WEIL. Mr. Chairman, I am not clear on something, you gave a figure of \$566,000.

The CHAIRMAN. That is the present program—\$566 million.

Mr. WEIL. Yes, sir.

The CHAIRMAN. In other words, the current program would cost the taxpayers less, as I see it, than either the Cooley bill or the Talmadge bill.

Mr. WEIL. May I ask, sir, is there included in those figures the export subsidy for textiles, textile mills?

The CHAIRMAN. All its costs are in there. Cotton products. It is all in there.

Now, you were here this morning.

Mr. WEIL. Yes, sir.

The CHAIRMAN. And I presume that from what you heard you realize that it might be difficult to pass any act that would change from the present program to a new program?

What would you think of a program that would be put into effect in order to induce more cotton domestically, such as reducing the

price below the world price, if necessary, after a certain amount is used domestically.

In other words, base it, if you will, on the past 3 years or the past 4 years, and in order to induce the mills to buy more cotton, we would maybe let them have it for 10 cents a pound less or maybe 12 cents, if necessary, what would you think of a program of that kind?

Mr. WEIL. Well, sir, of course, to answer the first part first about the difficulty in bringing about total legislation, of course, I would hope that we would move heaven and earth to change the legislation totally and quickly but after what I heard last summer, after I heard that, I was convinced that we had to do something drastic and do it now.

Now, on the question of your plan, sir, by the way it was printed in last week's Cotton Trade Journal, and I had the opportunity to ask a couple of mill executives what they thought of it because in the final analysis it would be their business decision which would determine whether they would use more cotton or use more synthetics.

Of course, I think that you can ask the mills and get a much more intelligent reply to it.

The CHAIRMAN. They will be here this week and I will ask them but I would like to ask you.

Mr. WEIL. The first sample I got on that, sir, was not favorable for this reason.

The CHAIRMAN. From the cotton mills?

Mr. WEIL. From the cotton mills.

The CHAIRMAN. I would not expect them to be for the program that I am suggesting.

Mr. WEIL. The question I put to them was, Would they use more cotton and abandon synthetics as a result of this. Would this be the incentive to get them to use more cotton?

The CHAIRMAN. I wouldn't expect them to abandon synthetics, but certainly as good Americans, they might buy more cotton rather than buy synthetics if you could buy that cotton cheaper than synthetics.

Mr. WEIL. The additional part.

The CHAIRMAN. Yes; that is what I am talking about.

Mr. WEIL. The additional quota. If they increase 10 percent over the quota, if the payment is 10 cents the total cost of their cotton would cost them nine-tenths of a cent less, right—90 points less.

The CHAIRMAN. More than that. They are paying now for the cotton——

Mr. WEIL. Well, they pay 32½.

The CHAIRMAN. 32.4, and suppose the cotton were sold to them for 22 cents, 22.4.

Mr. WEIL. 22.4.

The CHAIRMAN. Yes.

Mr. WEIL. So for a hundred percent of their quota, what they use they would pay 32 for part of that. If they increase over their quota 10 percent, they would get one part at 22.40 against 10 parts at 32.50 so one-ninth of the 10-cent difference is actually what they would get.

The CHAIRMAN. You mean you are figuring the whole?

Mr. WEIL. One level.

The CHAIRMAN. Their whole——

Mr. WEIL. Yes; 90 percent.

The CHAIRMAN. I mean the total that would be used.

Mr. WEIL. That is the way they would look at it. They would say how much is this cotton going to cost in total, and another thing I think, Mr. Chairman, is that these mills think further ahead than a year. They must do it because of their research and development program, because of their machinery requirements, and so forth, and I have an excellent statement here that from the Bibb Manufacturing Co. that I have seen which shows they have a 5-year plan to turn toward synthetics.

The CHAIRMAN. Irrespective of the cotton price?

Mr. WEIL. Well, they are assuming that the cotton price isn't going to change, I imagine, but they say in this 5-year plan:

First, to assist Bibb in further reducing its heavy dependency on cotton.

Two, withdraw from unprofitable markets without adverse effects on production balance.

Three, enter more selective synthetic markets where growth and profitability seem selective, thus broaden our base product lines.

Four, gain increased flexibility in the utilization of equipment by modernizing our mills in order to meet these future buying requirements at competitive production costs.

First, to assist Bibb in further reducing its heavy dependency on cotton.

So they are looking ahead, sir. They are looking ahead at much more than 1 year and they have already increased their synthetics, last year they used 69,000 bales of synthetics, up from 55,000 the year before.

The CHAIRMAN. Out of a total use of how much baleage?

Mr. WEIL. They consumed 262,000 bales total.

The CHAIRMAN. 262 total. That is a little over a third.

Mr. WEIL. It is a little less than a third, a fourth: so that is the way I am afraid that these mills are leaning until they know that they are going to be able to count on cotton at a competitive price year after year. This is also, I think, the attitude abroad with our foreign customers.

The CHAIRMAN. Of course, as I pointed out a while ago, it seems that everybody doesn't like the program, even our local people as well as the people abroad, because of the fact that the support price fixes the price of the cotton, it pegs it, and that has more or less had the tendency of putting a lot of the people who buy and sell cotton, hedge on it, to dislike the program.

Mr. WEIL. Well, the hedging is necessary when you have a free market.

The CHAIRMAN. Yes.

Mr. WEIL. The marketing industry has deteriorated quite a bit, sir, a lot of people have left the marketing industry.

The CHAIRMAN. Any further questions?

Senator TALMADGE. Mr. Weil, I think you have covered virtually every area I could ask you about. I want to congratulate you on a most comprehensive and erudite statement here. I hope all the members of the committee and the Congress will read it because I think you have pointed out the weakness of the present program not only as it affects the taxpayers but the producers, the domestic users, and the foreign users. I think it cries for some corrective remedy.

Mr. WEIL. Thank you, sir.

The CHAIRMAN. Well, I want to ask you one more question.

A while ago you didn't answer the question I asked you about, suppose we would let the price of cotton go to 20 cents, let it all be sold, what effect that would have on the purchase by foreign purchasers of our cotton, and you answered that you didn't think it was wise to do that, as I remember.

Mr. WEIL. It wouldn't be wise to throw the 13 million bales on the market.

The CHAIRMAN. What effect do you think it would have on world prices and on our friends abroad, the countries abroad, if we had a program that would provide for unlimited production, in time, and let it be sold at whatever the market price.

Do you think we would have any difficulty with those countries that are now striving to develop a cotton industry, and would be prevented from doing it because of the fact we may be more proficient in the production of cotton, and all of that?

Have you considered that phase?

Mr. WEIL. Oh, yes, sir, very definitely. We think that there have been complaints for many years from friendly cotton-growing countries, through our State Department, every time we put in an export program, and they have urged us to keep our price high enough so that they can earn dollars.

The important thing where competitive foreign growing countries is concerned is for them to know before they put the seed in the ground we are going to sell what we produce, because once they get the seed in the ground, once the cotton comes up they have got to sell it, they have no loan, they must sell it.

So, it is important for us to let them know we are in business to stay in business before they put the cotton in the ground or before they convert acreage.

Now, acreage is being converted in countries like Guatemala from banana land to cotton land. Even Red China and Mexico, they are supposed to be buying 200,000 bales in Mexico, and this has prompted the Minister down there to say he is going to raise production to 3 million bales. Once they do, they do that knowing they are going to sell their crops before we sell ours. But if they know we are going to sell what we produce, it would be the only deterrent—

The CHAIRMAN. Before they put the seed in the ground?

Mr. WEIL. Before they put the seed in the ground.

The CHAIRMAN. Suppose we have a program that would be effective, say in the next 2 years before they put their seed in the ground, do you think they would like us?

Do you think the State Department would have any trouble with them? Of course, I have been hearing that ever since I am on this committee.

Mr. WEIL. I would think they would have a much harder time putting their finger on us because we would not be doing anything artificially to affect the world market price. We would be accepting the world market price in the United States rather than going out of the United States to peg the world market price and I think they would have much less ground for complaint there.

The CHAIRMAN. You mean than now?

Mr. WEIL. Yes, sir. And I would think that, of course, in that same realm we would have probably much less trouble with GATT where textiles are concerned.

The CHAIRMAN. What would be your attitude at getting more—if we fix the price so that the textile mills here buy as cheaply as foreign manufacturers, would you want to decrease the amount of cotton goods coming from other countries?

Mr. WEIL. Into the United States?

The CHAIRMAN. Yes.

Mr. WEIL. Well, of course, they would have no—our cotton mills would just be in a free competitive situation that they couldn't complain about if they could buy cotton at the same price as foreign mills could. As one millman said to me, you don't have to pass a law to eliminate the inequity. All you have to do is eliminate the import quota on raw cotton. But, of course, we don't want to do that because we want our domestic mills to use American cotton.

The CHAIRMAN. Well, is it your view that if the American mills were able to buy cotton as cheaply as their foreign competitors, that they would be satisfied to compete with these foreign manufacturers without Congress or anybody else preventing or placing quotas, let's say, on imports from these countries?

Mr. WEIL. As far as I know, sir. I don't know what they would do.

The CHAIRMAN. You don't?

Mr. WEIL. Well, certainly——

The CHAIRMAN. Don't you know they couldn't compete?

Mr. WEIL. Well, I know that there are many lines with labor costs involved where we couldn't—the lines where labor costs were less important——

The CHAIRMAN. In other words, our mills could no more compete with foreign mills than our producers can compete with foreign producers of cotton, because of the difference in the wage scales.

Mr. WEIL. That is possible. In fact, that was true in England.

The CHAIRMAN. I know.

After all, if we were to do what you suggest or what we have been talking about just now, I think the textile industry would be in a worse condition, a worse fix than they now are.

Senator JORDAN. Mr. Chairman, you mean if they were to lift all of the import restrictions?

The CHAIRMAN. Yes, sir.

In other words, let cotton be sold to the textile mills whether they are foreign or domestic, at the same price, and let there be free competition without restriction. That is what I mean.

In other words, let the imports come in without protection, that is what it would lead to, Senator.

Senator JORDAN. Well, of course, if you did that you wouldn't have mills after about 2 years and you wouldn't have any cotton business, either.

The CHAIRMAN. I understand that, but the point is in my humble judgment, this present cotton market, produce all you can, and let it be sold at world prices, it would doubtless lead to our Government permitting more and more competition from abroad, more than we have now, because it could then be said, "Why you are buying cotton at the same rate. Therefore, you shouldn't object."

Senator TALMADGE. May I point out, Mr. Chairman, that most of these countries that do buy cotton at world prices also have either quotas or tariffs, the Common Market countries and many others.

The CHAIRMAN. That is right.

Senator TALMADGE. They get the advantage of quotas and tariffs plus the world price on cotton.

The CHAIRMAN. Sure, that is what would make us worse off. We couldn't possibly compete with them abroad because of that.

Senator TALMADGE. I would agree with that, we can't compete with them without quotas and tariffs.

The CHAIRMAN. Sure.

Senator TALMADGE. What I am pointing out is that our competitors are getting it both ways. They are purchasing cotton at the world price, and they also have a system of quotas and tariffs to protect their domestic markets.

Senator JORDAN. You take the Philippines, I was down there just a few years back, and, you know this, Mr. Weil, after the war I don't think they had a cotton mill in the Philippines. Well, we went down and built them some real nice ones.

The CHAIRMAN. Look what we did in Korea as I pointed out here many times. We helped them to build 11 mills, and we gave them the cotton to manufacture into goods and now they want a quota from us.

Senator TALMADGE. We did worse than that. We gave them to Sukarno in Indonesia and encouraged our people to go there and they are now threatened with expropriation.

The CHAIRMAN. I know. It seems our great country is being penalized because it is progressive, because it is able to pay high wages and one of the highest standards of living in the world is right here in the United States, and it would seem to me that the textile industry is doing pretty well in having a market for practically all they produce, that is, they manufacture here, in a country wherein the people are able to buy.

Now, as was pointed out this morning, the textile industry obtains subsidies, that is, they buy cotton at world prices for about 500,000 bales of cotton, which they sell abroad, that is, in cloth. Whereas the imports into our country from foreign countries are around 550,000 to 600,000 bales. So, it is pretty nearly equal.

Senator JORDAN. Their exports are shrinking, though, very rapidly.

The CHAIRMAN. Exports of who, of what?

Senator JORDAN. Of finished textiles from the United States.

The CHAIRMAN. Well, of course, it will continue to shrink, I presume, if the cotton prices go down and you get this price support so that it will go down, and that is what would happen in the event we had a free market here of growing all you want, all you can, and let the Government bear the difference between, that is for the domestic cotton, the difference between the market price and whatever support price is fixed for the producers, for whatever is used domestically.

Mr. WEIL. Mr. Chairman, may I make two observations. I think——

The CHAIRMAN. You can make three if you want, if it will help us.

Mr. WEIL. As the Senator has pointed out, we would be in a favorable position to compete, just as favorable as the countries in the European market, European Economic Community.

The CHAIRMAN. Yes.

Mr. WEIL. Because we are certainly as efficient, our cotton mills are as efficiently run. Our labor scales may be higher but our unit

costs of production may not. But this is something again that Senator Jordan, of course, knows a whole lot more about than I do.

The second point about this unlimited supply, I don't want to be misunderstood that we would advocate that as an immediate departure.

The CHAIRMAN. No, but I asked you in the long run if we would not come to that.

Mr. WEIL. We would hope that in the long run the world market would absorb anything that we could produce. The point is that we have this expected 13-million-bale carryover which at a price is available to the world, and that is a depressant on the world price.

We don't know what would happen to the world price; we don't know why it should change much if this type of plan were put in, but one thing is for sure, that if you take any part of that 13 million bales away the influence on the world price can be no more downward, than it is now and it is possible, perfectly possible, that the world price could improve.

The CHAIRMAN. The only trouble is that, as I pointed out before, with the legislation we have from the House, it would account for only 600,000 bales more that could be used by the industry, and that would cost the taxpayers almost \$300 million. It is just that simple.

Mr. WEIL. You mean on the domestic?

The CHAIRMAN. Yes.

Mr. WEIL. The figures I saw were 600,000, plus 200,000 decrease in imports the first year, and I think again what we are going to have to look at is what these mills' intentions are in the long run, whether we are going to build up to 12 million bales or fall back to 5 million.

The CHAIRMAN. Well, I don't know what is going to happen, but the tendency has been right along to use synthetics, you know that, no matter what the price of cotton is, they have always used synthetics with the cotton. That seems to be the way it is done, except, of course, probably in the manufacture of towels and things like that where they use nothing but cotton. But you take fancy goods to make dresses and things like that, why they make synthetics with cotton irrespective of what the price of cotton is, isn't that true?

Mr. WEIL. That is true, sir. But synthetics have gone from the equivalent of approximately a million bales in 1937-38 to about 3½ million bales in 1949-50, to about 6½ million bales in 1961-62.

The CHAIRMAN. Is that the world over?

Mr. WEIL. That is U.S. synthetics.

The CHAIRMAN. United States only?

Mr. WEIL. Yes.

The CHAIRMAN. So that this year we dispose of 8.6 million bales of cotton, plus 6.6 of synthetics, is that your idea?

Mr. WEIL. Yes.

The CHAIRMAN. So we have rid of, that is we utilized 15,200,000 bales of fiber?

Mr. WEIL. Fiber.

The CHAIRMAN. Which is about what we now produce in cotton proper.

Mr. WEIL. Yet, in 1949-50, cotton consumption was practically the same as it was last year, but synthetic production was approximately half. So what has happened is that these synthetics have mushroomed while we have held an umbrella with the cotton price.

The CHAIRMAN. Any further questions?

Thank you very much, Mr. Weil.

Mr. WEIL. Thank you, Mr. Chairman,

The CHAIRMAN. All right, Mr. Gloer.

Senator TALMADGE. Mr. Chairman, it gives me a great deal of pleasure to welcome an old friend and constituent before our committee. I think Jim Gloer is one of the most knowledgeable men in the field of cotton that I know, and it is a pleasure to welcome him here.

STATEMENT OF J. M. GLOER, EXECUTIVE VICE PRESIDENT AND SECRETARY, ATLANTIC COTTON ASSOCIATION, ATLANTA, GA.

Mr. GLOER. Thank you, Mr. Chairman.

The CHAIRMAN. All right, Mr. Gloer, proceed, sir.

Mr. GLOER. Mr. Chairman, I am J. M. Gloer, and I am executive vice president and secretary of the Atlantic Cotton Association with headquarters in Atlanta, Ga., its membership composed of those in the cotton merchandising industry domiciled in the States of Alabama, Georgia, North Carolina, South Carolina, Virginia, and Florida.

I will deal with the domestic part of the cotton business for the Southeast which is dependent on the mills to which to ship their cotton, that they sell their cotton to, because the Southeast is kind of a captive of the domestic market. You cannot ship cotton out of the Southeast in any quantity. I doubt if there are more than 60,000 bales for export. So the southeastern cotton farmer is dependent on the mill consumption.

I am appearing in support of the Talmadge-Humphrey cotton bill. I testified before this committee at the May 1963 hearing and submitted some statistics; so will not burden your committee with repetitious statistics. Your committee files are replete with statistical information bearing on the necessity of legislation effectuating a one-price system for cotton.

Mr. Chairman, I will kind of brief a little my previous testimony, but as I go along with the statement you will see that it will be pertinent to it.

The 1935 cotton legislation was enacted by the Congress—introduced by the late Senator Bankhead, of Alabama—commonly known as the Oscar Johnston plan. That legislation provided for protective loan, by paying the cotton producer direct—upward to 2 cents per pound—not to put his cotton in the loan thus supplementing the producer's income. The year before that—this program—the loan was 12 cents. In 1935 they reduced it two-tenths cent and paid the farmer 2 cents per pound. That legislation was most successful—only 166,000 bales of cotton found their way into loan; domestic consumption increased by 1 million bales; exports increased by 1.25 million bales over the previous cotton year.

In 1939, as some of you remember, the late Senator "Cotton Ed" Smith—then chairman of this committee—introduced legislation providing for a world-price loan and paying the cotton producer supplemental income direct in order that cotton may be consumed domestically and exported.

■ In 1944, at hearings before a Cotton Subcommittee of the House Committee on Agriculture, the then Secretary of Agriculture, Claude Wickard, pointed out what would happen to cotton if the loan-price-support approach was continued—that—

1. Foreign acreage to cotton would be increased;
2. Synthetics would take a very large portion of cotton's domestic market;
3. The taxpayer would be burdened with huge export subsidies as we could not afford to lose our export markets; and
4. Due to foreign mills being able to obtain U.S. grown cotton at less price than U.S. textile mills, import quotas and tariffs would have to be used to keep out foreign textiles. That is what he said in 1944, and is what we are up against right today, and he predicted what has happened, would happen, and did happen.

Wickard recommended in lieu of loan-price-support (1) domestic allotment plan; i.e., making supplemental income payments direct to the cotton producer on the domestic consumption of cotton (with world-price loan) and cotton producer selling the balance of his crop at world prices—

The CHAIRMAN. Is that in accord with the so-called Humphrey-Talmadge bill?

Mr. GLOER. I have it right here—or (2) world-price protective loan, making direct payments to the producer on all cotton produced on his allotted acreage. No. 1 is the Talmadge-Humphrey bill.

In 1957, Congressman W. R. Poage of Texas, vice chairman, House Committee on Agriculture, introduced H.R. 866 (and lengthy hearings were held on that legislation) providing a world-price protective loan, and paying the cotton producer the difference between the world-price or the price at which he may have sold his cotton, and maximum direct payments of \$30 per bale. This is approach No. 2 called for by former Secretary Wickard.

In 1959, Senator Humphrey introduced S. 2502. In one section of that bill (p. 7(f) beginning on line 7) the Senator recognized the competition of synthetics, for that section reads:

(f) If the Secretary determined that the fair price for any commodity encourages competition from synthetics or tends to otherwise significantly reduce domestic consumption or export of such commodity, or in the case of oilseeds the products thereof, he may allow the commodity to move through the market at a competitive price and pay the difference between the competitive price and the fair price as a compensatory payment direct to the producer.

In 1960, Congressman W. M. Colmer of Mississippi introduced a cotton bill practically identical to H.R. 877 introduced by Congressman Poage in 1957.

Had the recommendation of former Secretary Wickard, or, the bills introduced by Congressman Poage, Senator Humphrey and/or Congressman Colmer been enacted into law—the 1963 per capita domestic U.S. textile mill consumption of cotton would not have been at an alltime low of 21.6 pounds; and manmade fiber per capital domestic consumption would not have been at an alltime high of 14.2 pounds. In 1955—and, Mr. Chairman, I am taking 1955 as not to take any war year because that would not be a true picture of it.

The CHAIRMAN. Will you permit me, what in your opinion caused that? Is it because the mills got cotton cheaper or would have obtained cotton cheaper under those programs and would, therefore, have not used more synthetics?

Mr. GLOER. Well, let us put it this way, Senator. At the times of these dates that I have given here, the price of synthetics was very high compared to cotton, and it is the history of any synthetic, once you let it get a hold and they can increase the volume, that they get into your market, they are going to take it. You take toothbrushes. You used to have hog bristles. Nylon got into it. I do not know where you can buy a hog bristle, but it started back when these men made the recommendation, even as far back as Senator Smith. Senator Smith, at the time that I mentioned here, it happened that he addressed a convention of our association in Greenville, S.C., and he predicted what would happen if something was not done at that time.

The CHAIRMAN. Well, of course, the same thing has happened in many other industries.

Mr. GLOER. It has happened.

The CHAIRMAN. The horse and buggy went out of business when the automobile came in.

Mr. GLOER. Yes. But we did not pay the horse to get out of business.

The CHAIRMAN. But, anyhow, that is the price you must pay for progress.

Mr. GLOER. Well, it may be progress, but if they had had a progressive price, the synthetics would not have gotten their hold as fast as they did get it.

In 1955 the domestic per capita consumption of cotton was 26.51 pounds; manmade fibers per capita consumption 11.20 pounds. Cotton lost 4.91 pounds per capita domestic consumption; manmade fiber per capita domestic consumption increased 3 pounds, 1955 compared to 1963. Per capita consumption is most important when you consider the U.S. population explosion since 1955.

Under date of May 18, 1959, Senator Ellender, chairman of your committee, requested the land-grant colleges, IRM-1, Agricultural Advisory Committee to make a study on farm prices and income projections—1960-65—under conditions approximating free production and marketing of agricultural commodities. On January 20, 1960 (Doc. No. 77, 86th Cong., 2d sess.), a Committee of the land-grant colleges, the personnel of which were Professor Halverson, Wisconsin, as Chairman; Professors Brandow, Pennsylvania, Cockrane, Minnesota, Kelso, Arizona, Plaxico, Oklahoma, and Schnittker, Kansas, as members of the Committee, submitted their report to Senator Ellender. I submit as an exhibit the report of the aforesaid Committee, as to cotton.

I believe it would be pertinent to this hearing that this report be read, but in the interest of time I will brief that Committee report. The Committee said, under the conditions which you requested them to make the study:

1. Acreage planted to cotton without allotments is projected at 18.7 million for 1960 and 20 million for 1965. The latter figure 21 percent above the 1955-57 acreage.

2. Projected yield in 1965 would be 19.2 million bales, 48 percent above 1955-57—the production of 19.2 million bales was predicted on 480 pounds per harvested acreage; 1963 yield per acre, 524 pounds.

3. Domestic mill consumption is projected, by the Committee, to increase to 13.3 million bales in 1965, 55 percent above 1955-57.

The projected increase—said the Committee—is based on the effect of lower prices on per capita consumption and increased populations.

4. Exports are projected to reach 6.4 million bales.

5. Projected prices received for cotton for 1960-65 period range from 24.50 to 27.50 cents per pound.

6. By 1965 projected cash receipts from cotton lint at \$2,400 million would be 17 percent above 1955-57 with increase in production more than offsetting the decline in prices received.

That is that Committee report, and that would be my answer to what might happen because that Committee was an unbiased Committee, and that was their study, and these are not my predictions as to this. This is what this committee predicts.

The Talmadge-Humphrey cotton bill your Committee is now considering, would result in all things as set forth in the report of the land-grant colleges, Agricultural Advisory Committee, and paying the cotton producer direct on the domestic consumption. Congress should pass the Talmadge-Humphrey cotton bill for it would result in increased domestic consumption, increased exports, increased cotton acreage, maintain the cotton producer's income, and cure cotton's sickness. It would be simple in administrative operation and reduce drastically the cost of administering by the USDA. It would be many millions of dollars less costly to the taxpayer-consumer than the present program.

I would remind the committee, even if no new cotton legislation is enacted by the Congress, the U.S. taxpayer will still be required to pay for export subsidies on raw cotton and cotton products in the amount of some \$225 million. I would hasten to say that export subsidies on cotton are necessary if we are to continue to export cotton. Should these export subsidies be discontinued—and I certainly do not advocate such action—the cotton farmer would, of necessity, have to reduce cotton production by 5,350,000 bales and produce from 8,500,000 bales downward for a fast dwindling domestic market. So, in calculating the cost of a one-price system for raw cotton, \$225 million will have to be considered as recurring under present cotton legislation. Now while the U.S. taxpayer is called on to pay \$225 million for export subsidies, the taxpayer, as a consumer, is paying some \$350 million more for his textiles made of U.S. cotton than the foreign consumer of textiles made of U.S. grown cotton. Under a competitive one-price system for cotton—same price to U.S. textile mills as foreign mills for raw cotton requirements—the U.S. taxpayer would be called on to pay for domestic subsidies in the maximum amount of \$350 million—amount depending on just in what percentage of parity the Congress considers the farmer is entitled to. The taxpayer, as a consumer, would recoup that amount in less priced cotton textiles. So a one-price system for cotton would cost the U.S. taxpayer-consumer \$350 million less than the present loan-price-export subsidies program.

Again, I urge this committee to heed the advice of farseeing men and report out favorably the Talmadge-Humphrey cotton bill and cure cotton's sickness, and not continue the present program which has resulted in decreased per capita consumption in the domestic market, decreased exports, and piling up of cotton in Government—CCC—loan acquired stocks.

The Cooley bill, as passed the House now before your committee, attempts to make cotton competitive to manmade fibers, but, via a

most roundabout and expensive route. That bill provides for "payments to other than the producer." Just why, that provision is difficult to understand. The purpose of a one-price system for cotton is to make cotton competitive to manmade fibers in order that more cotton can be produced for domestic consumption. The only reason U.S. textile mills are not now substituting more manmade fibers for cotton is rayon is rationed—the demand exceeds the supply. So by process of elimination the beneficiary is the cotton producer in order that he may produce for domestic consumption. Payments whether in cash or in kind should be made direct to the cotton producer who is the beneficiary.

I believe it will be of interest to the committee to learn that, Courtlands North America, Inc., announced in December 1963 a plan to increase the capacity of its LeMoyne, Ala., rayon staple plant by 50 percent, so as to bring its rated capacity to over 200 million pounds rayon staple fiber per year. The 200 million pounds of staple fiber is equal to 350 million pounds of cotton. They use 150 million pounds now, but they consider that they will not ration rayon, but they are increasing it, as well as others. This increase was just last month, and the increase in the production of rayon practically in the middle of a cotton patch in Alabama is what you have here. So they are evidently trying to anticipate that they will still have the price advantage and they are going to increase it.

(The attachment follows:)

ATLANTIC COTTON ASSOCIATION, EXHIBIT No. 1

Under date of May 18, 1959, Senator Ellender, chairman, Senate Committee on Agriculture, requested the land-grant colleges, IRM-1, agricultural advisory committee to make a study on farm prices and income projections, 1960-65, under conditions approximating free production and marketing of agricultural commodities. On December 18, 1959, that committee, the personnel being Professor Halvorson, Wisconsin, chairman; Prof. George Brandow, Pennsylvania; Prof. Willard Cochrane, Minnesota; Prof. Maurice Kelso, Arizona; Prof. James Plaxico, Oklahoma; and Prof. John Schnittker, Kansas, made the following report as to cotton and it is quoted below from Document No. 77, 86th Congress, 2d session, dated January 20, 1960:

"Acreage planted to cotton without allotments is projected at 18.7 million for 1960 and 20 million for 1965. The latter figure is 21 percent above the 1955-57 acreage. That acreage was influenced by the acreage reserve program, as well as acreage allotments. These projections of planted acreage are based primarily on statistical relationships between prices received in the previous year and acreage planted.

"Harvested acreage is projected at 96 percent of the planted acreage. Continuation of the upward trend in yields is projected and the resulting yield figure for 1965 is 480 pounds per harvested acre. The comparable production figure is 19.2 million bales, 48 percent above 1955-57 (ACA note: 1963 yield per acre, 524 pounds).

"Carryover of cotton at the end of the 1959 marketing season is likely to be around 9 million bales. With disappearance running in the 15 to 20 million bale range, a carryover of around 6 million bales might be considered an adequate reserve level. Thus, 3 million of the 9 million bales carryover would be 'excessive stocks.' Liquidation of excess stocks of 3 million bales over a 10-year period would mean 300,000 bales per year. Our assumptions permit us to assume that this stock liquidation is accomplished by the use of special export measures, such as Public Law 480. It would appear that Public Law 480 could easily handle the disposal of this quantity and this optional assumption is used in the case of cotton.

"Domestic mill consumption is projected to increase to 13.3 million bales in 1965, 55 percent above 1955-57. *The increase is based on the effect of lower prices on per capita consumption and increased populations.* [Italic by ACA.]

"Exports are projected to reach 6.3 million bales (including 300,000 bales for stock liquidation) by 1965, 21 percent above 1955-57. These projections assume

the projected prices would tend to reduce the rate of increase in cotton production in foreign countries, and that the bulk of the increase in world exports of cotton would come from U.S. supplies.

"Projected prices received for cotton for the 1960-65 period range from 24.50 to 27.50 cents per pound, compared with an average of 31.22 cents for 1955-57.

"By 1965, projected cash receipts from cotton lint at \$2,400 million would be 17 percent above 1955-57, with the increase in production more than offsetting the decline in prices received." [Italic by ACA.]

The CHAIRMAN. Well, suppose that the rayon, the cost of rayon, keeps on going down. Wouldn't that have a very damaging effect on the use of cotton?

Mr. GLOER. I would think in view of the labor situation, your wage and hour law, and the prices that the rayon manufacturers—it is a manufactured article—and the thing not being in rayon I could not answer, but I think it would be rather difficult for them to go much further than they have gone now because they recently raised it somewhat.

The CHAIRMAN. As you suggested, I recall very well, that legislation similar to the one we are now considering has been kicked around the Senate and the House for quite sometime.

Mr. GLOER. That is right.

The CHAIRMAN. And somehow Congress never fell for it; never passed it. What makes you believe this time they would?

Mr. GLOER. Well, they will either do one thing, Senator. They will either pass some kind of legislation that will make cotton competitive to manmade fibers or the cotton farmer is going to have to quit producing cotton; one or the other. In other words, every year—now, per capita consumption, when you are talking about cotton, it is much more valuable than talking how many bales of cotton were consumed in 1955 compared to 1963 because you have had several million, I do not know the exact figures, but I know we have 186 million people now, we have had a population explosion, so about the only way I know to get a true picture is to take the per capita consumption rather than take the consumption by bales as far back as 1955.

But I think it is inevitable, and I also wonder how long the American taxpayer would be willing to shell out \$225 million to let the farmer raise for export and still lose his domestic market. I think that is a pretty good—

The CHAIRMAN. I think under the bill you are now discussing that the Government would keep on shelling out quite a bit more for a long period of time, and the present estimates—

Mr. GLOER. There is one thing certain.

The CHAIRMAN. Over \$600 million a year.

Mr. GLOER. It is one thing that is certain, Senator, that whatever has to be paid could not be more than the present program because at the present time you are paying 42.5 to pay out under your export program, and then, at the same time, that price differential is reflected to the consumer where he is not paying it out, he is paying it out in higher priced goods and getting nothing back.

The CHAIRMAN. Well, were you here this morning?

Mr. GLOER. Yes, sir.

The CHAIRMAN. As I stated, and I repeat it—I may be in error—but I do not believe it would be possible to pass a cotton bill for this year that would be effective for this year's crop unless we used the present law, and add to it, and it is entirely possible that under the present program you could make it cost less, and probably have the

textile mills use more because of this last cost; and, in my judgment—I may be in error about it—that would be the only kind of legislation that could be enacted before March 1.

Mr. GLOER. Well, Senator, let me ask you this just one question.

The CHAIRMAN. You are a witness, but I will answer your question.

Mr. GLOER. Will the price to the mills make it competitive to rayon, because if it does not, if it just makes it partially competitive, they are going to——

The CHAIRMAN. If you make it competitive now, next week they are going to make it lower, because the rayon people are not going to go out of business by any means, and if we were to subsidize cotton to the extent where cotton would be selling for 20 cents a pound, rayon—I mean the rayon manufacturer—would find some way to get under that. You know that.

Mr. GLOER. If that is the case, I think cotton, domestic consumption of cotton, is in a very bad shape. We are just about through, sir.

The CHAIRMAN. It may be.

Mr. GLOER. Yes.

Senator AIKEN. In view of the proposed legislation, the rayon people would not be building new plants unless they knew for sure that they could reduce their costs further, if necessary, to compete.

Mr. GLOER. Maybe they are building the plants because they think we are not going to have a one-price system, Senator.

Senator AIKEN. You think they are not? You are pretty sure of it?

The CHAIRMAN. No.

Senator AIKEN. Of course, they may be right. They are pretty good guessers.

Mr. GLOER. That is what I am thinking, sir. But they are not going to build those plants just for the fun of it. I am just worried about what is going to happen to domestic consumption of cotton. We may have to reduce our production for domestic consumption to maybe 6 million bales, 5, and again I am wondering how long the people are going to stand for paying \$225 million, and all for the benefit of the farmer because we did not have the \$225 million export subsidy, and you would not raise 5 million bales.

The CHAIRMAN. But under the program you are proposing, sir, the payment by the Government would be in excess of \$600 million a year.

Mr. GLOER. Well, I have not figured it out.

The CHAIRMAN. That is what I just read into the record. That is what it would cost.

Mr. GLOER. I do not remember, but \$42—if you pay \$42.50 on every bale exported, and pay \$42.50 on the domestic consumer, you would get at least part of it back on domestic consumption.

The CHAIRMAN. I doubt that you could pass anything like that in the Senate, to subsidize both the domestic as well as the foreign users.

Any further questions?

Senator TALMADGE. I just want to point out one thing, Mr. Chairman. Under the present program, according to the Department of Agriculture, it cost in 1943-44, \$782 million; estimated cost 1964-65, \$566 million; 1965-66, \$640 million.

Senator AIKEN. What was the export subsidy cost for 1960, the last year the 1958 law was administered as it was intended? Does anyone have that? It was in 1961 that the subsidy was raised 2.5 cents a pound, from 6 to 8.5 cents, and then in 2 years' time exports

fell from about 7 million bales to about half that. They have come back some this year, I notice. But was it coincidence that the cost of operating the program went up and the market fell off in 1961 or did that rise in subsidy to 8.5 cents a pound have something to do with it?

Mr. GLOER. It could have been—the price rise—the rise of the subsidy could have done that.

Senator AIKEN. Of course it did.

The CHAIRMAN. Did you give thought to the program suggested by the Department that we have diversion payments made in an effort to reduce the crop?

Mr. GLOER. Yes, sir; I have.

The CHAIRMAN. What is your view on that?

Mr. GLOER. At the present time, you have—I am speaking of the Southeast, Senator. At the present time you have an acreage release and reapportionment program.

The CHAIRMAN. Yes.

Mr. GLOER. You have that at the present time, and it has been very beneficial to the southeastern farmer, and relative to that the farmers down there have probably bought more cottonpickers than we have ever had in the State of Georgia. I did not know they could increase this fast, and they bought considerable equipment on the basis of the fact that their acreage was low anyway, and that additional acreage was very helpful to them.

Now, there were 355,000 acres that were released in the States of Alabama—the Southeastern States down to Louisiana and Mississippi, 355,000 acres released. Now, that was released to the farmers.

Those 355,000 released, a lot of them never were going to plant them, and a lot of them probably never will plant.

It would cost—what you were doing, those farmers who have been releasing that for some other farmer to use, they would not release it. They put it into acreage diversion, and they get \$50 an acre. They would be foolish if they did not.

The CHAIRMAN. \$50 an acre.

Mr. GLOER. That is what they would do. They would do that, and I was just concerned about whether—I think the Department wants 3 million acres, and if it is \$50 an acre, it would be \$150 million. I think we could kiss a one-price system goodbye, but I do not think the Congress would appropriate any such amount of money.

Senator AIKEN. What would be the effect if the cotton allotments were made nontransferable, if a fellow gives it up it goes out of production?

Mr. GLOER. I would just give my own personal opinion on it. I do not believe because a man happens to have an acre of land and has got a little allotment that he has a God-given right to keep it, and if he does not ever intend to plant it over a certain period of time, he should lose it.

Senator AIKEN. Yes.

The CHAIRMAN. Of course, we had that law before, as you remember.

Mr. GLOER. Yes; I know that.

The CHAIRMAN. It caused all of the cotton acreage to go from the South to the West.

Mr. GLOER. Yes.

The CHAIRMAN. In other words, to save what we have we passed this over law, I mean—we amended the law so that this acreage that was not planted could be reapportioned.

Senator AIKEN. In the county.

The CHAIRMAN. In the county, that is right. If the county did not want it then to the State.

Mr. GLOER. Well, those 350,000 acres, commenting on that again, the beneficiary of it would not be what you would call a regular farmer, but a man who happens to have some land he was not going to plant any cotton on anyway.

Senator AIKEN. Well, do you know of any instances where people who are not farmers bought these farms back in the country and then leased the allotment which they would have possibly at one time have planted. I know some places they do that, and they want a summer place.

Mr. GLOER. I said I think it was done. I cannot tell you of any specific instance.

Senator AIKEN. Not the acreage reserve, but the conservation reserve.

Senator TALMADGE. There was a limitation on the amount that they could lease.

Senator AIKEN. Some people have bought farms for homes or summer residences, and then put the land in the conservation reserve, and the rent has gone a long ways toward paying for the place without any effort.

Senator TALMADGE. Oh, yes.

Mr. GLOER. Well, alongside of the fact that I have mentioned there, as far as the Southeast is concerned, the people would be the biggest beneficiaries of those, those that are not going to plant the acreage anyway—I think the last was they took in quite a lot of cotton and it sure hurt the rural community, and it will probably do it again.

The CHAIRMAN. I doubt if Congress would vote for any kind of diversion program.

Mr. GLOER. I hope they do not.

The CHAIRMAN. Well, that is my feeling. Any other questions?

All right, thank you very much, Mr. Gloer.

Mr. Bohlmann?

STATEMENT OF HANS BOHLMANN, PRESIDENT, HOUSTON COTTON EXCHANGE & BOARD OF TRADE, HOUSTON, TEX.

Mr. BOHLMANN. My name is Hans Bohlmann. I am president of the Houston Cotton Exchange & Board of Trade, an organization established in 1874 of cotton merchants and brokers and of allied industries such as warehousing and steamship interests, all vitally interested in the handling of U.S. cotton primarily for export. I am engaged in the cotton merchandising business as president of Reinhart Co., a Texas corporation with controlling interest owned by U.S. citizens, including myself.

Much testimony has come before this distinguished committee with regard to desperately needed cotton legislation. Many apparent avenues to the desired goal have turned into dark alleys because somebody keeps pulling the switch for lack of understanding or for fear that the light may illuminate too brightly his own backyard.

I was asked to avoid repetition of last year's voluminous testimony, which rather limits my approach to the solution. So much has been said so well; yet, I am afraid that the many sound and sincere statements advocating a free market have become commingled with the biased thoughts of some who are evidently unwilling to project their thoughts into the future. There will be no future for cotton if their wishes prevail.

Being primarily an exporter and fairly familiar with that phase of our problem, I am acutely aware of one important cause for our diminishing exports: that is confidence, or rather the lack thereof. Confidence at home has created this great free society, and confidence abroad has made us the greatest export nation of this earth. As the lack of confidence was a major cause of the great depression, so is today the lack of confidence a major cause of cotton's ills.

Since cotton exports are so very vital to our country from the standpoint of distribution as well as of dollar inflow, permit me to try to describe to you the attitude of today's foreign prospective buyer of cotton. This man looks at a fantastic oversupply of U.S. cotton in CCC storage; he reads almost daily that we must somehow get rid of it. He sees program after program coming out of the Department of Agriculture: Public Law 480, barter, credit, in addition to annually varying export sales programs. He knows that each program carries with it its own price tag, and he also knows that the subsidy is subject to change. He only naturally reasons that the price will cheapen if he waits long enough. Our export programs are called fire sales abroad, and that description certainly shows lack of confidence. This same spinner, who was accustomed to buy confidently his needs for many months ahead in a free U.S. market with near perfect price protection on the once great futures markets, has now become a cautious buyer of his immediate needs. And much of these needs he fills out of non-U.S. crops as they become available, often at a higher price than like-American quality. Even if he wants to buy abroad, as a few still do, he is unable to contract for new crop U.S. cotton during the early months of the year because there is no authorized export program. As an example, my firm had several opportunities recently to sell new crop American cotton. We are prohibited to do so; however, we can and have sold new crop Mexican cotton.

Here in the United States is the cotton merchant, who once confidently handled the crop with private financing and price protection of the futures markets, who cannot today afford to have confidence. He does not know from year to year what the next artificial minimum price will be. He does not know from week to week what the CCC sales price will be, and he is not even sure from day to day that the subsidy will not be changed. He, too, is forced to conduct his merchandising most cautiously.

The cause of all this lack of confidence is, of course, price uncertainty through price control: not knowing what the administration is going to do next in order to foster the sale of cotton as charged to them by Congress and the President.

In my considered opinion, there is only one way to do away with the uncertainty and to reestablish confidence in U.S. cotton at home and abroad. We must relieve the Secretary of Agriculture of being the involuntary price czar and must instead have a freely fluctuating

market price for all cotton produced in this country: one price for all, for our domestic mills as well as for our export markets. We must give all cotton a fair chance to flow into the free channels of trade, hedgeable in the New York and New Orleans futures exchanges, but unincumbered by subsidies or unrealistic nonrecourse loans.

We must divorce compensatory payments from the price of cotton, and this can only be done by making such payments directly to the producer. It is said that large producers are against such direct payment because the sizable payments will reflect unfavorably. This is an incredible justification of hiding the payment. Would it not be ultimately better—and more honest—to place before the public clearly how the taxpayers' money is being spent, than to keep on falsely calling this thing partially an export subsidy—to the great annoyance of our foreign producing friends—and partially a domestic mill subsidy—to the chagrin of our mill people? Let us call it a producer subsidy or compensation, which it is, and pay directly to the producer as much as Congress deems necessary.

Then it can be adjusted up or down from time to time in accordance with the needs, without distorting or disturbing the real price of cotton and with the damaging threat of a dictated price change removed from the merchandising scene.

And in order for cotton to flow freely into the channels of trade, the loan on cotton must be not more than prevailing world price, which currently calculates about 50 percent of parity. While parity is a very unrealistic measure in view of farm mechanization, it may have to be the criterion for a loan base for lack of another acceptable figure. More proper would be a loan based on the previous year's average world price, which would permit a flexible loan from year to year in accordance with free prices. The compensatory payment to the producer could readily be adjusted annually to take care of any loan variation.

Projecting a direct compensatory payment and a realistic loan toward the operational costs to Government, the savings will be immense. Supervisory and clerical work will be reduced, and cotton will move into the trade channels instead of into the exorbitantly expensive CCC program.

As long as we have a dictated price for cotton, there cannot be freedom in trade, and, as long as that situation persists, there will not be the confidence necessary to bring our cotton back to the markets of the world and the equivalent dollars to this country. We need these exports so much in so many ways.

New cotton legislation must provide for freedom of trade, which we do highly advocate as one of the basic principles of a free society.

Thank you for having given me the opportunity to present my views.

The CHAIRMAN. Would you suggest any curtailment in acreage, planting of cotton, under the suggestions you have made?

Mr. BOHLMANN. No, sir.

The CHAIRMAN. You would go on a free market?

Mr. BOHLMANN. Well, I would not——

The CHAIRMAN. You would go on a free market, plant all you can?

Mr. BOHLMANN. No; not necessarily. I would not want to do that until the surplus is disposed of, but I believe that with a free market we could readily get rid of the surplus within a few years, and as we reduce the surplus we could increase the acreage.

The CHAIRMAN. After that is done, after you get rid of the surplus, you would want to let the growers produce all they want, all they can?

Mr. BOHLMANN. I would think that eventually we could come to the point where we would be completely free of subsidies and could produce in this country freely in competition with other countries.

The CHAIRMAN. Provided the Government would make subsidies to —

Mr. BOHLMANN. No. I believe—as an example, let me use a Mexican producer on the west coast of Mexico who imports all of his machinery from the United States, almost all of his fertilizer and his insecticides come from here; his gins are all American built. The labor is, of course, the difference, and he still uses hand labor out there, whereas we use machines, but the hand labor in Mexico I do not believe is cheaper than our machine pick in this country.

That man is selling cotton at today's prices in competition with our subsidy, and he is ever increasing his acreage, and I believe we should try to stop the farm increase of production. We do not have to do any more than that, and in a few years we could catch up, because every year more cotton is being used because of the population explosion everywhere, and we will be competing then with synthetic fiber, and if I may add, in my opinion, we would soon have a very free market in this country with minimum support.

The CHAIRMAN. Then it is your conclusion that time, after we get rid of the surplus we now have, that the farmer, the cotton farmer could compete with the foreign producer?

Mr. BOHLMANN. I would say in the producing sections of the West, yes. Of course, we will not be able to do that——

The CHAIRMAN. You have got other areas. You have areas in Georgia, you have them in Louisiana that are not so fortunate as the West.

Mr. BOHLMANN. I understand. If Congress thinks that they should be supported at a price, then the 15-acre limitation or the 10-acre limitation, I suppose, has to be done. But I sort of feel like we are a progressive nation, and the corner grocery store was never protected, and the supermarket has taken over today, so I feel like that in the long run those farmers would be better off in trying to find another way to make a living. I think it is even unfair to their children to keep them on the farm and raise them to pick the cotton every year because of the miserable income.

The CHAIRMAN. I presume that you would pass the same suggestion as to all other commodities that are now produced that are protected, such as wheat, corn, and other feed grains?

Mr. BOHLMANN. Principally.

The CHAIRMAN. Dairy, dairy products?

Mr. BOHLMANN. I do not know enough about it, Mr. Chairman. But I would say I know in cotton it could be done because of our——

The CHAIRMAN. You do not plant it; do you?

Mr. BOHLMANN. Yes; I plant a little bit.

The CHAIRMAN. Where?

Mr. BOHLMANN. In Texas.

The CHAIRMAN. How much do you plant?

Mr. BOHLMANN. I just plant about 10 acres, just for the fun of it.

The CHAIRMAN. Backyard?

Mr. BOHLMANN. That is right.

The CHAIRMAN. It does not amount to much.

Mr. BOHLMANN. That is right.

The CHAIRMAN. But you are telling this committee—how long do you think it would require us, require the American farmer, to be able to compete with foreign production without the Government stepping in and paying some kind of support, either through direct payments or loans or what-have-you?

Mr. BOHLMANN. I would say that if you would be ruthless about it and let the farmer today raise as much cotton as he wanted to without a support price, many farmers would go right ahead and raise cotton without a support price, if he could raise as much as he wanted.

The CHAIRMAN. You are, of course, applying those remarks, I presume, to the large ones. You would not do it on the 10 acres.

Mr. BOHLMANN. Of course not. All I want to do is get out of it.

The CHAIRMAN. Yes; and for a good reason.

Mr. BOHLMANN. Yes.

The CHAIRMAN. You do not want to continue to lose money.

Any further questions?

Senator AIKEN. Yes.

You seem to think, Mr. Bohlmann, that the open market price should be steady and more reliable than under a loan program. I notice you say that the cotton merchant does not know from year to year what the next artificial minimum price will be. He does not know from week to week, and further the open market price should be steadier.

Mr. BOHLMANN. Yes; I believe that the Secretary, under any of these programs, has too much power; that too much power has been put into the Secretary's hands instead of having a free market.

Now, he does not want it, but he is being charged with the program, and he has to execute it to the best of his ability, and I think that everytime—we hear it abroad all the time, about the uncertainties, and cotton is not being bought, so everybody thinks the subsidies should be increased.

You know, if we look at the export figures, last year everybody stayed back because business was poor, and everyone was sure the subsidy would be increased to 10 cents, so they waited. In the meanwhile, they bought Mexican and Syrian and cotton from all over the world. Now they would have done it to a certain extent anyway. But I think the confidence in a free market has been lost so much, and we used to be able to hedge our cotton in New York, and the spinner in Europe used to be able to hedge it, and he would come to us and say, "I want to buy a certain quantity from July through next March shipment," something like that, and he would buy it on call. He would not be at the risk in price. He would buy it on call and he would fix it as he would sell his yarn, and he would have perfect price protection.

Senator AIKEN. I have not been here as long as Senator Ellender has, but it was my recollection that it was the fluctuation of the price of cotton usually downward that prompted the Congress to set up the price support and loan program.

Mr. BOHLMANN. Well, but as long as the loan is below the price that the cotton trades at, I think it is all right. But once you make the loan you are making the loan the ceiling, and the minimum.

I mean you just do not have any room there for any future market to operate.

Senator AIKEN. Your bill sets a minimum of 24 cents, approximately, Herman.

Senator TALMADGE. Yes; authorizes the Secretary——

Senator AIKEN. It is 50 to 60 percent of parity.

Senator TALMADGE. Actually it is a two-phased proposition. One is an allotment for domestic production, and then the support price or the differential that would be paid direct to the farmer varies in accordance with his production.

Senator AIKEN. Yes.

Senator TALMADGE. And then the Secretary would be authorized on all nondomestic allotments to fix a loan price at between 50 and 60 percent of parity, which would be 20 to 24 cents a pound. The Secretary would be authorized to have a scale there where the loan would be approximately what the world price would be, and then the differential would be paid to the producer.

Senator AIKEN. But suppose I raised 10 bales and the Secretary fixed the support at 90 percent of the parity price. That would be 36 cents. There would not be any temptation on my part not to sell that at a pretty low price, if I thought I was going to get reimbursed.

Senator TALMADGE. You would sell it at whatever the product would bring, and then your support would come from the compensatory payments.

Senator AIKEN. Would this tend to drive down the market price if the producer would be reimbursed anyway?

Senator TALMADGE. I think the domestic price would be the same as the world price, whatever it may be. Then you would have a completely free flow of your product, and you could sell it, export it without your subsidy.

Senator AIKEN. We tried it on wool, and I supported it. But the result of compensatory payments on the wool has been that the manufacturer sets his own price and the Government pays the producer to make up the difference between that and the support price.

Senator TALMADGE. You have your converse with wool, however. We import far more wool than we use. As a matter of fact, all of the imported woolen cloth that goes into—I mean all the wool that goes into a wool suit, 25 percent of it is imported already woven, and then I do not know what the situation is with reference to the raw wool, but we import far more than we produce in our own country. But in our cotton situation we have a surplus.

Senator AIKEN. I was wondering if with this payment coming to him, the grower might not hold out for quite so good a price as he would otherwise.

Mr. BOHLMANN. Well, I could see it this way, then, I suppose, the grower has a 24-cent loan.

Senator AIKEN. Yes; it could not go above 24 cents.

Mr. BOHLMANN. I am assuming that is the world price, and he will be selling his cotton and, as he puts his cotton into the trade channel he gets whatever Congress is willing to pay him.

Senator AIKEN. You have got this 20- to 24-cent minimum anyway.

Mr. BOHLMANN. Yes.

Senator TALMADGE. Right.

Mr. BOHLMANN. But he would only get it then. He would not get it if he puts it in the loan because that will make the loan a haven again.

Senator TALMADGE. No.

Senator AIKEN. But the loan would tend to influence the price which a buyer would offer him, would it not?

Mr. BOHLMANN. I think the buyer may offer him slightly under the loan; yes.

Senator AIKEN. Yes.

Mr. BOHLMANN. But if that loan price is low enough, then he certainly will offer him above it. It just all depends—I think the confidence in buying—there are hundreds of us, I mean cotton merchants, who cut each others' throats every day trying to buy cotton, and under such conditions we would be confident to stock cotton again, we would carry it during the year. We cannot afford to stock it today.

Senator AIKEN. Do you think we would run into competition with lower priced production in foreign countries which are now supporting the price of cotton, say in Mexico?

Mr. BOHLMANN. Mexico still has an export tax. Mexico today still has an export tax for the cotton.

Senator AIKEN. Yes.

Mr. BOHLMANN. So I mean they would not be hurt at all.

Senator AIKEN. Take countries in Africa; they are getting a high price for African cotton today because of our support price level.

Mr. BOHLMANN. Those countries you are speaking of are new countries that have been producing under our program with the export subsidy, and they have no kick coming.

Senator AIKEN. We will say a grower in the United States could produce for 24 cents. Could a company in Africa maybe produce for 20, 18 cents if they had to, and still make as much as the American producer who had a cost of 24 cents?

Mr. BOHLMANN. I do not know what the labor conditions are in Africa. But I would think that they are very, very cheap, and that whatever they would get for their cotton—let me give you an example. Three years ago on the Lubbock Plains there was a big crop, but the crop was late and the climate was bad. There were hundreds of thousands of bales that were in the wasty category, and the cotton was picked knowing that they would only get 8 cents for their cotton. Of course, it was in the ground, and it had been treated while in the ground and all that, but the people went out with their cottonpickers and picked cotton that they know they would only get 8 cents for, so the cost of that operation was considerably less than 8 cents, you know, plus the ginning and everything.

Senator AIKEN. I know the arguments of the shippers, and I do not want to see us lose export business. In fact, I think we ought to increase our export business, but I just am wondering if by lowering our price the result would be to push down still further the price which other countries would sell for. I do not know. I am asking you, and I do not suppose you know either.

Mr. BOHLMANN. Yes; they will.

Senator AIKEN. Nobody knows.

Mr. BOHLMANN. The other countries will have to sell. They know we have the financing in this country with the loan or private financing,

whichever it might be, where we can support a crop for any length of time.

Other countries do not have it, so their crops have to sell, and if our crop sells at 10 cents, the chairman asked a while ago if you would dump all of your cotton, if we would dump all of our cotton, what would happen—well, if we sold it at 10 cents somebody else would sell it at 9 because they have to sell to get their money.

But if we would be fully competitive next year that man is going to think twice about planting so much or planting more. That is how I think we have to think about this.

Senator AIKEN. It might make American and Western European investors a little more careful about financing the overproduction of cotton in other countries at a low price.

Senator TALMADGE. Will the Senator yield at that point? That is really the tragic thing or one of the tragic things about our cotton situation. In 1929 we produced over half the world's cotton. We started our price support program and we made the Government a pawnbroker and we held a price umbrella over the rest of the world, and our production of cotton has remained constant since 1939. Whereas the world production has gone up from 26 to 49 million bales—in other words, we have made it attractive with our loan program and with our sales program for them to expand while we contracted.

Senator AIKEN. We are the biggest umbrella manufacturer in the world, I am sure of that. [Laughter.]

Senator TALMADGE. That is what it amounts to.

Mr. BOHLMANN. Still today the Mexican export tax is a cent and a half.

The CHAIRMAN. The same principle that holds this same umbrella you are talking about will still be in evidence because under the Talmadge-Humphrey bill you could produce what you desired and the Government would loan from 50 to 60 percent of parity on that. Now, that is 20 to 24 cents, which is——

Senator TALMADGE. Of course, the lower figure is below the present world price.

The CHAIRMAN. I understand that. But the present world price, the present world price is 24 cents, because of our price support, but if you lower that price support the world price might get down below 20 cents.

Mr. BOHLMANN. Yes. But, Mr. Chairman, let me say this. In 5 years from now, in the first place, they will cut out additional production.

The CHAIRMAN. How do you know that?

Mr. BOHLMANN. If they do not we will lower our price a little bit more because that is the world price.

But once a farmer says, "I am not going to increase my acreage in any given foreign country," that means he is not making enough money to put more land into cotton, and that is what we want to do. I mean we want to be the ones to increase our production, and we cannot—we are doing it today even on 16 million acres, we are doing very beautifully.

But the foreign man is looking at his costs per acre, and if he sees the United States is going to sell that cotton at this price he is going to think a long time before he increases his acreage.

The CHAIRMAN. Well, I can well remember the time when cotton farmers got in our country 10 cents a pound, and conditions in our country at that time were much better than they now are in many countries where they are now producing cotton. In other words, we have a system of—I mean a standard of living here unequaled in any part of the world.

Mr. BOHLMANN. That is right.

The CHAIRMAN. And that is why I say it is folly for anybody to believe, in my opinion, that we can ever compete with foreign producers in the production of cotton, and many other commodities.

Mr. BOHLMANN. Well, I do not know whether we can fully compete, but we can certainly come awfully close to it in many sectors of this country.

The CHAIRMAN. Any further questions?

If not, thank you, sir.

Mr. BOHLMANN. Thank you.

The CHAIRMAN. The last witness is Mr. Traylor.

Will you step forward, Mr. Traylor.

I want the record to show that Congressman Mahon was present for quite some time. He was to introduce the witness who is now testifying. I am sorry that he had to leave.

**STATEMENT OF GEORGE H. TRAYLOR, JR., PRESIDENT,
LUBBOCK COTTON EXCHANGE, LUBBOCK, TEX.**

Mr. TRAYLOR. Thank you.

I am George Traylor, Jr., president of the Lubbock Cotton Exchange, Lubbock, Tex.

The Lubbock Cotton Exchange is composed of about 85 cotton firms, almost all of which are small, independent, locally owned operations. They have historically provided a steady, competitive cash market for the cotton produced on the south plains of Texas, which now makes over 2 million bales per year. Their function is to segregate the various qualities in each farmer's cotton, combine these with similar qualities in other lots, and thereby provide uniform shipments suitable for delivery to mills. This is no mean feat when you consider the fact that there are regularly produced over 375 different qualities of cotton in the 21 counties which constitute our primary market. By this process of segregation and reassembly, the f.o.b. men, as most of our members are known in the trade, can provide the farmer with the top price available for each separate quality in his lot. All this has been done through the years at what is probably the most nominal cost of any commodity marketing mechanism in our country where risk capital is involved. This small margin has been possible due to the large volume which these firms can handle through efficient, rapid turnover operations.

During the past 3 years, the percentage of the south plain's crop which has entered trade channels has dropped from about 50 percent—which was bad enough—to about 20 percent which is disastrous. The high loan program under which we presently suffer has taken the rest. We expect about 1.5 million bales to be added to CCC surplus cotton stocks out of this year's Lubbock area crop alone. Obviously, with such a drastic drop in volume of cotton moving to mills and into merchant stocks, our members have been hurt. We have seen over

15 percent of our local cotton buying offices close during the past 12 months. Many others are still open only because the rent had been paid a year in advance.

More important, since our members represent the market for cotton in this territory, and since they are being forced out of business because of reduced volume, we feel it is only a short time until the farmers will also feel the pinch. As the recent proposal of the U.S. Department of Agriculture shows, they cannot expect to continue to raise in volume a product which has been priced out of the market, by an unrealistic loan program.

In view of this rapid deterioration of our industry, and after much serious discussion and consideration, the Lubbock Cotton Exchange approved, by membership poll, the following resolution:

Be it resolved, That the Lubbock Cotton Exchange go on record as being irrevocably committed to the support of cotton legislation providing for world level price supports with compensatory payments being made directly to the producer; and be it further resolved that this exchange is unalterably opposed to any cotton legislation which does not contain these provisions.

Without such a legislative program which allows cotton to be priced competitively and to move where it belongs—into the mills of the world—the economy of our entire area will wither away. On behalf of the members of the Lubbock Cotton Exchange, I earnestly submit that the urgency of this problem cannot be overemphasized.

Thank you.

The CHAIRMAN. Any questions?

Senator AIKEN. Yes, just one. I notice you say that your area produces about 2 million bales a year and that the percentage which has gone into trade channels has dropped from about 50 to about 20 percent, a million and a half bales going into CCC stocks out of this year's Lubbock area alone.

However, I notice that the use of cotton in your mills increased during the year from 8.3 to 8.6 million bales. Did some other area of the country get that business away from you or what?

Mr. TRAYLOR. Yes, sir.

Senator AIKEN. Was it Herman's Southeast or California cotton, or where did it come from? What happened to your business?

Mr. TRAYLOR. Senator, our business, I mean the type of cotton which we have raised in west Texas, has largely been for years the type of cotton which is attracted to export markets.

Senator AIKEN. What grade would that be?

Mr. TRAYLOR. It is the shorter staple.

Senator AIKEN. Seven-eighths?

Mr. TRAYLOR. It is a little bit shorter than it usually is. It is about fifteen-sixteenths in our country, not quite that long this year. We have had the fact that the Government loan stocks have been attracted to exports; to that extent that has probably depressed our sales somewhat.

Senator AIKEN. I was thinking of the use of an additional 300,000 bales by domestic mills this year. Do you think the Government ought to continue to encourage production of a type of cotton that is not in demand?

Mr. TRAYLOR. Well, sir, it is in demand. It is easily and readily salable if it can be priced competitively, and if it can be——

Senator AIKEN. For export?

Mr. TRAYLOR. Pardon me?

Senator AIKEN. For export?

Mr. TRAYLOR. Well, it can also be used domestically. But our problem is slightly more complex than others, and I did not want to get into that because it enters into such things as the character of the cotton. It is not quite as desirable as some.

Senator AIKEN. You have a local condition.

Mr. TRAYLOR. Yes, sir. But these are not problems that could not be easily taken care of by administrative decision in the Department of Agriculture, and those gentlemen are working on these things. It is just, you might say, another factor in the valuation of a bale of cotton that has previously not been taken into account in valuing it for the loan.

But basically our farmers out there are what we call loan-minded. They raise cotton for the loan primarily.

Senator AIKEN. That is the easiest thing to do with it.

Mr. TRAYLOR. Yes, sir. The tendency is that unless you get a tremendous big premium over the loan, to put it in the loan.

Senator AIKEN. And let the Government take it over.

Mr. TRAYLOR. Yes, sir; which is what they have done, and during the past three seasons there have been nearly 4 million bales added to Commodity Credit stocks from our area alone. This is not what you would call undesirable cotton. It is cotton which can move readily if the farmers were given an inducement to sell rather than put it in the loan.

With a high loan price, the price tends to—we find that our area tends to level out at that loan price, and the chance of a farmer receiving any substantial premium above that price is remote.

Senator AIKEN. So they market it the easy way.

Mr. TRAYLOR. Yes, sir; correct.

However, if this price were dropped to a world level price, we feel there would be increased consumption, there would be increased demand, there would be increased competition for his cotton, be it all primarily export, from our area I am speaking about, and there would be an increased competition for his cotton, enabling us to very likely pay him a substantially greater premium over the loan than he ever receives now.

The CHAIRMAN. You mean if the cotton price were lower?

Mr. TRAYLOR. Yes, sir; if it were set at the loan level inducing him to sell it rather than——

The CHAIRMAN. What is your suggestion as to what the price for cotton ought to be in your area? What could you produce cotton for on the Plains of Lubbock?

Mr. TRAYLOR. If a farmer were turned loose on his acres, I believe he could probably successfully produce cotton at somewhere between 23 and 25 cents a pound.

Senator JORDAN. And make a profit on it?

Mr. TRAYLOR. They——

The CHAIRMAN. That would be the cost. They would make a profit.

Mr. TRAYLOR. No, sir. I believe they could make a profit on that figure.

The CHAIRMAN. What is the size of the farm, what is the average?

Mr. TRAYLOR. I am guessing now, I am not sure, but I would say probably the average would be around a half a section.

Senator JORDAN. 160 acres?

Mr. TRAYLOR. 360 acres.

Senator JORDAN. Half a section——

Mr. TRAYLOR. What would that be—320 acres, yes, sir.

The CHAIRMAN. All of that is dryland farming, is it not?

Mr. TRAYLOR. No, sir.

The CHAIRMAN. Irrigated?

Mr. TRAYLOR. About, if I am not mistaken, somewhere around, 75 percent of it is irrigated.

The CHAIRMAN. Why is it that the farmers of your area vote for the program every year to the extent of 85 to 90 percent if they do not like the program, if they want to plant more cotton?

Mr. TRAYLOR. Mr. Chairman, I am not saying that the farmer does not like the program as it has been in years past. I am saying that I believe that if the program continues in this, and this trend continues that was pointed out in here, I am not talking about our little block of 85 votes going out of business, but I am talking about this addition of 1.5 million bales to Commodity Credit surplus stocks every year or more, and eventually, and not too far off, within the next 2 or 3 years, unless some sort of a program is initiated which will induce them to sell their cotton, start raising it for the cotton instead of for the loan, that they will be faced with the inevitable acreage restriction, additional acreage restriction, cutbacks in their acreage, and naturally being in the cotton business, and the feeling in our area that we can come as close as anybody probably to being competitive, I hate to see us just give it up.

The CHAIRMAN. Well, in order to not conform, but with your views it would be necessary for cotton to sell at at least world prices.

Mr. TRAYLOR. Yes, sir; that is what we are advocating.

The CHAIRMAN. That would be about 24 cents.

Mr. TRAYLOR. I think that is a fair figure right now.

The CHAIRMAN. And you are advocating that?

Mr. TRAYLOR. You mean the 24-cent figure?

The CHAIRMAN. Yes.

Mr. TRAYLOR. I believe some of the other gentlemen that have testified here could come a whole lot closer to coming to an accurate cents per pound figure. I would hesitate to try to arrive at that. We are a country market and deal relatively with a small amount in conversion figures to export prices. Our main business is with the domestic price or has been up until now.

The CHAIRMAN. Well, your main complaint, as I understand it, is that it has been a blow to the exchange, the Lubbock exchange, where the Commodity Credit more or less handles all of the cotton, and it leaves the people who are engaged in the handling of cotton by way of your exchange eliminated; is that it, sir?

Mr. TRAYLOR. No, sir; that is not the extent, the meaning of my comments at all. Perhaps that is how they sounded, but that was not the intent of it.

We are interested in the economy of our area as a whole. I can't speak for the Southeast nor for California nor for the delta, but as far as our area as a whole is concerned, which our production amounts to about 15 percent of the U.S. production, that is what I am talking about. We feel that we are—only the very first indications of the

decay of our industry or the destruction of our industry. We are the first victims.

Now, of course, that upsets us, naturally, as it would anybody to see their function in a business eliminated. But isn't it inevitable or we feel that it is inevitable, that we are only the very first to go, and that the next to go are going to be the cotton farmers pinched back also, because we do not think that the U.S. taxpayer is going to continue to allow these people to produce cotton which they at the time they plant it they do not intend for it to go into a cotton mill or spinning mill. They intend for it to go into the loan, and then if accidentally somebody comes along and pays them a substantial premium, OK. If they do not, "We still made ours out of the loan price."

The CHAIRMAN. Well, the program that you are advocating, of course, the Government would continue to contribute considerably so as to give to the farmer a fair price for his cotton by way of compensatory payments.

Mr. TRAYLOR. The Government would continue to contribute to what we feel could very easily be a lesser and lesser degree to the protection of his income because we feel that these farmers, especially in our area, can eventually come very close to getting—if you weigh in the advantages of increased exports, increased consumption, and lessening costs to the economy as a whole, we feel it would eventually offset what might be an eventually irreducible minimum.

The CHAIRMAN. Any further questions?

Senator JORDAN. Mr. Chairman, I would like to ask Mr. Traylor, do you estimate that you can raise cotton as about as cheaply there as they can in Arizona and California? You say about 80 percent of your land is irrigated also.

Mr. TRAYLOR. Yes, sir. However, there is a rather wide difference. Our cotton has a relatively short growing season. We therefore plant varieties that are quick maturing. Our land does not require a great deal of fertilization regularly, I mean it is not part of producing the type of plant, of cotton, that we will produce. We oftentimes have enough rainfall where our irrigation can be held to a minimum.

Our bug problem is very nominal normally. There is a very cold winter, plus the fact that it costs more to make this long staple fiber that they—

Senator JORDAN. What is your staple fiber principally?

Mr. TRAYLOR. Fifteen-sixteenths.

Senator JORDAN. Seven-eighths to fifteen-sixteenths?

Mr. TRAYLOR. Yes, sir.

Senator JORDAN. Pretty well totally in that area, isn't it?

Mr. TRAYLOR. Yes, sir. Our area is predominantly that.

Senator JORDAN. That is what I was thinking. It does require a much shorter growing season than does an inch and one-sixteenth, three thirty-seconds.

Mr. TRAYLOR. We had to adapt our type to the area because our growing season is short.

Senator TALMADGE. What is your yield to the acre?

Mr. TRAYLOR. It is a little better than a bale.

Senator JORDAN. Do you do any skip growing?

Mr. TRAYLOR. Yes, sir.

Senator JORDAN. That has increased the amount.

Mr. TRAYLOR. I have heard differing reasons, but the experiment station agrees it does help.

Senator JORDAN. That is what I hear from farmers who are actually doing it, and they like that.

That is all, Mr. Chairman. Thank you.

The CHAIRMAN. Any further questions? If not, that concludes the hearings for today, and the committee will stand in recess until tomorrow morning at 10 o'clock.

(Whereupon, at 4 p.m., the committee was in recess, to reconvene at 10 a.m., Wednesday, January 29, 1964.)

COTTON PROGRAMS

WEDNESDAY, JANUARY 29, 1964

U.S. SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D.C.

The committee met, pursuant to recess, at 10:10 a.m., in room 324, Old Senate Office Building, Senator Allen J. Ellender (chairman) presiding.

Present: Senators Ellender (presiding), Johnston, Eastland, Talmadge, McGovern, Walters, Aiken, and Mechem.

The CHAIRMAN. The committee will please come to order.

Is Mr. Johnson present?

Mr. JOHNSON. Yes, sir.

The CHAIRMAN. Will you step forward. Have a seat, sir, and will you identify yourself for the record?

STATEMENT OF REUBEN L. JOHNSON, DIRECTOR, LEGISLATIVE SERVICES, NATIONAL FARMERS UNION

Mr. JOHNSON. I am Reuben L. Johnson, director of legislative services, National Farmers Union.

Mr. Chairman, I am going to ad lib some remarks here this morning and in view of that fact I would be very happy to have any questions or comments you have during my testimony.

The CHAIRMAN. Very well.

Mr. JOHNSON. It is my intention to briefly summarize both the objectives and the major provisions of the cotton program the National Farmers Union would like to have the Congress enact.

We seek the following objectives: a so-called one-price system applicable to all producers with a price support level set at not less than 100 percent of parity.

Senator AIKEN. Same level for all producers?

Mr. JOHNSON. Just a little later in my testimony I plan to comment on the provisions of Senator Talmadge's bill, Senator Aiken. I would be glad to respond to that question, but I think I could do it better when I get to that point.

Senator AIKEN. Yes.

The CHAIRMAN. That would mean 40-cent cotton?

Mr. JOHNSON. Yes, sir; it would.

Senator AIKEN. Twenty-five cents, in the marketplace.

The CHAIRMAN. And you would apply that to all growers?

Mr. JOHNSON. I would like to get to my comments on Senator Talmadge's bill since it directly relates to the question.

The CHAIRMAN. I thought you said you would invite questions as you proceed.

Mr. JOHNSON. Yes, sir; that is correct.

We would like to see any transfer of allotments or quotas from one producer to another producer——

The CHAIRMAN. That is in the law now.

Mr. JOHNSON. Made in such a way that we would strengthen the family-farm pattern of agriculture. We would like to see priority given to families who are entering farming, so-called hardship cases, where additional allotments or quotas are needed to make a fully sufficient family-farm unit.

Senator AIKEN. What limit would you put on that?

Mr. JOHNSON. We haven't established any limit, Senator Aiken.

Senator AIKEN. Ten bales, fifteen?

Mr. JOHNSON. I think it is common knowledge that the size of a family cotton farm has been going up considerably. A 100-bale operator nets about \$3,500 to \$4,000 on his cotton, so we would have to take a good hard look at the situation to determine just what the level should be. Senator Talmadge has a very excellent formula which recognizes the need for giving protection to the smaller growers.

Senator AIKEN. You think a cottongrower would have to produce a hundred bales in order to support his family decently?

Mr. JOHNSON. If that is all he grows, he wouldn't support his family very decently even on a hundred bales. In most instances——

Senator AIKEN. That would mean a hundred acres at the present rate of production.

Mr. JOHNSON. In most instances cotton farmers do grow other crops.

Senator AIKEN. All right.

Mr. JOHNSON. The hard core of our position all through the deliberations on cotton legislation has been that we have a so-called trade incentive payment to enable our domestic cotton industry to compete on an equitable basis with the cotton industry of other nations.

Just recently we participated in what we call a summit cotton conference, and we all did agree, at least the signers of this statement, that on this aspect of a program there should be some way of providing equity to our own domestic industry. We have adopted a statement which, Mr. Chairman, I respectfully request to put in the record at this time together with a list of those who signed it.

The CHAIRMAN. Without objection.

(The statement is as follows:)

RECOMMENDATIONS OF COTTON SUMMIT CONFERENCE, WASHINGTON, D.C.,
JANUARY 5-6, 1964

In order to adequately protect cotton producers' income at domestic price levels and at the same time make U.S. mills competitive with foreign mills, it is necessary to pass legislation amending the present cotton program.

It is therefore recommended that emphasis be placed on the single area of agreement between the various proposals, rather than on the many areas of controversy. There is such an area of agreement in both the Cooley and Talmadge bills and there is, furthermore, almost identical precedent in the Gathings and Sparkman bills. This area of agreement is simply to authorize the Secretary of Agriculture to eliminate the inequity, as determined by the Secretary, between domestic and foreign mills by directing the Secretary to issue payment-in-kind certificates to someone other than producers on domestic sales as is now being done under the PIK export program.

Specifically, it is recommended that Congress act as quickly as possible to approve for a 3-year period section 348 of the Cooley bill and section 7 of the Talmadge bill, which are nearly identical, and delete all other sections of both

bills. This simple approach is all that is necessary to meet the immediate situation. Details of a longtime program could then be worked out in the future but we would have the advantage of having cotton competitive immediately upon adoption by Congress of this single amendment.

Adopted unanimously by the following participants in the conference:

George Stone, 1141 West Sheridan, Oklahoma City, Okla.—Oklahoma Farmers Union.

John V. Stiles, Post Office Box 1098, Taylor, Tex.—Old Cotton Belt Association.

G. D. Arndt, Post Office Box 1004, Raleigh, N.C.—North Carolina Grange & Cotton Growers Co-op Association.

Red Bamberg, Uniontown, Ala., farmer.

E. R. Solomon, Headland, Ala., cotton farmer.

Jack Hutchison, Caruthersville, Mo., cotton farmer.

J. D. Smith, Littlefield, Tex.—Plains Cotton Growers.

Donald Wooten, Crosbyton, Tex., farmer.

Max D. Carriker, Roby, Tex., farmer.

George W. Pfeifferberger, Lubbock, Tex.—Plains Cotton Growers.

Jay Naman, Waco, Tex.—Texas Farmers Union.

Lewis Johnson, Little Rock, Ark.—Arkansas Farmers Union.

The CHAIRMAN. Who signed that, members of organizations or members of your organization?

Mr. JOHNSON. Well, they are both farmers and representatives of organizations.

The CHAIRMAN. Suppose you read it, it is only one page.

Senator JOHNSTON. Let me ask you, did they sign it as individuals or did they sign it in behalf of the organizations?

Mr. JOHNSON. In the case of the organizational representatives on this list, the statement was signed on behalf of the organizations.

Signers are: George Stone, president of Oklahoma Farmers Union; John V. Stiles, a representative of the Old Cotton Belt Association, Taylor, Tex.; G. D. Arndt, Raleigh, N.C., North Carolina Grange & Cotton Growers Co-op Association; Red Bamberg, Uniontown, Ala., a farmer and former commissioner of agriculture in Alabama; E. R. Solomon, cotton farmer, Headland, Ala.; Jack Hutchison, cotton farmer, Caruthersville, Mo.; J. D. Smith, representing the Plains Cotton Growers, Littlefield, Tex.; Donald Wooten, cotton farmer, Crosbyton, Tex.; Max D. Carriker, cotton farmer, Roby, Tex.; George W. Pfeifferberger, Lubbock, Tex., Plains Cotton Growers; Jay Naman, Waco, Tex., Texas Farmers Union president; and Lewis Johnson, Little Rock, Ark., Arkansas Farmers Union president.

This statement does not necessarily reflect all of the views of these organizations, Mr. Chairman, but it was at least an expression of the hard core agreement in the group, that is that our cotton industry in the United States should be made competitive with the foreign cotton industry.

We are recommending in this statement also that the other provisions of the House-passed bill be deleted. We are very much concerned, for example, about the so-called McIntyre amendment which would drop the price of cotton 3 cents a pound. And we all agree that the program that we adopt for cotton should not reduce income to the cotton farmer.

Now, Mr. Chairman, if I may proceed further, I want to talk about the Talmadge bill.

Senator AIKEN. First, let me say, you wouldn't make any distinction as to the type of cotton produced. You probably heard Mr. Traylor last night saying they had lost their market in the Lubbock

area because there was not the demand for the type they were producing there.

Would you make any distinction on that?

Mr. JOHNSON. Well, Senator Aiken, we would like to see the distinction made in price above the support level. Quality cotton might go at a price above the support level and maybe there is some cotton that won't go any higher than the minimum support level.

Senator AIKEN. You would have a minimum there. You would not want the cotton for which there is no further demand to come below the support level then but other grades to be above.

Mr. JOHNSON. I am not sure that there is no further demand for this cotton.

Senator TALMADGE. Would you yield at that point, Senator Aiken?

Senator AIKEN. He said other areas had gotten the business away from them.

Senator TALMADGE. There is a differential in the support price based on grade at the present time.

Can any of our staff tell me what what differential is?

The CHAIRMAN. Get it.

Senator TALMADGE. I would like to insert it in the record at that point. There is a differential in the support price now. What it is—

The CHAIRMAN. It is based on average of the crop converted to Middling inch as I remember and whatever is above that gets a premium and whatever is below that it is lower.

Senator AIKEN. The question is, If you continue to pay the minimum price or the maximum, whatever it is for the cotton which is not in demand, don't you discourage the production of the cotton that is in demand?

Senator TALMADGE. Here is a table that has been handed to me by one of the witnesses from North Carolina. Thirteen-sixteenths is supported, that is Strict Middling now, in North Carolina at 31.28. Seven-eighths is supported at 31.73. Twenty-nine thirty-seconds is supported at 32.18. Fifteen-sixteenths is supported at 32.68; thirty-one thirty-seconds is supported at 33.23; 1 inch, 33.90; and then the scale goes up 1¼ inches supported at 41.08, that is the Long Staple cotton that brings a premium price, so the differential varies from thirteen-sixteenths of an inch to one and quarter, and the support price varies from 31.28 to 41.08, or almost 10 cents a pound.

Senator AIKEN. It varies 2.70 cents for upland cotton then.

Senator TALMADGE. Approximately, yes.

Here is, the committee staff just handed me, the base is 1 inch evidently.

The CHAIRMAN. That is what I said.

Senator TALMADGE. Then the premium goes down 2 cents a pound to thirteen-sixteenths, and goes up from 8 cents a pound for 1¼ inch and longer.

The CHAIRMAN. Off the record.

(Discussion off the record.)

The CHAIRMAN. As I recall the testimony, Senator Aiken, since you raised the point, the market they lost was foreign markets, and since the exports of cotton of that length has slackened, it has accumulated.

Senator AIKEN. Yes. As I understood it they used it for padding and things like that and this other stuff has come in and taken the place of it for mattress padding.

Senator JOHNSTON. Some of our own markets use it, home markets use it in connection with synthetics.

The CHAIRMAN. Mr. Johnson.

Mr. JOHNSON. Mr. Chairman, I think there is a witness here who can discuss this problem in Texas in more detail.

The CHAIRMAN. We had one yesterday who did it pretty well.

Mr. JOHNSON. It is a problem and I hope we can help solve it and find an appropriate outlet for this cotton.

We have been consistent in supporting some kind of program to make our domestic cotton industry, competitive with industry of other nations.

When the Talmadge bill was introduced, this committee may recall that we came here to discuss it, and I am saying the same thing now that we said earlier, at least in essence.

Senator Talmadge has made an excellent case for his bill, and we understand that the administration looks on it with favor. In Farmers Union, we have long supported the unit quota such as S. 1190 provides.

It is also apparent that Senator Talmadge's bill would enable the small grower to realize greater returns for their labor. As we understand his legislation a direct payment of 12 cents a pound would be paid on the first 15 bales of production. 10 cents on the second 15 bales, and 8 cents on the balance. This means—

The CHAIRMAN. That is only on cotton domestically used, not all of it.

Mr. JOHNSON. Yes, that is right. This means of enabling small growers to compete is fully consistent with our long-term objectives of strengthening the family farm structure in agriculture.

The effect of the differential in payments based on the quantity of production of individual farm units is consistent with the program adopted by delegates to our national convention in New York City in March 1963.

The Talmadge bill would permit cotton to move freely through trade channels, at the same time protecting the cotton producers who grow and market their quota from the disastrously low market price, and in this connection, Mr. Chairman, we anticipate that very few, if any, cotton producers can afford to grow cotton in excess of their quota at the world market price which is approximately 24 cents.

However, in spite of this point I have heard some growers express concern that there may be too much 24-cent cotton grown. I think the committee should give consideration to this question and possibly there would be a way to put some kind of a damper on having too much of this cotton that would be grown at that level.

I haven't, we haven't made a detailed study of just what the effect of the Talmadge bill would be in terms of the quantity of this cotton.

The CHAIRMAN. If I am to understand, you want the cotton to be protected on the local market at certain figures, and limit the production of cotton that may be sold abroad.

Mr. JOHNSON. Well, not exactly limit it.

The CHAIRMAN. Well, that is in effect what I understand you to be saying.

Mr. JOHNSON. I would like for you to make a study of the effect of having absolutely no control on the export side in terms of production. For example——

The CHAIRMAN. You mean let them produce all they desire?

Mr. JOHNSON. Under the Talmadge bill as I understand it they could produce all they could sell, at 24 cents, is that correct?

Senator TALMADGE. That is correct, and I would like to point out, if you will yield at this time, the Department of Agriculture, which I presume is about the best authority on projecting estimates in this field, estimates that if S. 1190 is adopted, which is the bill that I have proposed, that the production would be 14,200,000 bales in the year 1964, of which 9,600,000 bales would be under domestic allotment and, therefore, price supported.

Senator AIKEN. That is a million-bale increase over this year.

Senator TALMADGE. That is right. And 4,600,000 would be produced for export over and beyond the domestic allotment.

Mr. JOHNSON. 24-cent cotton.

The CHAIRMAN. The production then would be less than what we are now producing, and wouldn't that affect the income of the farmer that you are so anxious to protect? You see that is what I can't understand in your testimony. You want the farmers' income to remain steady, and I am for that. But if we—if it is impossible to produce a cotton at 24 cents, as you say, and you want to discourage that, I am just wondering what would become of our farmer incomes, that is what we are trying to improve, if we can.

Mr. JOHNSON. Mr. Chairman, if the Department figures that Senator Talmadge just quoted are anywhere accurate, I don't think we have any concern at all about the amount of 24-cent cotton that we would produce under his bill.

The question is if we produce too much of this cotton we might lower the world market price, below the 24-cent level and if we did this, of course, it would increase the cost of the program.

There may be some way that a basic support could be provided here so that we wouldn't weaken that world market price. We are actually setting the world market price, I think, at the present time by the way we set our export payment on cotton. All I am saying is that the committee should give some consideration——

The CHAIRMAN. How can we unless we get witnesses to give it to us, because we have been trying to——

Mr. JOHNSON. Senator Talmadge, I believe, asked that this information from the Department be put into the record and I would like to join in that request, and I think this would be worthy of consideration by the committee.

If the figures I heard quoted here are accurate, and I am sure they are, we don't have any problem at least in the outset in the operation of this program.

(The information referred to is on pp. 373-375.)

Mr. JOHNSON. Mr. Chairman, I would also like to point out that under the Talmadge bill the income to a 20-bale producer in 1964, the net income would be \$720. Under the bill passed in the House, H.R. 6196, income would be \$535, and under the current legislation it would be \$600. So we don't drop income under the Talmadge proposal.

When Mr. Murphy was up here, he urged that this committee give the Talmadge bill careful consideration. We view the bill as much

simpler to administer as compared to the program set forth in other bills before the committee.

From an analysis made by the Department earlier, it appears that S. 1190 would cost \$5.1 million more than the program provided by S. 608. It is conceivable, however, that under the Talmadge bill, substantially greater savings would accrue to the Government from the reduction of carryover inasmuch as the existing cotton stocks could move freely into the world market.

In summary, Mr. Chairman, we believe that S. 1190 introduced by Senator Talmadge offers an intelligent alternative in solving some of the problems facing the growers of cotton. We urge that the committee adopt the desirable features listed above. We are firmly of the opinion that the bills before the committee offer either individually or in combination a workable solution to the problem that faces growers and the domestic cotton processors.

The CHAIRMAN. Well, you mentioned at the beginning that you desired full parity. Now, that is quite a far cry from what the Talmadge bill provides.

Mr. JOHNSON. Well, Mr. Chairman, it has traditionally been our position to come before this committee and ask for——

The CHAIRMAN. Get all you can.

Mr. JOHNSON (continuing). Ask for nothing less than full parity.

The CHAIRMAN. Get all you can.

Mr. JOHNSON. We have found even asking for full parity we get compromised down to a level that is usually too little for the American farmer, and I hope this committee will never hold against the Farmers Union the fact we have come up here repeatedly to ask for full price parity for the American farmer.

The CHAIRMAN. Have you any ideas to tell us how to improve our sales abroad because everybody feels we ought to recapture our markets abroad, and——

Mr. JOHNSON. I will say frankly, Mr. Chairman, I think Senator Talmadge has the answer.

The CHAIRMAN. Senator Aiken?

Senator AIKEN. I have just one question. You testified on cotton now; I believe you are slated to testify on wheat next week.

Mr. JOHNSON. Yes, sir.

Senator AIKEN. And you have already testified on milk. Do you think the three programs should be included in one omnibus bill or should the cotton legislation be kept strictly separate from the others?

Mr. JOHNSON. Senator Aiken, that is a very fascinating and interesting question.

Senator AIKEN. I find it so; that is why I asked it.

[Laughter.]

Mr. JOHNSON. But, sir, I haven't given it enough thought to give you an answer to it.

I would say this: I have great respect for the judgment of this distinguished committee, and I would be very happy to say to you that whatever your decision is would be perfectly all right with us. We are more interested in the provisions and type of program than we are strategy at this point.

Senator JOHNSTON. Your main thing then is to get something done.

Mr. JOHNSON. Yes, sir.

The CHAIRMAN. Any further questions?

Thank you, Mr. Johnson.

Mr. JOHNSON. Thank you.

The CHAIRMAN. Mr. Pfeiffenberger.

Will you identify yourself for the record?

STATEMENT OF GEORGE W. PFEIFFENBERGER, EXECUTIVE VICE PRESIDENT, AND JOHN R. PUGH, PLAINS COTTON GROWERS, LUBBOCK, TEX.

Mr. PFEIFFENBERGER. Yes; I am George W. Pfeiffenberger, executive vice president of Plains Cotton Growers of Lubbock, Tex., and I have with me, with your permission, Mr. John Pugh, a farmer in Lubbock County who is one of our directors, and we would like for him to make an opening statement, if you will, please, sir.

Mr. PUGH. I am John R. Pugh; I am a cotton farmer in Lubbock County and a farmer director of the Plains Cotton Growers, Inc., an organization of some 25,000 cotton producers in 23 counties on the High Plains of Texas.

Our area produces annually slightly over 2 million bales of cotton, with our major alternative crop about 3 million acres in grain sorghum.

On May 20, 1963, Mr. Wilmer Smith, president of the Plains Cotton Growers, Inc., testified before this committee expressing the views of the members and directors of the Plains Cotton Growers on cotton legislation.

At that time no bills had been passed by either House of Congress, so Mr. Smith testified in terms of basic principles and objectives, with some specific suggestions as how to accomplish these objectives. Since you have requested that we do not repeat any prior testimony we simply refer to this previous statement by Mr. Smith, which is printed in the hearings of this committee on May 20 through 27, 1963.

All the points covered in this testimony were carefully and thoroughly discussed in Plains Cotton Growers, Inc., board meetings during the past 2 years and were unanimously agreed upon.

As a farmer, and a board member of the Plains Cotton Growers receiving all my income from farming operations, I completely subscribe to these statements and recommendations. Since a substantial part of this testimony deals with technical matters, I request that Mr. George W. Pfeiffenberger, our executive vice president, be permitted to present the statement and we will both be available for questions and discussions.

The CHAIRMAN. All right, thank you, sir.

Mr. PFEIFFENBERGER. Since the hearings of last spring were held, we, of course, have had the Cooley bill. The Cooley bill has passed in the House and while our organization supported the basic principles of the Cooley bill on the basis of the print of June 6, and the published extracts and explanations of the proposed McIntire amendment, we found when the full text of the McIntire amendment became available to us that we would have to withdraw our support of the Cooley bill in its entirety unless certain amendments might be made.

I am not going to read this in detail, to save time. But our chief objections to the McIntire amendment are that, first of all, the bill wipes out completely the discretionary authority of the Secretary of Agriculture to set price support between 65 and 90 percent of parity

and substitutes a scheme of gradually lowering the price support ceilings based upon lowered costs of production.

We have no objection to the theory of lowered costs of production being used in the calculation of price support because it is an important factor. But the bill completely wipes out the 65 percent of parity floor and leaves the farmer at the mercy of the world market or perhaps lower.

The CHAIRMAN. It does away with the parity concept.

Mr. PFEIFFENBERGER. That is correct. The general philosophy and I believe Mr. Pugh will bear this out, on the Plains, is that our farmers will accept a reduction of price support of 2½ or 3 cents a pound without too much reluctance, they don't want to do it but they recognize it might be necessary to move forward provided that the Government furnished payment-in-kind certificates to close the rest of the gap between the domestic and world prices, in order to remove the inequity between the American and foreign mills.

However, they would be very much opposed to just lowering the price a cent or 2 cents or something like that and nothing else, because they feel that would accomplish nothing in making us really competitive, and would simply be taking the money out of their pocket without being effective.

This, I think, we have discussed many, many times, and is by far the opinion of the majority of the votes on the Plains.

Another thing in the House-passed Cooley bill to which we object a great deal is the sentence that establishes:

For 1965 and subsequent years the level of price support shall be the level in effect for the preceding crop minus any reductions in the cost of producing cotton.

Without going into any of the details, what this means is that we have gradually a progressive lowering of the ceiling and the Secretary cannot go above that after he has once set it.

Senator AIKEN. Does that mean you are gradually reducing the cost of producing cotton? Otherwise, it wouldn't take effect.

Mr. PFEIFFENBERGER. Otherwise, it wouldn't go down, that is right. But if it did once go down after 1966, it could never go up from what it was the year before, even if we hit inflation.

Senator AIKEN. That is what you object to then?

Mr. PFEIFFENBERGER. Yes.

Senator AIKEN. It is a one-way street?

Mr. PFEIFFENBERGER. Yes, sir.

Senator AIKEN. OK.

Mr. PFEIFFENBERGER. And that is a ceiling. Of course, therefore, we find ourselves with a gradually lowered ceiling and no floor at all which is pretty doggone risky for the cotton farmer.

Senator AIKEN. I see.

Mr. PFEIFFENBERGER. I have some figures worked out here but I don't think it is necessary to go into that detail right now.

We wouldn't be averse to a gradual lowering of the price support to decrease the cost to the Government if and when the costs of production go down, but we are somewhat skeptical about the proposition of basing price supports entirely on costs of production. It is a good theory but it is very difficult to find any economist, whether he is private, Federal, or State, who can or is willing to stick his neck out as to what is the cost of production.

It is a very complicated thing to calculate. It varies tremendously from one part of the country to another, and the economists themselves differ in the factors that should go into the formula, and how they should be weighted, and this would have to be a weighted proposition to get a true figure.

As I said before, we wouldn't object to the cost of production being in the formula but we think perhaps also should be added some more clearly defined method of reducing the price supports in relation to the success of a program and that would be as the production went up or the acreage went up, then we would be balancing off to the farmer additional acres and additional production for a somewhat lower price.

The CHAIRMAN. Well, that was the theory that we had for the 1958 act.

Mr. PFEIFFENBERGER. Yes, sir.

The CHAIRMAN. We fixed a minimum acreage with the understanding that the formula would be reduced from 75 to 90, to 65 to 90 and when you increased acreage you lowered price. But it never worked that way, that is, it wasn't administered in that manner and, therefore, when the time came we saw that the acreage was increased and the price was increased or kept constant, and that is why we are in trouble today, in my opinion.

Senator AIKEN. Did your crop move pretty well in 1959 and 1960?

Mr. PFEIFFENBERGER. Yes, sir.

Senator JOHNSTON. To illustrate that point, what was it costing the farmers to finance the cotton back in, say, 1960, 1961, very little. It is increased every year.

Senator AIKEN. Yes; but it moved. Exports went up to 7 million bales.

The CHAIRMAN. Particularly in your area, most of your cotton was exported.

Senator JOHNSTON. I was talking about 51.

Mr. PFEIFFENBERGER. Yes, sir; 65 percent.

Senator JOHNSTON. Sixty-five percent is exported and I don't blame you for being for the Cooley bill.

Mr. PFEIFFENBERGER. Well, so far, Senator, we have been somewhat negative on the basis of this McIntire amendment.

Senator JOHNSTON. I understand. But probably the McIntire amendment and probably the Jones amendment you would like to strike out, too, because that would mean more use for the cotton, wouldn't it, I mean you could move it more readily, and it is entirely possible that you might develop more use domestically, if the price can be at world prices.

Mr. PFEIFFENBERGER. Yes, sir; we believe in a competitive price.

Senator JOHNSTON. Yes; I understand. Isn't it the world market that is giving us our trouble now?

Mr. PFEIFFENBERGER. I think we have got troubles all around, Senator.

Senator JOHNSTON. But isn't that true, it is the world market, if it was up close to ours we wouldn't have any trouble?

Mr. PFEIFFENBERGER. I think we need to become competitive as quickly as possible on the domestic market, that is where we are really losing tremendous markets.

Senator JOHNSTON. How can we regulate that, the question is now when the world market, the production of cotton is as large as it is. It didn't used to be that way.

Mr. PFEIFFENBERGER. That is right.

Senator JOHNSTON. We own a small minority of it now.

Mr. PFEIFFENBERGER. I would like to make a more positive statement with respect to the Cooley bill and say this, if a definite floor were provided and put into the Cooley bill, that is a definite price support floor for the farmer, and the Secretary had some latitude to go both up and down to fit the cost of production conditions, not just always down, we would support the principles of the Cooley bill, and including the full domestic subsidy to match the export subsidy if Congress so willed it.

The CHAIRMAN. Since you are for the parity concept, what is wrong with the present formula of 65 to 90 percent?

Mr. PFEIFFENBERGER. We see nothing wrong with that. We have lived with it for quite a long time.

The CHAIRMAN. Some have suggested that it be lowered to 60 percent, 60 to 90 percent, but give more acreage. But whether that will work or not I don't know. What would be your idea on it?

Mr. PFEIFFENBERGER. We are not prepared to make any definite figure. I think we would be right happy to leave it at 65.

If, however, in this modified Cooley bill, if this point of the export—I mean the domestic subsidy being exactly the same as the export subsidy—should become the final block to any legislation, we think it might be well to consider some alternative such as expressing the domestic subsidy as a ratio to the export subsidy so that they would maintain some permanent and effective relationship to each other. We feel that the domestic subsidy should be expressed as a hundred percent of the export subsidy, or 90 percent, or some percent, but with a clause in there that says, "In no case less than some definite percentage, such as 75 or 80 percent."

This would provide the mills some measure of stability in respect to the changes, if the export subsidy went up or down the domestic would go up or down with it. Our preferment is by far to have the domestic subsidy 100 percent of the export subsidy, but realizing that is a very controversial point if that could not be put through Congress, then we think this definite ratio of one to the other is the way it should be expressed because then they are tied together permanently and effectively.

That is all I have to comment on the Cooley bill. If there aren't any questions I will go to the Talmadge bill.

The CHAIRMAN. Do you have any other suggestions?

Mr. PFEIFFENBERGER. We have something to suggest later on.

The CHAIRMAN. If you have a little light present it to us.

Senator JOHNSTON. You think it should be 65 percent?

The CHAIRMAN. Not less.

Mr. PFEIFFENBERGER. We are not fixed on that but that would be highly satisfactory. We had it all these years and it has been all right.

The CHAIRMAN. Since 1958?

Senator AIKEN. 26 cents.

Mr. PFEIFFENBERGER. Yes, sir. The way parity is now.

Senator AIKEN. With allowances up or down according to the grade of the cotton?

Mr. PFIEFFENBERGER. That is right.

Now, as to the Talmadge bill, in its present form, our board feels that it would not be acceptable to us in this form except for section 7, which authorizes the payment-in-kind certificates on domestic sales. Of course, this is very much the same as the original domestic trade incentive plan and was approved more than a year ago by all the producer groups who are affiliated with the American Cotton Producers and the Southwest Five-State Cotton Producers Associations.

As for the other provisions of the Talmadge bill we have some objections.

In the first place the loan at well below the world market price has been vigorously opposed by all cotton producer organizations because the domestic spot and future market quotations would also be at this level, because that would be the level of trading, both domestic and foreign.

These quotations would be so published at the lower level and they would go into the permanent written records as the price of cotton. This would certainly have a tremendous effect on both the public and I presume the Members of Congress as well, that the real value of cotton is actually below the cost of production, and the domestic income goals for the producer would soon be forgotten if it became obvious in the newspapers and all the releases of the Government and the trade and so forth that the price of cotton was at the world level. This is a very real danger for the producer.

Furthermore, we think that direct payments to farmers, well, it has been almost unanimously opposed by cotton producer groups.

We agree with that opposition.

With the loan set at below world prices we feel it would be extremely difficult to maintain the payments after the first year or so, because of opposition from nonfarming elements in the country. Not only would the farm program opponents attempt to get them wiped out by legislation but they could also be wiped out by lack of appropriations in restoring the CCC funds.

Either method, if they were wiped out, would leave the farmer with a loan well below the world market level and nothing else, and in practically all parts of the country this is below the cost of production, and would certainly be disastrous to thousands of farmers and the cotton-oriented economies across the country.

Another thing that we very much fear is that in such a plan of direct payments to farmers, there would be immediately a number of bills offered for loan limitations on farmers because of their size, and we have always consistently opposed this theory that farmers should be penalized because of size.

Another objection to the bill as it is now is that the declining payments with each 15-bale increment of production is a poorly disguised form of limitations, the principle we have fought on the ground that it is discrimination and would penalize a man because of size and efficiency.

We object to the substitution of baleage quotas for acreage allotments—

The CHAIRMAN. In that connection, though, the big producer would receive payment on that 15 bales.

Mr. PFIEFFENBERGER. That is right. But that is a payment on only a small fraction of his production, whereas with the smaller farmer it is his total production.

The CHAIRMAN. In other words, if he produces a hundred bales, he would get paid one price for the first 15 and a second price for the second 15 bales, and above that he would get another price.

Mr. PFEIFFENBERGER. The third level would be only up to his domestic allotment.

The CHAIRMAN. What is your thought, if the Talmadge bill were adopted as presented? Would it relegate the production of cotton for domestic use only?

Mr. PFEIFFENBERGER. If the Talmadge bill were adopted, no, sir, I don't see how it would hurt our exports because—

The CHAIRMAN. It envisions, though, the production at 24 cents a pound or whatever the market price of the world is. If it is fixed at 24 it would be 24. If we say it is 23 why they can just keep on going down and, in my opinion, it might discourage the production of cotton for export.

Senator AIKEN. Is your organization a member of the Lubbock Cotton Exchange?

Mr. PFEIFFENBERGER. No; definitely not.

The CHAIRMAN. You don't agree with their testimony, I suppose?

Mr. PFEIFFENBERGER. Well, I didn't hear it, Senator, so I can't really say. I have an idea of what they testified, but I didn't actually hear it.

Senator AIKEN. It was not identical with your testimony.

Mr. PFEIFFENBERGER. No; I am quite sure of that.

[Laughter.]

The CHAIRMAN. As I recall, Mr. Traylor testified that the exchange there was virtually destroyed because of the fact that the Commodity Credit was the chief seller of cotton, or some words to that effect.

Mr. PFEIFFENBERGER. Yes, sir; I would have to agree with him there.

The CHAIRMAN. I thought you would.

Mr. PFEIFFENBERGER. Also that most of the loss in our markets has been on the domestic market and High Plains cotton is largely, at least 65 percent or so, has generally gone to export. So, I think, Mr. Traylor and the others were very definitely correct when they said some number of their businesses had to go out; that is true.

Senator JOHNSTON. Is that due to the fact of the staple of the cotton?

Mr. PFEIFFENBERGER. No, sir; I don't think so. I think if prices are in proper proportion to each other there is a place for all these cottons and they have sold largely on export for many years and probably will continue to do so because many of these other countries are using shorter cottons and they are making heavier yarns, and so forth, than the domestic mills.

Senator AIKEN. Do you think that we are wise in making our legislation fit the 5-, 10-, 15-bale producer when the increase in production in foreign countries is apparently made on very large farms, mostly corporation farms, that are many, many times the size of the average cotton farm in this country.

Isn't that one of our difficulties in competing in the foreign market?

Mr. PFEIFFENBERGER. Senator, I think that is correct. I believe that from the standpoint of the strict economic standpoint, it is not necessary and it might even be harmful to do this but on the other hand, there may be good reasons for doing it at the present time and we don't make a major issue on that point.

Senator AIKEN. I think there are. I think people are of first concern rather than the product.

Mr. PFEIFFENBERGER. Yes, sir.

We also object to the substitution of baleage quotas for acreage allotments as this largely removes the incentive for efficiency, the very goal we are seeking to become self-sufficient with a minimum of Government help, and I think this has also been consistently rejected by producers for that reason.

Furthermore, since farm yields are based on a 3-year average in the Talmadge bill, in order to establish the baleage allotment, it seems to us as though some provision would have to be made if we want that route for spreading the marketing and the payments of the domestic allotment over a 2- or 3-year period just as well as we spread the calculation of the normal yields, because the farmer never knows what the weather is going to be, and he may have a crop failure in, say, in the first year, and he would not even produce the allotted bales that he would be allowed to get the payments on——

The CHAIRMAN. I think the bill makes provisions for weather conditions.

Mr. PFEIFFENBERGER. I believe it does, Senator, with respect to allotments, but I am not quite so sure that it goes into permitting the farmer to draw payments the second year on what he lacked the first year through no fault of his own.

The CHAIRMAN. Well, there is no doubt, I don't believe, that under the Talmadge bill, if it is, on, as you say, a baleage basis, that it will reduce the acres particularly in those areas where your production per acre would be much greater than in other places, and that is one of the objections that I have heard stated, at the last hearing we had.

Mr. PFEIFFENBERGER. Yes, sir.

We feel that this provision would have to be in there and would, it would just complicate the whole thing and create a lot of uncertainty with respect to supplies in any given year.

In our area we differ a lot perhaps from some of the people further east. We think that the Talmadge bill as it is now offers a very real danger of overproduction.

Now, we are thinking in our own terms, of course, because if a farmer today on the high plains has a hundred-acre allotment and the Talmadge bill would go into effect as it is now, he would probably be cut back to about 60 or 65 acres, something like that, because that is about what the percentage of the domestic national allotment would be. This would be a tremendous step backward for him to stay with his domestic allotment because his only alternative—I believe Mr. Pugh will bear me out on this—is grain sorghum and its income per acre is so much less than cotton that it wouldn't be attractive.

We believe by and large the farmers would take the chance the first year or so at least until they found out how it would affect them and plant a great deal more acres than they are today even above their present allotment because, for several reasons: first of all, deep in every farmer's heart is a desire to get more acres in cotton, if he is in an area that has got land and sufficient water for good production.

He may feel that while it may not be specifically stated in a bill, that maybe there will be controls back on again sometime, and he has that hope that anything he grows in the more or less free years will be added to his allotments if controls come back on.

Now, this is a very real incentive for many to expand his acreage.

Another thing is he doesn't know what the weather is going to be and on the basis of a domestic baleage allotment he certainly would plant an amount of insurance acres to be sure he reached his baleage on the domestic allotment.

Now, a good year like they had in Mississippi this year, which was very spectacular, we would have a lot of extra bales on those insurance acres that would be planted.

The CHAIRMAN. Don't overlook Louisiana; we did the same thing, you know, we made the biggest yield in our history.

Mr. PFEIFFENBERGER. Yes, sir.

We don't want to be misunderstood, Senator. Our farmers want all the acres they can get because in a large part of the High Plains we have many, many farmers who have high-priced land but only have as much as 15 percent or so, 20 percent, some less than that, in acreage allotments for cotton, and this is an awfully small percentage for the price of the land, and they would like to do anything they can.

But we realize also that if we get this overproduction the Government is obligated in the Talmadge bill to absorb this surplus at 22 or roughly 22-cent loan, and that again will add to the surplus——

The CHAIRMAN. 20 to 24 cents.

Mr. PFEIFFENBERGER. Well, whatever level, 24 cents, and that with all the storage costs and handling and so forth we would be starting the thing over again.

So, while we would like to see it open, if we go this route we feel for the cotton industry it would be dangerous until the carryover and surplus were reduced substantially.

The CHAIRMAN. It is my view that if any cotton legislation is passed by this Congress to affect this year's crop it must be enacted on or before March 1. What would you think of this? In order to meet the situation for the small farmer who produces, say, 10 to 12 bales, make it possible for him to get a little better price than the larger farmer, but the larger farmer would get, let's say, on the first 10 bales the same as the small farmer would get, and let the price be fixed at, say, 30 cents, and pay in kind to all producers the difference between the 30 cents and, say, the present price, and try that out for a couple of years, see how it works.

What do you think about that?

Mr. PFEIFFENBERGER. I can't see how it would hurt us particularly on the plains, at the outset. We do feel it is a continuation of the mixing up the economics with the social problem of certain areas of the country, but I don't think we would oppose that idea at all.

The CHAIRMAN. Now, on the other hand, one of the reasons why the Cooley bill is offering the same payments to domestic mills as to foreign mills, is to consume more cotton.

Now, personally I doubt that the Senate would vote \$42.50 a bale, as was originally intended by the Cooley bill. With the Jones amendment it may be possible to reduce that to \$30 a bale, and even that may not be accepted by the Senate. In order to more or less compromise the matter I have been suggesting to witnesses to get this reaction to this: suppose that we say to the domestic mills, "You pay what you now pay on cotton up to 7 million or to 7,500,000 bales. On the cotton that you use above that we will sell it from 10 to 12 cents less per pound, to encourage more domestic use of cotton."

What would you think of a proposal of that kind?

Mr. PFEIFFENBERGER. Well, Senator, the way I would reason that out in my mind would be that that would boil down to a somewhat weighted average lower price for the mills but I don't know as that weighted average would be low enough to be competitive.

It would take quite a bit of cotton above that 7 or 8 million that you mentioned there to bring down the average enough.

The CHAIRMAN. When you speak of being competitive don't forget that the people who sell abroad don't have the markets we have. Our markets, practically all of the cotton that is milled here, is sold to Americans receiving good salaries, and on the cotton that is manufactured here, about the equal of 500,000 bales are sold abroad, for whatever the world market price is, and in turn, foreign production comes here to the tune of about 500,000 to 600,000 bales in cotton textiles.

So, it more or less equals each other. Whenever I hear anybody say, "We want to equalize it," I would say, they may have a good argument, but don't forget that almost every yard of cloth that is produced in this country is sold to people who receive fair salaries, the standard of living is higher than in any part of Europe or in any part of Asia, you see.

Mr. PFEIFFENBERGER. Yes, sir.

The CHAIRMAN. And they receive a fair return on that. They don't lose any money. My idea is to put some kind of a plan or work out some kind of plan whereby we would encourage the use of cotton over and above what they are now using.

Mr. PFEIFFENBERGER. Well, we feel that if they could get it at a competitive level of price on all of their consumption they would be that much more effective.

The CHAIRMAN. Of course, they wouldn't but I doubt that the consumer would get the benefit of that, the users, not over 450,000, 500,000 bales.

Mr. PFEIFFENBERGER. I would like to make a slight correction, you asked if our folks would object to a two and a half cent payment going on the first 10 or 12 bales.

The CHAIRMAN. In kind.

Mr. PFEIFFENBERGER. Well, we, of course, I said I didn't think we would—Mr. Pugh reminded me here that is inconsistent with the fact that we are against direct payments to farmers. I wanted to get that on the record.

The CHAIRMAN. In other words, the Cooley bill has that provision in it and you are for the Cooley bill.

Mr. PUGH. With that exception.

The CHAIRMAN. You want to strike that out?

Mr. PUGH. That is right.

The CHAIRMAN. We are trying to get a bill through here you understand, and it is hard to get people to agree on anything.

Mr. PFEIFFENBERGER. Yes, sir, it sure is.

The CHAIRMAN. If you don't agree, how in the world do you expect us to agree around this table.

Mr. PFEIFFENBERGER. Senator, just a little later on we have boiled this down to something which we think has general agreement and we are going to recommend it.

The CHAIRMAN. Senator Eastland?

Senator EASTLAND. The statement has been proposed that the mills, if they purchase above their normal consumption at this time and if they were then sold cotton at a 10 to 12 cents a pound cheaper price as a bonus to increase consumption would that, what is your judgment, would that, or would it not, stop the erosion of our market for synthetics? Here rayon is 25, 26 cents a pound. Which would be the business thing for the mill, and they are going to do whatever the business thing is to do, that makes 5 or 10 percent rayon in it, what is your judgment about it?

Mr. PFEIFFENBERGER. I believe if I were a mill owner, and operator, I would be rather real worried about that approach for this reason, that I don't know exactly what the changing conditions are going to be and if I understand this thing right, I would have to purchase my normal—are you talking about doing this on an individual mill 3-year consumption average?

The CHAIRMAN. I don't know—3 or 5 years.

Mr. PFEIFFENBERGER. I mean but it is an individual mill basis.

The CHAIRMAN. Offset an amount which would be on the individual mills, exactly.

In other words, it would be simply to encourage them to buy more than they are now buying without having to pay a subsidy on all they produce.

Mr. PFEIFFENBERGER. Well, I would really be worried about it myself because I don't know what 6 or 8 months down the road is going to bring, and if I have to buy, say I run a mill and I have been consuming an average of a hundred thousand bales a year over this base period, and I had to buy a hundred thousand bales before I become eligible, I mean at the full price, before I become eligible to buy 25,000 more at the lower price, this means, I have to buy that an actually spin it up. In other words, I have got to put my investment and build my inventories and I don't know whether the market is going to take that and I may be working toward that lower price cotton but I may never reach it and, therefore, it hasn't helped me a bit. I just think it creates too many uncertainties.

The CHAIRMAN. How about leaving it as it is?

Mr. PFEIFFENBERGER. You mean right now?

The CHAIRMAN. Yes.

Mr. PFEIFFENBERGER. That is bad, too.

The CHAIRMAN. And the reason you are selfish about it is because 60 percent of what you produce is sold at export. I can see your reason for desiring to have the Cooley bill, because it is possible that in the event the Cooley bill does pass and with subsidy given to all the mills they might buy more of your cotton.

Mr. PFEIFFENBERGER. Well, we certainly would hope so.

The CHAIRMAN. Of course, that is the trouble with a lot of witnesses here. They come up here and they are more or less selfish.

Mr. PFEIFFENBERGER. Well, what we want to do is buy and consume more cotton regardless of where it comes from.

The CHAIRMAN. Yes.

Mr. PFEIFFENBERGER. And we hope that will become possible by some plan.

Continuing, if I may, on this before we get to our suggestions.

The CHAIRMAN. Let me put something else to you.

Mr. PFEIFFENBERGER. Yes.

The CHAIRMAN. If the Cooley bill is enacted, the testimony is that for each 1 cent decrease in price the mills will use a hundred thousand bales more of cotton.

Mr. PFEIFFENBERGER. Yes, I heard that.

The CHAIRMAN. And if you lower the price as much as 6 cents as some are suggesting, it will mean the consumption of 600,000 more bales of cotton, but the cost to the taxpayers would be around \$275 million.

Mr. PFEIFFENBERGER. That is right.

The CHAIRMAN. Won't that be a nice price to pay for the use of only 600,000 bales more of cotton? Do you think the taxpayers would like that?

Mr. PFEIFFENBERGER. No, I don't think they would like that, I know.

The CHAIRMAN. Of course, they wouldn't.

Mr. PFEIFFENBERGER. This is the reason why we suggested just a little earlier, if it was completely impossible to pass a bill with the full amount, that the two should be tied together in some—expressed as a ratio of each other if that becomes the final stumbling block to pass it.

The CHAIRMAN. That is why I am suggesting that for cotton that they will use over and above a hundred percent or maybe less than a hundred percent of their normal use give them cheaper cotton so they will use more. That is the idea.

Mr. PFEIFFENBERGER. Well, I believe if you could, as you say, give it to them cheaper, if you could give it to them cheaper as they progress through the year rather than waiting until they buy that much, that sounds rather difficult to me.

The CHAIRMAN. I understand that. But the point is that a formula in that direction might be worked out, but I doubt that the Senate or the Congress would adopt a bill that would pay to the domestic mills as much as \$275 million in order to get 600,000 bales more of cotton used. It would just be silly. I don't think they would go for it. We have got to be realistic.

Mr. PFEIFFENBERGER. Yes, sir. That is, of course, a decision that Congress will have to make.

We think also that reducing the resale of CCC stocks to only 105 percent of the loan, of the low loan under the Talmadge bill, would put them in direct competition again with each year's current crop and cotton would go back into the loan through the front door and be sold out by Commodity Credit through the back door.

I think we also remember that while we like the idea of payment-in-kind certificates, if you issue payment-in-kind certificates as a direct payment to the farmer he can't eat it. He has got to sell it and those bales will come out of Commodity Credit stocks and compete also with his current crop so while it helps him on his price it makes it necessary for him to sell more cotton in that year.

We know from sad experience—

Senator EASTLAND. Could I ask a question?

Mr. PFEIFFENBERGER. Yes, sir.

Senator EASTLAND. If the Talmadge bill were enacted, the price of cotton, the market would fall, the world price, would it not?

Mr. PFEIFFENBERGER. Yes, sir; I presume so.

Senator EASTLAND. That is roughly 21, 22 cents a pound.

Now, you have got in the Cotton Belt thousands of acres that have been rented. You have got money that has been borrowed on the basis of this price level. Would it be fair to those people, and they are numerous indeed, to reduce the price and put it in effect this year?

Mr. PFEIFFENBERGER. For the 1964 crop?

Senator EASTLAND. Yes, sir.

Mr. PFEIFFENBERGER. It seems to me a terrific adjustment would have to be made and although the bill does mention, Senator, that something would have to be arranged to be sure that tenants and landlord relationships would be taken care of, and so forth, it seems to me it would be a terrific thing to do and to administer.

Senator EASTLAND. Would it be fair to a man who has rented land on the basis of this price level, most of them have gone to the bank already or the Production Credit Association and gotten production credit based on this price level?

Mr. PFEIFFENBERGER. That is right.

Senator EASTLAND. Wouldn't it be an awful injustice to reduce it to the world price? Wouldn't it break a lot of people?

Mr. PFEIFFENBERGER. I am sure it would. I feel very strongly about that.

Senator EASTLAND. Yes.

The CHAIRMAN. Well, since they say that, and we have had witnesses to so testify, that our price support program has fixed the domestic price more or less, and if we now fix the price at from 50 to 60 percent, won't that, in effect, as Senator Eastland points out, fix the world price?

Mr. PFEIFFENBERGER. Well, I happen to be one of those persons who believes that whatever the United States sets the price that they make U.S. cotton available to the U.S. world market definitely sets the world price at about a half a cent or so under it. Some people would disagree with me but I believe that.

The CHAIRMAN. Well, all cotton that will be produced under the Talmadge bill over and above that for domestic consumption, the producer can borrow between 50 and 60 percent of parity, which means from 20 to 24 cents a pound, and if it is fixed at 22 or 24, that is going to be more or less the figure that is going to fix the world price and as you say they always go a little bit under, and the first thing you know, if everybody is permitted to plant more or less all he desires, why the Government will be stuck with a lot of cotton, just the same as you are now.

Senator EASTLAND. That is true.

The CHAIRMAN. No doubt about that.

Senator EASTLAND. No doubt about that.

The CHAIRMAN. We are waiting for your solution, you said you had a solution to the program. Let us have it. I am anxious to hear it.

Mr. PFEIFFENBERGER. OK, I don't say we had a solution, I said we had a suggestion.

The CHAIRMAN. I see. [Laughter.]

Mr. PFEIFFENBERGER. Which we think will help.

The CHAIRMAN. All right, shoot.

Mr. PFEIFFENBERGER. We have already said this, we think the area would produce more cotton than really needed in this open end thing. But we do feel the urgency for cotton legislation is very

great, and that we must move along, but not be stampeded into any proposal that will not accomplish an increase in consumption and at the same time furnish income protection for the farmer.

For this reason we feel what is needed is the domestic trade incentive approach such as contained in the Cooley bill with some changes in the McIntire amendment to give protection to the producer income.

In order to summarize this whole cotton price support picture, in order to adequately protect the producers' income at some domestic price level, at the same time to make U.S. mills competitive with foreign mills, it is necessary to pass legislation to amend the present program.

We, therefore, recommend that emphasis be placed because of the great urgency to get something done now, we, therefore recommend that emphasis be placed on a single area of agreement between all the various proposals that have been made rather than on the many areas of controversy.

Fortunately, there is such an area of agreement in both Cooley bills (H.R. 2000, sec. 213, and H.R. 6196, sec. 348) and in the Talmadge bill (S. 1190, sec. 7). There is, furthermore, additional precedent in the Gathings bill (H.R. 2495, sec. 348), Sparkman-Hill bill (S. 608, sec. 348), and Ellender bill (S. 1511, opening section).

The CHAIRMAN. That is by request.

Mr. PFEIFFENBERGER. Yes, sir. This area of agreement in the above sections in all these bills is simply to authorize the Secretary of Agriculture to eliminate the inequity between domestic and foreign mills by directing the Secretary to issue payment-in-kind certificates to someone other than producers on domestic sales including payments on inventory stocks at time of enactment.

All these bills leave the inequity decision, the amount of the inequity to the discretion of the Secretary to at least August 1, 1964.

The Jones amendment in the Cooley bill, the one other bill carries this Secretary's discretion through August of 1967, but at least all the bills agree on the first year at the Secretary's discretion.

Now, that is quite an imposing array of bills, in my opinion, and one of them has already passed one House of Congress. Since they also include, all these bills include payments on raw cotton inventories on the very date of enactment, this would still apply to a very large part of the 1963-64 crop since it doesn't limit these payments on inventory to only mill inventory. It says "on inventory" and we presume it would include mill and trade inventories as well.

So there is a great deal of the 1963-64 crop where bands haven't been taken off the bales yet which would still be eligible for these payments and become available to the mills at competitive prices including their own inventories. They do differ after August 1, 1964, but there is an island of agreement in a stormy sea of controversy, if I may use a little fancy language here and when you step off this island, Senator, you sure are in deep water up to your neck, but every one of these bills is, not exactly alike but the the provisions are the same in this particular point.

We think that since every day lost is vital, because of the continuing loss of markets, it is recommended that Congress act as quickly as possible to approve for a 3-year period language similar to that in the above-mentioned sections with all other sections except the \$10 million research section being deleted.

This definitely does not imply we actually oppose all the other sections of all these bills but someone or other does, including us. We might oppose this section, another one might oppose another section but we are trying to strip this thing down to the one section in all these bills which so far has had agreement by everybody.

While we realize——

The CHAIRMAN. Where do you get your information that in these bills that there has been agreement by everybody on a particular section?

Mr. PFEIFFENBERGER. The agreement is in the bill itself, in authorizing, the bills themselves, in authorizing the Secretary——

The CHAIRMAN. You mean by the authors of that bill?

Mr. PFEIFFENBERGER. Yes.

The CHAIRMAN. Not by the committee?

Mr. PFEIFFENBERGER. No, no, in the bills themselves.

The CHAIRMAN. Yes.

Mr. PFEIFFENBERGER. Of course, the House has already passed the one along that line so we have that precedent also.

The CHAIRMAN. I thought you would give us something of your own, something new.

Mr. PFEIFFENBERGER. That is it. We feel that this would not be adequate for a long-term program but it would be adequate for the immediate emergency to make cotton competitive and perhaps stop this loss of markets, domestic markets, and a long-range bill could be worked out as we go along.

Now, we tried, we looked, we studied every one of those things and that is the only point of agreement among the bills themselves. And when you get past August 1 then they begin drifting apart even on that portion, because some give it to the discretion of the Secretary and some pin down the Secretary on what is the inequity after that point but until then, and that would include this year's crop because the inventory provision that is in there.

This conference of cotton producers that Mr. Johnson spoke of also went along with this idea, in fact, that was where the thing was put together and we tried to find this island of agreement. We think that we need to move fast and get along with this.

One more point I would like to add, many people have said that we do not know if a competitive price would stop the loss of our markets on the domestic picture. I would like to say we do have some secondhand experience on this with respect to foreign countries. I was fortunate enough to be the cotton producer observer at the International Cotton Advisory Committee meeting in India this past spring, and one of the things that struck me most forcefully that the German delegate arose and made the statement that in Germany and many other parts of Europe the rise or the increase in rayon consumption had been fairly well stopped.

It was going up possibly with the population, but it had been stopped pretty well because they have a competitive price and cotton can be purchased by their mills on a competitive basis.

In the United States, it is only academic at this point, we have never tried it. Nobody can guarantee, I don't believe anything, but we have never tried a one price or competitive price on cotton in the United States, and we feel that with this Cooley bill amended as we suggested, that the producer would be adequately protected

during his period of trial and we would find out and get this out of the realm of academic thought and into practice.

That, I just wanted to bring that in because they tell me also that in Japan the expansion of rayon and everything except the non-cellulosic fibers which is quite a different story, is not expanding.

I have one more section here we want to testify on and that the cotton acreage diversion proposal, and a suggestion again, a definite suggestion about one point.

We are strongly opposed to the cotton acreage diversion or "soil bank" proposal for the following reasons:

1. It is a defeatist attitude and just the opposite of our goals for increased consumption and an expanded cotton industry instead of a shrinking one. We are working hard for lower costs of production, and competitive prices to the textile industry. A scarcity philosophy is diametrically opposite to these goals, as it not only lowers the opportunity for greater efficiency but tends to raise prices due to substantially smaller supplies.

2. It has already killed release of acres this year for reapportionment since farmers are holding their acres to be paid for layout.

3. It is seriously damaging the economy of many communities, towns, and cities by reducing gross business and turnover of all segments of the cotton and allied industries dealing with the farmer.

4. There will be a huge job to do in establishing landlord and tenant relations and thousands of tenants will be thrown out of work and off the land to seek jobs in town. Many of these people are not trained in other work and unemployment and relief problems would be magnified. A large administrative expense to the Government will also be involved in the complicated processes of establishing farm yields, farm units, ownership, etc.

5. It would put the poorest most unproductive land out of production and cost much more than the effective reduction of bales would justify.

6. There is a great fear among farmers that this plan could easily degenerate from a voluntary into a mandatory program, which is repugnant to the majority of farmers.

7. With some study and imagination the same amount of money expended on a diversion program to reduce production with all its evils could be spent on the other end to increase consumption with its many benefits. Two very promising potentials come to mind immediately. One is the subsidizing of all-cotton bagging sufficiently for a year or two to push it over the top and through the interim stage between the already developed bagging and the cropwide commercial use. The cost would go down with this volume and in the process over 300,000 bales would be consumed. The resale value of the used cotton bagging to the textile mills is about four times that of used jute, and the rag industry could readily absorb more than this in wiping rags and rags for writing paper. This would be a substantial return of money to the cotton industry. A few points lowering of price support would pay for it.

8. In addition the writing-paper industry could well make use of additional surplus lower grades at a discount price, since their supply of 100 percent cotton rags has virtually disappeared due to the blending of synthetic fibers with cotton in the textile industry. These blended fabrics are not suitable for papermaking. This new use could consume a very substantial number of bales.

We urgently request a high-level conference by the USDA, the cotton industry, the rag industry, and the paper industry, to fully explore these possibilities. It is recognized that this approach has been investigated in years past, but the circumstances today are quite different as mentioned above.

Our board is strongly opposed to the cotton acreage diversion or soil bank approach. We feel it is a defeatist attitude and is just the opposite of our goals for increased consumption and expanded cotton industry instead of a slipping one. We are working hard for lower costs of production and competitive prices to the textile industry. The scarcity philosophy is dimetrically opposed to these goals as it not only lowers the opportunity for greater efficiency but tends to raise prices due to substantially lower supplies.

It has already killed release of acres this year for reapportionment since farmers are holding their acres now hoping they will be paid on a layout program.

The CHAIRMAN. Greater rentals?

Mr. PFEIFFENBERGER. Yes.

The CHAIRMAN. The Government will pay them bigger rentals?

Mr. PFEIFFENBERGER. Yes, that is right. They don't get any now when they release it. They just help their neighbor out a little bit.

The CHAIRMAN. Some of them get a little money for it in some areas.

Mr. PFEIFFENBERGER. Yes.

The CHAIRMAN. But I don't think you need spend too much effort on that because I don't believe this committee would go for any more soil bank programs as we have had in the past.

Mr. PUGH. Good.

Senator EASTLAND. May I ask a question, how would your farmers feel about decreasing the minimum national allotment?

Mr. PFEIFFENBERGER. They would be most unhappy about it, but I expect if it had to be a choice of the two they probably would take the choice of the diversion program as a matter of plain economics to themselves. But it is a Hobson's choice of two very poor choices.

Senator EASTLAND. Well, if you reduce it, the lands would go into some other crop, grain sorghum; wouldn't it?

Mr. PFEIFFENBERGER. Yes, sir.

Senator EASTLAND. That costs the Government money; doesn't it?

Mr. PFEIFFENBERGER. Yes, sir. That is right. We would like to say this: that if money has to be spent to keep supply and demand in line—we would agree that some effort has to be made to keep supply and demand in balance, and if that is done, let's give some study and thought and imagination to putting the money that we are going to have to spend anyway and put it on the consumption end instead of on the scarcity end. I just came from a cotton council meeting in Biloxi where I heard several people talking about losing 600,000 bale markets a year.

As an example of what could be done if we are going to spend money anyway for cutting down production or balancing supply and demand, we think that something like this right here, this cotton bagging, for example, if pushed at the consumption end would consume 300,000 bales of cotton a year.

The CHAIRMAN. How much would it cost?

Mr. PFEIFFENBERGER. That is what we are losing now.

The CHAIRMAN. How much would it cost more?

Mr. PFEIFFENBERGER. For the first year or two it probably would have to be subsidized at about \$2 but as soon as we got into big production that would go down because the paper industry is ready to buy it. We have had paper made out of this used bag, very fine writing paper made out of it. The paper industry is in a tight bind for supplies of cotton rags because the textile industry is blending so much synthetic fibers with cotton, and you cannot make paper out of this mixture, so the rag industry has gone down to nothing.

The rag industry could furnish this, and I have been told by some large mills that they can sell this used bagging to the rag industry for about four times what they get for the used jute bag. This is a return to the cotton industry which we must not overlook, and as we get into volume and realize this new use for the used bagging in the paper industry and the wiping industry we are bringing that back into the cotton textile industry and I don't intend to belabor that point now.

We know this is good. We have had some 50,000 patterns manufactured. The Department has worked with us very well on this score, and what we suggest for the moment is to call a fairly top-level conference of people in the cotton industry, the rag industry, and paper industry with the Government and take a look at this possibility of increasing 300,000 bales consumption instead of talking about reduction of crops. Because we know we must try to balance supply with demand in some way. We agree to that. I believe that finishes my statement.

The CHAIRMAN. Any further questions?

If not, we thank you very much, sir.

Mr. PFEIFFENBERGER. Thank you.

The CHAIRMAN. Mr. Sheely?

Mr. SHEELY. Yes, sir.

The CHAIRMAN. Step forward, please.

Will you identify yourself for the record please, sir?

STATEMENT OF JOE A. SHEELY, PRESIDENT, ARIZONA COTTON GROWERS ASSOCIATION, PEORIA, ARIZ.

Mr. SHEELY. My name is Joe Sheely. I live in Peoria, Ariz., where I am a cotton farmer. I am also president of the Arizona Cotton Growers Association in which capacity I appear before you today. We appreciate this opportunity to express our views on cotton legislation.

I think we all recognize that cotton is clearly facing the most serious crisis in its history. A sound, long-range solution to its problems is vitally needed. For that reason, we request your support of H.R. 6196, now before you.

Since we appeared before the committee last May, the House has approved H.R. 6196, which we supported. However, the House adopted an amendment to which we are opposed and which we would like to see deleted by your committee.

This amendment is the one which would give the Secretary of Agriculture discretion in setting the level of the domestic payment. Our objection is based on the market uncertainty which this would cause. Until the payment rate was announced buying would be on a hand-to-mouth basis; our markets would not function properly and

the slowdown in buying would of course be reflected in the local markets in the producing areas.

On the other hand, with a specific rate of payment the uncertainty would be eliminated and our customers, the mills, could plan ahead with confidence.

We would also like to see deleted the provision of the House-passed bill providing for a higher level of support for the first 15 bales of each farmer's production. We believe this to be unnecessary, particularly in view of recent figures indicating that the farmers this was designed to help are rapidly allowing their allotments to lapse.

Though our association offers the above suggestions for the modification of H.R. 6196, our association does support the bill. We recognize that it is the product of compromise and as such is the best approach to solving the problems now facing cotton.

Senator EASTLAND. What is 6196?

Mr. SHEELY. The Cooley bill.

There is before you another proposal, S. 1190, to which we are opposed. This bill would permit farmers to plant all the cotton they wanted. We do not believe this is wise, particularly in view of the current very high level of cotton stocks.

Senator EASTLAND. Let me ask you a question. What does it cost normally in Arizona to produce cotton?

Mr. SHEELY. Senator, that is a little hard to answer as we have the differences in costs of water varying from perhaps \$20 an acre to over \$80 an acre.

Senator EASTLAND. Wouldn't 30 cents a pound be about the right figure?

Mr. SHEELY. I think we could go along with 30 cents a pound; yes, sir.

Senator EASTLAND. I say it costs you about that, doesn't it?

Mr. SHEELY. Yes; that is right, about.

Senator EASTLAND. Well, could you—if we passed the Talmadge bill, the price of cotton, the support price would be lowered to from 20 to 24 cents, that is below the cost of production. How could a farmer get financed?

Mr. SHEELY. That is why we are opposed to the Talmadge bill.

Senator EASTLAND. That is all.

The CHAIRMAN. You say that the cost of bringing water on land is what?

Mr. SHEELY. I said it varied in our area from somewhere between \$20 and \$80 an acre for cotton.

The CHAIRMAN. \$20 to \$80 an acre?

Mr. SHEELY. Right.

The CHAIRMAN. You mean over the year?

Mr. SHEELY. Yes, sir. Due to different areas, if you are within an area where there has been a reclamation project you can get water from the dams, it is considerably less expensive than pumping it from 400 or 500 feet under the ground.

The CHAIRMAN. All right.

Mr. SHEELY. If under this bill an increase in production resulted, it seems quite certain that acreage controls would have to be reimposed and that not only would defeat the purpose of the bill as now written, but would reopen the extremely controversial subject of acreage distribution.

Though permitting farmers to plant all the cotton they want, S. 1190 provides for a domestic baleage allotment for the purpose of calculating additional price support for producers on the farmer's domestic allotment. This provision is further undesirable in that it provides for three levels of price support. In addition, the bill seems to make clear that a program of direct payments to the producer is intended.

We completely oppose any program of direct payments to farmers because such a program opens the door to limitations on such payments, with history indicating that such payments will become progressively more restrictive.

The House-passed bill, on the other hand, continues market supporting loans, the type of program we have been operating under for about 30 years.

Senator EASTLAND. Would you agree with me, if we put the support price from 20 to 24 cents a pound, that grass would grow in the streets of many southern and western towns?

Mr. SHEELY. You say if we put the price at——

Senator EASTLAND. If we reduce the support price to those levels, wouldn't it break a lot of people?

Mr. SHEELY. I feel relatively sure there is no question about it.

Senator EASTLAND. Don't you think grass, and it is an accurate statement, would grow in the streets of many southern and western towns that depend on cotton for their economy?

Mr. SHEELY. I am not sure about Mississippi, and the Southern States, but I know it wouldn't grow in the streets of Arizona. If you don't have any water, nothing grows. [Laughter.]

The CHAIRMAN. That is exactly what I was thinking about.

Senator EASTLAND. It would destroy your cotton economy?

Mr. SHEELY. That is right.

Senator EASTLAND. That is what I mean. It would destroy the economy of many towns in your state, is that correct?

Mr. SHEELY. I am certain if you put 24-cent cotton in our area there are very few areas that could stay in the cotton business.

Senator EASTLAND. I think grass would grow in the streets, you would have to use it for something, you wouldn't use it to grow cotton.

Mr. SHEELY. If you are going to pay \$80 an acre for it you are not going to grow grass.

To continue, under it farmers depend on the market for their income. This access to the loan might be limited, but his access to the market could not be. This is one of the fundamental differences between the House bill and one of the major reasons we oppose S. 1190.

There has recently been considerable discussion of a possible program of acreage diversion, though we are not aware that such legislation has been introduced. We would like to state our opposition to such a program. We have unpleasant recollections of the effect of the soil bank program of the 1950's on many small communities. Reductions in acreage are completely inconsistent with efficient low-cost production of cotton, which we must have if the cotton industry is to continue to exist and prosper. We know that cotton stocks are too high and getting higher, but the way to reverse this picture is through expanded consumption, not through restriction of acreage.

We believe that our goal must be a one-price system for cotton, or as near that as possible. The House-passed bill most nearly meets

the goals which our associatian considers vital to a sound cotton program. If the bill is reworded to provide that the domestic payment be not less than the export subsidy, the bill would:

(1) Eliminate the cotton cost disadvantage between American and foreign mills;

(2) Provide immediate and much needed improvement in cotton's domestic markets; and

(3) Provide a sound long-range program aimed at eventually eliminating Government subsidies, while at the same time protecting the farmer's income.

The House-passed bill is the product of months of work and compromise. Time is of the essence if cotton's markets are to be saved. If an entirely new approach is taken not only will it be undesirable from our standpoint, but there may well be no chance of enacting any legislation this year. We cannot wait.

We hope the committee will see fit to approve H.R. 6196 with the changes we have outlined.

Thank you, gentlemen.

The CHAIRMAN. Any questions?

If not, we thank you very much.

Mr. SHEELY. Thank you.

The CHAIRMAN. Mr. Williams?

Mr. WILLIAMS. With the permission of the chairman I would like to yield my time to Mr. Arndt and exchange with him as he has to leave and I will take his time tomorrow.

The CHAIRMAN. Identify yourself for the record.

STATEMENT OF G. D. ARNDT, GENERAL MANAGER, NORTH CAROLINA COTTON GROWERS COOPERATIVE ASSOCIATION, RALEIGH, N.C.

Mr. ARNDT. Mr. Chairman, my name is G. D. Arndt. I am general manager of the North Carolina Cotton Growers Cooperative Association, with headquarters in Raleigh, N.C.

This association was founded in 1922 to help farmers in the orderly marketing of their cotton. We are now serving 15,000 farmers in North and South Carolina. For the past several years, we have handled approximately one-fourth of the North Carolina cotton crop.

My purpose in appearing before you today is to register strong protest against a proposal to set up a voluntary acreage diversion program for cotton. I am a little surprised that such a proposal would come so soon on the heels of a referendum in which American cotton farmers voted 94 percent in favor of continuing marketing quotas on the crop.

I regard this overwhelming vote as a mandate for adjusting the national marketing quota and individual farm allotments on the basis of anticipated demand. I feel that if reductions must be made, the only fair way is to apply the cut straight across the board, with each individual allotment holder taking his proportionate share.

We in North Carolina and the Southeast are seriously disturbed over this proposal to set up a voluntary acreage diversion program. We are already aware of the consequences because we experienced them in 1957 and 1958 with the soil bank program.

In 1958, the last year of this program, North Carolina harvested only 263,000 acres of cotton, the smallest since official crop records were started in 1866. In that same year, farmers of our State placed 197,000 acres of cotton land in the acreage reserve program.

Now look at what happened in 1959, the first year after the soil bank was discontinued. North Carolina farmers increased their cotton plantings only by 127,000 acres. In other words, 70,000 of those acres which went into the soil bank in 1958 did not return to the production of cotton in 1959.

Mr. Chairman and gentlemen of the committee, I fear the same thing will happen again if voluntary acreage diversion is made a part of the farm program.

We are just now, thanks to the release and apportionment program, beginning to recover from the effects of the soil bank on cotton. Through the temporary transfer of acreage allotments, we are planting practically every acre allotted to us, and we are doing a much better job as far as yields and quality are concerned.

Because of this program, cotton has made a strong comeback in North Carolina since 1959. The 1963 crop, for example, brought an estimated farm income of more than \$58 million.

We can ill afford to lose this income or any part of it, because there are many areas which depend on cotton production for their economic livelihood.

The old acreage reserve program caused so much disruption and dislocation in the farm economy that Congress killed it by refusing to appropriate funds for its continuation. It caused untold thousands to migrate from farms to the city, and this was particularly true of those who had been engaged in cotton production.

Many of those forced off the farm at that time have yet to find suitable employment because of age or lack of skills, and large numbers remain on relief rolls. I believe that many of this group would still be on the farm, with a useful and purposeful role in life, had it not been for the soil bank.

We are now engaged in an all-out fight on poverty in the Nation. We are giving it top priority in our plans to bring a greater measure of prosperity to all citizens. We are attempting to take positive steps in this direction.

Therefore, I simply cannot see any wisdom in a proposal which would create widespread unemployment and economic hardships at a time when this Nation is gathering its resources to wage a fight on this very problem.

I also call to your attention the damaging blow such a plan would have on the business life of so many communities throughout the Southeast. I am referring specifically to agri-business interests such as farm supply merchants, fertilizer manufacturers, cotton gins, machinery dealers, warehouses, banks and lending institutions, transportation companies, and the like.

L. Y. Ballentine, commissioner of agriculture for the State of North Carolina, has estimated that for every acre of cotton not grown, the State's economy suffers a loss of \$150. I feel sure this would be true in other States, perhaps in even larger measure.

If I may translate this into dollars and cents loss in my State, I would point to the number of acres released in 1963 for reapportionment. We find this figure to be 104,000. If we multiply this total

by \$150 per acre, we come up with a loss of \$15½ million to the State's economy. I grant that the loss would be somewhat softened by Government payments for not planting, but the resulting dislocations would far more than offset this temporary annual rental.

I believe I have been conservative in the figures I have just cited. I am afraid with the Government paying \$40 to \$50 an acre not to plant cotton, we would find far more acres going into this program than have been released for reapportionment where no payment is made. The old soil bank proved this to us.

Other States of the old Cotton Belt stand to lose even more than North Carolina. Alabama, for example, released 168,000 acres in 1963; Georgia, 139,000; Texas, 718,000; and Mississippi, 119,000.

We also find that South Carolina released 94,000 acres, and Louisiana 61,000.

Fortunately for the economy of these States, practically every acre released was transferred to another farm in the same State. These acres grew cotton and added to the income and prosperity and employment instead of creating chaos and distress had they been in a soil bank type of program.

We in North Carolina value our cotton crop, even though we are the smallest among the major producing States. We know it contributes greatly to the income of our farm people and other segments of our economy, and the association I represent will resist any efforts to devitalize it at a time when it is regaining some of its old strength.

North Carolina and other Southeastern States are the historic production areas for cotton in the United States, and the crop is produced with natural rainfall. Our farmers and allied interests have too much at stake to stand idly by and see our cotton acreage swallowed by some device such as the diversion program.

We have indicated through the recent cotton referendum that we are willing to have our allotments adjusted to meet market demands and a reasonable carryover, but we are not willing to give up a large part of our crop through a so-called voluntary plan which would ultimately wreck the cotton economy of the South.

Therefore, Mr. Chairman and gentlemen, I earnestly ask that you take no action to incorporate this proposal into any pending or future legislation. I thank you for the time allowed me to present the position of my association to this committee.

Mr. Chairman, I was delighted to hear your comment that you did not think that your committee would be favorable to such a plan, and I would like to add—

Senator EASTLAND. What effect on release and reapportionment of acreage has the announcement that it was being considered, had in North Carolina?

Mr. ARNDT. It has killed it. The farmers are not releasing their acreage for reapportionment, hoping that some law may be enacted that they would be paid—

Senator EASTLAND. The man that didn't intend to plant it.

Mr. ARNDT. He is sitting tight.

Senator EASTLAND. He is sitting tight?

Mr. ARNDT. Yes, sir.

Senator EASTLAND. Hoping to get some money out of the Government.

Mr. ARNDT. That is right. And unless an announcement is made, and that very soon, in my opinion, well, the cotton crop in the United States has been cut a minimum of a million bales for next year.

Since in our State the release date is March 1, it is imperative that something be done immediately in order to make the release and reapportion provision of the law operate.

The CHAIRMAN. Any further questions?

Senator AIKEN. Not a question, Mr. Chairman, but you may recall that sometime ago, I asked one of the witnesses about the effect of the 1958 law. The staff has now given me figures for the fiscal year ending June 30, 1960 and 1961, which represents the 2 years of operation under the 1958 law.

For the first year, ending June 30, 1960, the total net expenditures were \$332 million.

For the second year ending June 30, 1961, net expenditures had dropped to \$61 million.

During the first year CCC stocks dropped 2 million bales.

Then the second year they dropped 3 million bales.

Then you may recall that at that time the national acreage allotment was increased something like 2 million bales up to 18 million something.

Senator EASTLAND. You mean 2 million acres?

Senator AIKEN. Yes; acres. I think it might be well to have this, which is prepared by the staff put in the record and I would also like them to get corresponding data for the 2 years ending in 1962 and 1963.

(The information is as follows:)

Upland cotton, net expenditures

[In millions]

	Fiscal years			
	1960	1961	1962	1963
Loans made and purchases ¹	\$1,503	\$1,290	\$801	\$1,081
Loans repaid.....	² 53	² 58	² 223	² 360
Sales proceeds.....	² 1,579	² 1,644	² 78	² 70
Carrying charges (including imputed interest).....	88	59	37	65
Subtotal, price support.....	² 41	² 353	537	716
Public Law 480 costs, excluding export subsidies.....	92	182	155	161
Export subsidy.....	262	220	202	155
Cotton products.....	19	12	18	18
Total net expenditures.....	332	61	912	1,050
Change in CCC holdings (million bales).....	-2	-3	+3	+4

¹ Includes inventory settlements and other costs.

² Denotes receipt.

Senator AIKEN. The staff has just handed me the costs for the fiscal year ending in 1964, the third year after the present administration took over.

These costs show the effect of the program as now administered for the year 1963-64.

Senator EASTLAND. You are talking about the increase in the support price?

Senator AIKEN. Well, the cost has gone up, as it is anticipated the cost this year will be \$782 million, and the change in CCC holdings

will be an increase of 1,830,000 bales. That must be anticipated because it is for the 1963-64 year which ends next July 1. And, of course, there has been a reduction in the acreage again.

So it seems to me that the farmers actually got more money under the 1958 law as previously administered, we got rid of the cotton, and the taxpayer got his costs down to \$61 million for the low year. There is a lot to be said for that program.

Mr. ARNDT. But, Senator, our allotment now, or national allotment is down to the minimum of 16 million acres.

Senator AIKEN. They can't go any lower.

Mr. ARNDT. They can't go any lower.

Senator AIKEN. If the allotment were based on actual desirable planting or requirements, it would go down, somebody told me, to 11 million acres.

Mr. ARNDT. One of the areas in North Carolina by virtue of this cotton being released and reapportioned to the larger farmers, the larger operators and they are doing a better job of production.

Senator AIKEN. It just seems to me constantly cutting production, cutting production, and cutting production, upping the unit price which makes it necessary to cut production some more, is not the way to restore or continue prosperity in a town where there are a lot of farmers.

Senator EASTLAND. I agree with you, and when you up the unit and cut the acreage, you also up your unit cost of production.

Senator AIKEN. And at the same time working ourselves out of the world market.

Mr. ARNDT. Yes.

The CHAIRMAN. Well, as I stated yesterday, the theory behind the 1958 law that we passed was to raise the acreage some and lower the price, so that the farmer would get in volume about the same amount of money. He might not make more money but he would at least get as much as he got on less acreage.

I don't want to bring in politics in this but the last year that Mr. Benson served as Secretary of Agriculture, why he raised the cotton acreage by 2 million acres, I have never been able to understand, and that was——

Mr. ARNDT. It was unjustified.

The CHAIRMAN (continuing). And that was the thing that actually hurt the program.

Senator AIKEN. I would say, Mr. Chairman, the fact that there had been a 5-million bale reduction in CCC holdings would be the reason why he thought he could increase the national acreage allotment.

The CHAIRMAN. Well, the thing is it didn't work that way. It shouldn't have been raised as much as 2 million acres. I took that position when it was done, and the trouble is that when the new administration came in, instead of lowering the support price because of the increase in acreage, they kept the price support at the same rate, that is 33 something, but anyhow that is where our trouble started.

The law was not administered exactly as we intended. And I still believe that the law we have on the statute books, if properly administered can be made to work.

Mr. ARNDT. We are—we do need to approach a one-price system to encourage increasing consumption.

The CHAIRMAN. If I could be assured that the consumers would get that, I wouldn't mind, but the consumers won't, in my opinion.

Senator AIKEN. We remember too well the subsidy that was paid to the meatpackers back during the war, and to this day we have never found a farmer who thought he got that subsidy passed on to him.

The CHAIRMAN. Thank you very much.

Mr. ARNDT. Thank you, Senator.

The CHAIRMAN. All right, the next is Mr. Nichols.

STATEMENT OF BILL NICHOLS, CHAIRMAN, ALABAMA LEGISLATIVE COTTON STUDY COMMITTEE, MONTGOMERY, ALA.

Mr. NICHOLS. Mr. Chairman, and gentlemen of the committee, I have a cotton farmer with me and we will be very lenient with your time.

The CHAIRMAN. You may identify yourself for the record.

Mr. NICHOLS. Mr. Chairman and distinguished gentlemen of the committee, my name is Bill Nichols; I am a member of the Alabama Senate. I serve as chairman of the Alabama Cotton Study Committee. I was born on a small cotton farm in east Mississippi, connected with an agribusiness in Alabama dealing with farmers through ginning, fertilizer sales, and warehousing. I, like most of the members who have spoken to you this morning, believe that I am in a position to speak for the cotton producers in my State.

In Alabama, we recognize that cotton as a crop and as an industry faces some very real dangers. We would be the first to admit the inroads and encroachments of synthetics. We are in sympathy with and subscribe to the domestic mill's request for a one-price system. We admit the loss of export market and believe it to be imperative that we make every effort to recapture this market.

We are fully apprised of the present warehouse stocks which the U.S. Department of Agriculture tells us may reach 13 million bales by August of this year.

Finally, being in daily contact with the cotton producers of my State, we believe we know and appreciate the many problems the farmer faces in the overall cotton situation.

Last week in the State Capitol Building, Montgomery, Ala., the Alabama Legislative Cotton Study Committee held public hearings to learn firsthand from Alabama's cotton farmers just what their thinking was in the matter of new cotton legislation. In an all-day meeting we listened to cotton farmers from every section of my State the great Tennessee Valley area, the farm area of Sand Mountain, the southeast area of Alabama, their statements were so impressive and so reflected the grass roots sentiments of the cotton producer in my State that we taped these statements and I have been instructed to bring them and present them to our Alabama Senators, John Sparkman and Senator Hill.

I shall not take the committee's limited time to further discussion of these hearings but will simply state that several things were pretty conclusive in these hearings.

First, Alabama farmers, like most farmers, are a pretty independent breed. They would like to be able to sell when, where, and to whom they please. No farmer likes production controls—he does not like

the Government, or anyone for that matter, to tell him he can raise only so much cotton.

However, gentlemen of the committee, on the 10th of December, the Alabama cotton farmer went to the polls, and 96 percent of them voted for marketing controls, which is pretty evident to me that we believe that when production exceeds consumption, the farmer realizes that he has to have some sort of price support or else he is going to be at a disadvantage in marketing his crop.

Gentlemen of the committee, our farmers realize that the cotton producers cannot continue year after year to produce more cotton than is being consumed and we view the problem as this simple: Either materially increase cotton consumption 1964 legislation making U.S. cotton more attractive to domestic mills or the export trade; or else we must decrease production through another soil bank and through an across-the-board reduction in acreage.

I am instructed to convey to you gentlemen of the Senate Agriculture Committee that we believe the first of these methods would be most acceptable and would oppose with all vigor any acreage diversion program similar to the 1956, 1957, 1958, soil bank, under previous Secretary of Agriculture, the Honorable Ezra Taft Benson.

In the matter of new legislation, my people stand squarely behind S. 608, introduced at the request of my Alabama cotton committee by Senator Hill and Senator Sparkman.

We believe this to be the most desirable bill in this committee. S. 608 protects the farmer's income, while at the same time would make cotton available to domestic mills on a world competitive basis. It provides producers the choice to grow cotton in excess of their allotment at world prices. It is a simple bill and we recommend it to you for consideration.

The Cooley bill, H.R. 6196, with the McIntire amendment is most objectionable to Alabama producers. While there is a willingness on the grower's part to be cooperative in working toward pricing cotton more competitively, we are of the firm opinion that 29 cents would be entirely too drastic even when spread over a 3-year period. But even more distasteful and totally unacceptable is the feature of the McIntire amendment making it permanent legislation establishing an absolute ceiling of 29 cents with no floor and permitting future reductions should a decrease in producer's growing cost warrant it; but providing no protection to the cotton farmers should producer's cost go up.

This, gentlemen, you will concede is most objectionable and we cannot believe that this feature of the bill was fully understood by all Members of the lower House when they voted for this measure.

The Talmadge bill, and I am sorry the Senator from Georgia has left the room, is being given more consideration by Alabama growers.

Similar to the Sparkman bill, it gives the individual grower a choice to produce more cotton as he desires at world prices. Many farmers in my State like this feature. The blended prices, while offering protection to the small grower, provides a choice for each producer in that he can produce at the level of his particular economic ability. While this is not a perfect bill, it does offer much for producers and would, we presume, be acceptable to our domestic mills, since it could make cotton competitive to them.

Finally, we must express the overwhelming sentiments of many Alabama cotton farmers in opposition to the proposed so-called cotton acreage diversion program. This program is simply another soil bank.

What concerns us most is that such a program in our part of the South would completely destroy our release and reapportionment plan and this would be disastrous.

Let me inject this, if I may, Mr. Chairman, our PMA county committees tell us that only a fraction of the acreage which has normally gone into the release and reapportionment plan has been turned in. Farmers daily are presenting themselves to county offices, saying, "Where do I sign to get my Government check?"

Now, many of these, I say to you, are not bona fide, legitimate farmers. Many of them are urban people who own these allotments, who never expect to grow cotton on them, Senator.

Senator AIKEN. Yes.

Mr. NICHOLS. And we just don't think that would contribute materially to the cotton economy of my State. And I am delighted to hear your statement, sir, but I would recall to each Member of this Senate that the last day for releasing acreage in my State is the 15th day of March. I believe in the Rio Grande Valley, sir, that date is the 4th day of February and it is imperative, if at all possible, that the air be cleared of this soil bank talk.

The CHAIRMAN. I thought we had cleared it by making this announcement.

Mr. NICHOLS. I hope you will reemphasize that, Mr. Chairman. I think it would be most helpful to the program.

The CHAIRMAN. Well, I will say it again.

Mr. NICHOLS. Thank you, sir. I hope the press picked that up, sir.

The CHAIRMAN. Let me ask you this: As I understand the essential difference between the so-called Cooley bill and the Hill-Sparkman bill is, that you leave it to the Secretary of Agriculture to determine what the price differential shall be between cotton that is sold abroad and cotton that is sold to the domestic mills.

Mr. NICHOLS. I believe you are correct, Mr. Chairman. It is the wordage.

The CHAIRMAN. It has been figured that this differential, under present conditions, should be around 6 cents a pound or about \$30 a bale.

Now, it was testified that for each cent that we reduce the price of cotton the domestic mills will buy a hundred thousand bales, and assuming it's reduced 6 cents, that would mean 600,000 bales which would be used in addition to what they are now using. and to pay as much as \$30 a bale not only on the 600,000 additional bales but on all they use, wouldn't that be quite a sum to pay to get, to use just 600,000 bales more than are consumed?

Mr. NICHOLS. Mr. Chairman, your figures are correct. I believe they coincide with Department figures as well as the industry figures, the 1 cent to move 100,000 bales.

The CHAIRMAN. Yes.

Mr. NICHOLS. Let me say here, I come here to represent the cotton producers in my State.

The CHAIRMAN. Yes.

Mr. NICHOLS. We do feel, however, sir, that it's basically wrong for the mills in our country to have to pay \$42.50 a bale more than

the people that export particularly when this stuff comes back and hits them in the face with it.

The CHAIRMAN. But they have paid these prices all along, and don't forget that our textile mills here have a good market in which to sell, the U.S. market, where we have a standard of living that is far ahead of any in the world, and they sell practically 95 percent of their production in this fine market.

Mr. NICHOLS. I couldn't agree with you more, Mr. Chairman. The feature that we are concerned with is the inroads that synthetics are continually making.

The CHAIRMAN. They have been doing that ever since I have been on this committee, which is 27 years, and they may increase some, but we have been working to that end and we thought we had it licked by the passage of the 1958 bill, but as was pointed out, it wasn't administered as we intended, that is increased acreage and lowered price. Instead of that going that way, they increased the acreage and kept the price high, and that is the reason why we can't compete abroad.

Senator AIKEN. What percentage of the 410,000 acres that were put in the conservation reserve in Alabama would you estimate came out of cotton production?

Mr. NICHOLS. I am sorry, Senator, will you repeat your question?

Senator AIKEN. As I understand it, about 410,000 acres in Alabama were put in the conservation reserve, which is a little over 5 percent of the total cropland in your State.

Did most of that come out of cotton production? Or was most of it from small farms?

Mr. NICHOLS. Are you referring to the soil bank of 1958, sir?

Senator AIKEN. Yes. In 1960, I believe, Alabama had 410,000 acres in the conservation reserve.

Mr. NICHOLS. Not too much of that, sir, came out of cotton production.

Senator AIKEN. Cotton went into the acreage reserve?

Mr. NICHOLS. No, sir, very little came out of that. In 1958, the last year of the soil bank, when Alabama had about a million-acre allotment, we put almost half of that, 466,000 acres into the soil bank.

Senator AIKEN. In the acreage reserve of the soil bank probably.

Mr. NICHOLS. Yes, sir, in 1958.

Sir, we haven't gotten over that in Alabama yet.

Senator AIKEN. The conservation reserve acres probably came out of acreage that might not have been planted to anything, at least, not much longer.

Mr. NICHOLS. Mostly corn land, hay land mostly, some cotton.

Senator AIKEN. In some ways people of Alabama are like people in other States, you know.

Mr. NICHOLS. Yes, sir, that is correct.

Now, our friends of the Department tell us, Mr. Chairman, that a diversion increase would net farm income. We cannot agree with this, despite the economists in the Department, and we have much confidence in them.

We believe that millions of dollars of payments would go to allotment holders who neither farm nor expect to farm for their income. Thousands of farm laborers would be out of work and presumably the only place which we know these people would go would be on the

welfare rolls. That is what happened in prior years and we believe it would happen again.

The losses of income to agri-businesses throughout the communities would be terrific. Their main livelihood comes through serving the cotton producer.

Then, of course, I don't think our USDA friends have considered the loss of income from it, loss in income tax from the reduced income of the cottongrowers.

Another soil bank is not the answer. It is basically against our American way of life to pay a man a check of \$50 or \$60, and in many cases more, for not planting cotton. The soil bank proposal is, in our judgment, the most ill-conceived, ill-advised, and ill-timed program being considered in Washington at the moment.

The urgency for cotton legislation is indeed great but we know your committee will not be stampeded into accepting just any program. Cotton legislation should increase consumption, both domestic and foreign, while at the same time provide necessary income protection to cottongrowers. Any legislation which fails to accomplish these two matters, will fail to solve our industry problem.

We appreciate the difficult task before your committee, sir, and we are in sympathy with you, and I will say this, the Alabama cotton producer is mindful of your problems here. I am mindful of them, sir, and we—

The CHAIRMAN. We appreciate your sympathy.

Mr. NICHOLS. We hope you come to an equitable solution, sir.

The CHAIRMAN. All right. Thanks.

Any further questions? Thank you ever so much.

Mr. NICHOLS. Mr. Chairman. E. D. Wyatt from Harpersville, Ala., is a cotton farmer and I would like for him to make a brief statement.

STATEMENT OF E. D. WYATT, HARPERSVILLE, ALA.

Mr. WYATT. Mr. Chairman, I have a prepared statement here but you have already voiced your opinion on the soil bank. My statement is based mostly on that proposal.

The CHAIRMAN. I speak for myself and, I think, for a majority of the committee.

Mr. WYATT. I understand that.

Senator JOHNSTON. I have always felt that way and I just continue to feel that way.

The CHAIRMAN. You may put your statement in the record. It concerns that only, doesn't it?

Mr. WYATT. Yes, sir.

Mr. Chairman, and members of this committee, let me say at the beginning that it is indeed an honor and privilege for me to have this opportunity to speak to you for a few minutes on cotton legislation, a subject that is being discussed pro and con by State, county, and Government officials. I would like to speak to you out of my heart about the proposed soil bank plan.

Let me say first that I am a small farmer in the business of producing cotton for the livelihood and welfare of my family. In my county, which is located in the Coosa River Valley in Shelby County, Ala., many such cotton producers will be adversely affected if the proposed soil bank plan is enacted into law.

In my county we have a cotton allotment of some 6,000 acres that has been planted in cotton. If the soil bank plan becomes law less than 50 percent of this cotton will be planted. I base my opinion on the soil bank program in the late fifties.

My personal allotment on land that I own is now 34 acres. I have been renting over the years some 150 acres of cotton from landowners who for some reason or another do not work their land. These people are retired, working at public works or their allotment is too small to justify buying equipment to work this land.

Many of the larger cotton allotments are held by businessmen or by people who inherited their property and they have no intention of doing anything other than leasing or renting this acreage to the Government or to men such as myself who have based their entire future and life on a good cotton economy. For three generations my family has raised cotton. We have fought insects, grass, and the weather, the latter over which we have no control. A lot of time, effort, and money has gone into developing our land, buying new and more modern equipment so as to raise a better grade of cotton for the market.

Let me also remind you that the only crop that is supported by the Government in my area is cotton. The only other row crop that we could grow would be corn, soybeans, or some form of sorghum; and I cannot grow corn for \$1 a bushel. I have tried to grow soybeans, but to do this on a profitable scale would require a large investment in machinery. Also, the market for selling soybeans in Alabama is another problem.

Since I have raised cotton almost exclusively I do not have the capital, nor can I borrow enough money, to go into the business of growing soybeans and show a profit. So you see the effect such a bill would have on me as well as many other farmers in the cotton-producing business, especially in the State of Alabama.

In my State, I understand, 85 percent of all cotton allotments are 15 acres or less. In my own area I could count on my two hands the number of farms with small allotments who produce cotton. Instead they rent these acres to farmers who have invested heavily in farming equipment to cultivate such allotments. If these cotton acres were not worked it would mean losing them to other States.

This would have a drastic economic effect in my State as cotton is still the No. 1 cash crop. If released acres from such allotments had not been available we would have been out of business long ago.

We now find ourselves in a position of confusion because it seems that the nonproducing allotment holders have heard about the soil bank plan and there has been almost no cotton acreage released to the ASCA office. These people have heard or read that they can rent their land to the Government for probably \$50 or \$60 per acre. At the present time we are paying \$25 to \$30 per acre rent. So you can see why no land is being released at this time.

If we as producers fail then other related farm industries will be adversely affected. The people who help us produce this cotton will have to go to the welfare rolls or train for other jobs. As a matter of fact, I would be in the same position since all I know is cotton and the production of cotton. I am 38 years old and have devoted my life to this vocation and will continue to do so unless I am forced out and there's no other means by which I can support my family and educate my children.

I speak for myself and the other cotton producers in my area who were kind enough to finance this trip for me to appear before this committee. I understand, I think, some of the problems you have in working out a program suitable to all concerned.

I know we have a surplus of cotton stored in warehouses and that this surplus has to be reduced if we are to stay in business. I do not know the answer to all of these problems, but it seems to me that instead of paying a person not to plant a product which he is not planting anyway is another way of saying, "Do nothing and the Government will pay you to do so." This does not make sense to me.

On the other hand, if we could use part of this money to find other ways and means of using cotton such as manufacture cotton products for domestic use, defense purposes, or possibly in the space effort.

Under the soil bank plan I cannot buy any equipment; in fact, I cannot make payments on the equipment I already have, such as a two-row cottonpicker, tractors, and other farming equipment. Without other acreage release rentals farmers cannot borrow money to produce this crop and the only way we can pay our debts is with cotton. The majority of farmers in my community borrow money on terms of how many acres of cotton they are going to rent. So you can see our economy is based almost entirely on cotton.

Let me say in closing if nothing else can be worked out that we had rather take a 1- or 2-cent cut in support prices and retain our acreage, labor, and equipment and try to produce cotton somewhat cheaper than even consider a soil bank program. We, as producers, cannot live with and exist very long under this proposed plan.

I would like to thank you again for this opportunity to speak before your committee.

The CHAIRMAN. Very well, thanks ever so much.

Mr. NICHOLS. Thank you.

The CHAIRMAN. Well, Dr. Boykin, come forward, please, and identify yourself for the record.

STATEMENT OF W. B. BOYKIN, SOUTH CAROLINA COTTON PRODUCERS ASSOCIATION, BOYKIN, S.C., ALSO REPRESENTING THE SOUTH CAROLINA FARM BUREAU

Mr. BOYKIN. Senator, we have a couple of others—a producer farmer and a ginner—here with me, and if you have any questions you may want to direct to them after I get through, please feel free to do so.

The CHAIRMAN. Proceed.

Mr. BOYKIN. Mr. Chairman and gentlemen of the committee, I am W. B. Boykin representing the South Carolina Cotton Producers Association and, in essence of time, speaking for the South Carolina Farm Bureau whose members are represented here by Mr. James Williams who is also vice president of the South Carolina Farm Bureau and chairman of that organization's cotton committee.

We want to mention a few facts here that we feel have our cotton production more or less in a condition which we say is a dilemma, one of those which I'm happy to say has been cleared here this morning that concerned us very much, and that was the soil bank type of an idea.

We are happy to hear your comments on that, and we hope that they will prevail, and that something could be done immediately to clear the air on this acreage release and reapportionment.

We, too, have had no acreages released in South Carolina because of this type of information released.

I might add also, Senator Ellender and members of the committee, that one thing has been touched on with respect to this acreage diversion program, and that is that it will also upset not only the acres that are released by the acres which our major farmers are being able to rent, you see, and they cannot compete with a high Government price and still make a profit.

Now, then, if you will notice in the testimony which I have prepared, we will move to item No. 2 there. We in South Carolina are in favor of keeping the release and reapportionment part of the present cotton bill. This has enabled us to put together economically feasible cotton-producing units. Some areas of our State are becoming heavily industrialized and do not have the labor to produce cotton. Other areas are still strictly agricultural and benefit greatly by being able to use this released cotton acreage. We can use larger machinery and consequently pay our labor better wages enabling us to better compete with industry for labor.

Senator JOHNSTON. I know that is so. You can almost draw a line in the middle of the State and say that the upper part is going out while the lower part wants more.

Mr. BOYKIN. That is correct. We have 10 counties that stretch below the Sand Hill belt which is gradually becoming a cotton area.

We requested the 158,000 acres to be planted from this released program, but only 92,000 were released last year. But the farmers requested a total of 158,000.

Now the third point, we would favor the lowering of support price on cotton as soon as we are able to lower the cost of production. We believe that in the next 2 to 3 years chemical weed control and better boll weevil control and eventual eradication, which is very hopeful, and such things as the prevention of shedding, but the research folks are working on that, and the cost of production is going to be reduced possibly in the next 2 to 3 years.

Senator JOHNSTON. I think also in my State and in your State you will find they are shifting from the upper part of the State in the hill counties to your section down in the midlands and through the middle of the State, and you can use machinery and probably grow it more profitably and at less cost.

Mr. BOYKIN. Well, that was covered in my first point, sir, which we have for the record, and I wanted to be entered in the record, by the way, all that we have stated.

The CHAIRMAN. Yes; your statement will be printed in the record as a whole.

Mr. BOYKIN. Thank you, sir.

The CHAIRMAN. You may highlight it.

Mr. BOYKIN. Fourth, we favor a greatly expanded research program on cotton production. This can be financed through cotton producer associations and additional funds from USDA.

I want you to know we are not sitting down and taking this lightly, but we are doing things for ourselves. Last year the Cotton Producers Institute, which is part of the National Cotton Council, organized in my State and raised \$70,000 the first year. We are hopeful that we will more than possibly double that this year as we get more and more organized. That goes for promotion and research. It is a dollar a bale is what we are paying.

Now, fifth, in face of the mounting cotton surplus we think it only logical to reduce the planted acreage, if necessary, to help reduce this surplus and consequently its burden on the U.S. taxpayer. In this respect we suggest a 1 million acre cut in acreage across the board from east to west proportionately reflected to each cotton allotment regardless of size, be it large, medium or small.

The CHAIRMAN. You mean below the present 16 million minimum?

Mr. BOYKIN. Yes; draw it down another million. We have had this surplus, we cannot overlook that fact, sir, and we certainly, even though I think reduction of another million acres may not reduce all that surplus, but it certainly would take a part of that U.S. taxpayer burden for continual production of surpluses, and by that means we will help the situation buying time until we can get these major breakthroughs in reduction of the cost of production and, at that time, possibly we will be in a position to lower prices also.

We definitely favor a cut in acreage instead of an immediate reduction in price support at the present time nor do we think it sensible to include in a new law any overplanting provision until the carryover of cotton is materially reduced. There is no use in overplanting it if you have got a lot of it on hand, and then we can go in the overage provisions as one of the gentlemen pointed out here today, when possibly things will get better as our stocks go down.

Now with respect to point No. 6, with respect to surplus cotton production, we do not think the farm baleage allotment approach is justified.

Now, gentlemen, this is primarily on the basis of having an ASCS committee which I am sure you are familiar with, setting that baleage allotment on that particular farm. I am just a young farmer just starting, and my experience has been primarily with the feed grain program aspect of this thing which, I suspect, this would work in somewhat similar fashion, and my objection is that this thing is a great idea but as long as it is channeled down and everything is perfect from the top to the bottom and eventually a farm allotment, it has not worked out that way with the feed grain program. There are great discrepancies in my own county which I know are just justified, but not to belabor that point any further, I would be glad to talk to anyone on it, but I do not want a committee setting my yield, baleage yield, per acre.

That thing is based on soil types, management ability as written into the intent of the feed grain law, and I dare say that there are not too many people on my committee or other counties to define what a soil type is in its ramifications and meanings.

The second thing that we are opposed to with respect to this baleage type of idea which has been proposed in one bill is the policing action which it will take to police the program. We cannot forget the old days when everybody was running around trying to buy certificates to get rid of their surplus cotton. That was kind of a ticklish situation, and I do not believe it was in the best interests of the United States as a whole.

The CHAIRMAN. You are referring now to the Talmadge bill?

Mr. BOYKIN. Yes, sir.

The CHAIRMAN. And you are against that?

Mr. BOYKIN. Yes, sir; that particular portion of the baleage allotment.

The CHAIRMAN. Well, it is based on that.

Mr. BOYKIN. Yes.

No. 7, in the event new legislation is passed to equalize the price of cotton between domestic and foreign mills, we recommend that all transportation cost be considered in setting the amount of mill subsidy and that this subsidy be paid to someone other than farmers, instead of a direct subsidy to farmers. We feel it is too much in the news that the farmers are getting so much of the taxpayers' money, and that would be another added problem.

The CHAIRMAN. Well, the farmer would not get the subsidy. He could not. He has already received it in the way of a price support.

Mr. BOYKIN. The idea being inferred that we are getting that, you see, sir.

The CHAIRMAN. Yes.

Mr. BOYKIN. I would mask it in some way, whether we get it or whether the mill gets it. However—I am speaking as a producer now, and that is in general my presentation. We thank you for your time and patience, and I do not know whether these other gentlemen have anything to add or not. Ray, yours was covered primarily in the acreage diversion.

(The prepared statement of Mr. Boykin follows:)

Mr. Chairman and members of the Senate Agriculture Committee, I am W. B. Boykin, representing the South Carolina Cotton Producers Association and, in essence of time, speaking for the South Carolina Farm Bureau whose members are represented here by Mr. James C. Williams, vice president of the South Carolina Farm Bureau and chairman of that organization's cotton committee.

We want to state some simple facts and our thinking relative to the dilemma of the South Carolina cotton farmer if certain cotton proposals are effected into law by the U.S. Congress.

No. 1. The cotton economy of South Carolina was dealt a devastating blow by the mere mention of the USDA's consideration of a proposed voluntary cotton acreage retirement soil bank program. Unfortunately, irreparable damage to our cotton farmers and related agri-business will exist if swift congressional action does not kill this proposal.

Obviously this program will kill the release and reapportionment phase of our present cotton program as well as severely damage our cotton rental program which has been created over the years. The magnitude of the acreage involved would most likely be 280,000 acres. This figure is derived from table 1 wherein the combined acreage of all farm allotments less than 15 acres is 280,000. It stands to reason that a great portion of this acreage will be rented to the Government instead of being released for reapportionment and/or rented to farmers.

If these 280,000 acres are taken out of production as suggested above, I raise the following questions and discussions:

(a) What economic effects would this have on the farmers who depend on this acreage to enable themselves to afford the machinery required to operate economic units of production? In view of the data presented in tables 1, 2, and 3, and figure 1, I firmly believe it would mean economic chaos for many.

Each cottonpicker has an initial investment value of approximately \$10,000 which means an accumulated investment of \$13 million by 1964. Based on the individual allotment basis shown in table 1, obviously some farmers must be renting a lot of cotton acreage in order to make it possible to have so many cotton-pickers in the State. Each flame cultivator, without reflecting the cost of the tractor, represents an initial investment of \$650 by the farmer and another \$600 by the gas distributor.

Within a 5-mile radius of the farm which I operate one will find the following cotton farm operations depicted in table 3. Studying these typical data and projecting them over the entire cotton producing counties of South Carolina one readily sees the possible economic loss which may be incurred under an acreage retirement program.

(b) What economic effects would the acreage retirement program have on the cotton agri-business of South Carolina? Simply this, the 280,000 acres under question in this program should have a potential of 280,000 bales of cotton valued at \$165 per bale or \$44,800,000 (1963) compared to 280,000 acres at \$40 per acre for diversion or \$11,200,000. These figures clearly indicate that for \$11,200,000

received as a retirement payment, \$33,600,000 will be lost to our cotton agribusiness, such as the ginner, seedsmen, warehouseman, truckers, fuel suppliers, bankers, fertilizer dealers, and farm chemical suppliers.

No. 2. We in South Carolina are in favor of keeping the release and reapportionment part of the present cotton bill. This has enabled us to put together economically feasible cotton producing units. Some areas of our State are becoming heavily industrialized and do not have the labor to produce cotton. Other areas are still strictly agricultural and benefit greatly by being able to use this released cotton acreage. We can use larger machinery and consequently pay our labor better wages, enabling us to better compete with industry for labor.

No. 3. We would favor the lowering of support price on cotton as soon as we are able to lower the cost of production. We believe that in the next 2 to 3 years chemical weed control and better boll weevil control and eventual eradication give great promise of cutting production cost in the South.

No. 4. We favor a greatly expanded research program on cotton production. This can be financed through cotton producer associations and additional funds from USDA. This will be covered in detail in testimony by the National Cotton Council on Friday of this week.

No. 5. In face of the mounting cotton surplus we think it only logical to reduce the planted acreage, if necessary, to help reduce this surplus and consequently its burden on the U.S. taxpayer. In this respect we suggest a 1-million acre cut in acreage across the board from east to west proportionately reflected to each cotton allotment regardless of size, be it large, medium, or small. We definitely favor a cut in acreage instead of an immediate reduction in price support at the present time nor do we think it sensible to include in a new law any overplanting provision until the carryover of cotton is materially reduced.

No. 6. Also with respect to surplus cotton production we do not think the farm baleage allotment approach is justified, primarily on the basis of having an ASCS committee set this allotment and also on the basis of policing action which it would take to administer the program.

No. 7. In the event new legislation is passed to equalize the price of cotton between domestic and foreign mills, we recommend that all transportation cost be considered in setting the amount of mill subsidy and that this subsidy be paid to someone other than farmers.

Mr. Chairman, this concludes our report and we sincerely appreciate your indulgence and thank you for the time allotted us for this hearing.

APPENDIX. UPLAND COTTON

TABLE 1.—1963 original allotments by size groups in South Carolina (before release and reapportionment)¹

Size	Number of allotment farms	Acres
0.1 to 4.9.....	32,710	82,699.8
5 to 10.....	16,696	120,399.5
10.1 to 14.9.....	6,325	77,044.5
15 to 29.9.....	6,464	133,117.2
30 to 49.9.....	2,384	91,029.5
50 to 99.9.....	1,464	99,405.5
100 to 199.9.....	403	53,919.2
200 to 349.9.....	83	21,022.4
350 to 499.9.....	12	5,059.5
500 to 999.9.....	8	5,968.0
1,000 and over.....	0	-----
Total.....	66,549	689,665.1

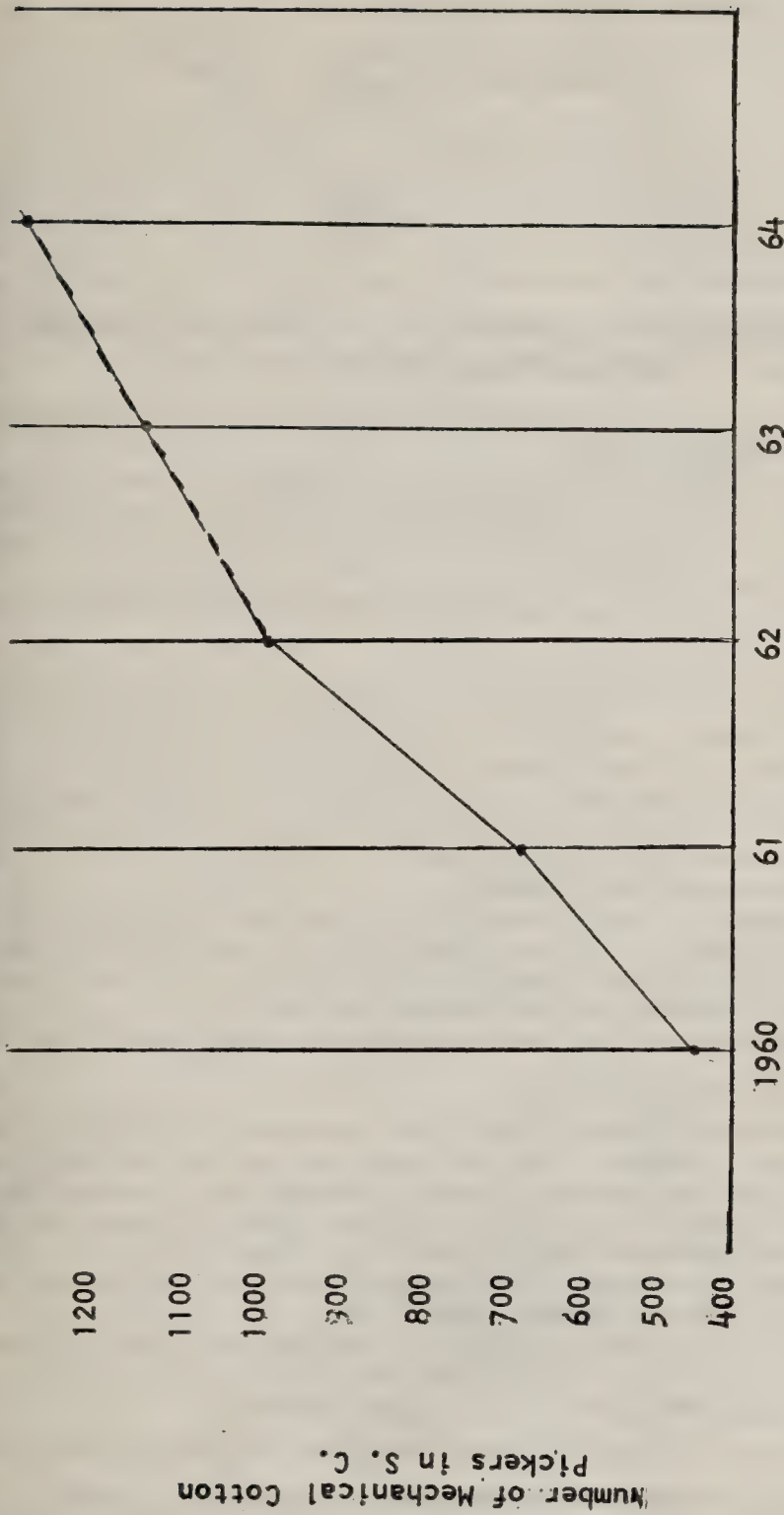
¹ Source: State ASCS office, Columbia, S.C.

TABLE 2.—Estimate of number of flame cultivators in operation and the number of acres flame in South Carolina by years¹

Year	Number of flame cultivators	Acres flame
1961.....	60	6,000
1962.....	334	56,395

¹ Data obtained from county agents' report.

FIGURE 1.—Estimate of mechanical cottonpickers in South Carolina by years.



* Data for years 1960, 61, 62 were obtained from county agents' reports. Those data for 1963 and 1964 are weighted data from graphical projection and actual figures supplied by a large equipment dealer in the State.

TABLE 3.—*A typical cotton producing situation with respect to mechanical picker investment and the acreages involved for 4 farmers within a 5-mile radius in a cotton producing community in South Carolina*

Farmer	Number and type of mechanical picker		Approximate picker investment	Acres planted to cotton		
	1-row	2-row		Own	Rent	Total
A-----	0	1	\$20,000	237	79	316
B-----	1	0	8,000	40	260	300
C-----	1	1	26,000	125	575	700
D-----	1	0	8,000	85	115	200

STATEMENT OF RAY SEGARS, JR., CAROLINAS GINNERS ASSOCIATION, OSWEGO, S.C.

Mr. SEGARS. My name is Ray Segars, Jr. I am a cottonginner-farmer from Oswego, S.C.

Sir, my testimony deals entirely with opposition to the voluntary diversion program, and I think it has been adequately covered to my satisfaction and the satisfaction of my ginner's group, I am sure. The only thing I would ask—

The CHAIRMAN. If you have a statement there, we will put it in the record.

Mr. SEGARS. That would be fine, sir.

The only thing I would ask, sir, in addition, you have only emphasized, and I do not need to make this point, sir, I understand your position clearly—you have made it very clear here today, but I ask and urge that a strong statement be made to the press that can reach our farmers in South Carolina to let them know what the position is on this matter so that our release and reapportionment program may progress in the way it is intended.

The CHAIRMAN. I wish I could holler loud enough so they could hear me down there, but it might blast out on the radio and television. I think the press will do a good job of that because they have done it in the past. We have got some active boys here.

Senator JOHNSTON. The chairman will always be helpful and has been, I think.

Mr. SEGARS. Thank you, sir.

The CHAIRMAN. I believe that I have expressed the feelings of this committee as a whole. You may have one or two who might go along, and then you have the House to contend with, and the House is very much opposed to it, so I do not think there is a chance to enact any kind of legislation dealing with the diversion of acres. The Congress won't buy that. They bought it once and got burned, and they won't get burned a second time.

Mr. SEGARS. Sir, I am convinced. I just hope my folks back home will get convinced, and that will straighten out the matter.

(The prepared statement of Mr. Segars follows:)

My name is Ray Segars, Jr., I am a cotton ginner and farmer from Oswego, S.C.

Mr. Chairman, members of the committee, I appreciate the opportunity of appearing before you today. I am testifying on behalf of the Carolinas Ginner's Association in opposition to any type of diversion program. The figures I use in my testimony apply to South Carolina only, as that is my home State.

Let me say at the outset that we recognize stocks of cotton are too high. But we do not believe that a diversion program is the way to meet this problem.

While a diversion program would reduce carryover, it would do so at a tremendous cost to both the Government and the economy of our Nation. The cost of such a program is not limited to just the dollar outlay by the Federal Government, but its cost must also be weighed in light of the serious damage it would do to the several segments of the cotton industry as well as other businesses which serve cotton farmers.

Let me briefly recount some of my own experiences under the old soil bank program. I am personally interested in two gins. During the last years of the old soil bank, our hours at the gins were from 7 a.m. to 7 p.m., and even then we were not busy all the time, whereas we normally operate round the clock. Never before the soil bank, nor since, have we failed to operate less than 24 hours during the peak ginning season. In other words, our gins operated at only half capacity or less during those soil bank years. This made necessary the releasing of one complete crew of seven men at each gin.

The volume of cotton which we ginned in our 2 gins fell from 5,200 bales in 1956 to 3,000 bales in 1957, and on down to 2,700 bales in 1958. In South Carolina the soil bank took out of production 27 percent of the State's cotton allotment in 1957, and 48 percent of it in 1958.

Now, cotton ginning is a seasonal business at best. If we cannot operate at, or near, full capacity over a good portion of the season, we just would not be able to stay in business. There is no doubt in my mind that an acreage diversion program now would cause many of our gins to be forced out of business because a gin cannot be used for anything but the ginning of cotton. This in turn would cause a hardship for the farmer who did plant his acreage by making it difficult for him to get his cotton ginned as he has been accustomed.

My colleagues have discussed the changes that have been taking place in cotton production methods and the adverse effects that an acreage diversion program would cause, by disrupting those changes in production methods. I call your attention to the fact that the ginning industry has been required to meet heavy investment costs in order to adopt new ginning practices that are necessary to meet the changes taking place on cotton farms.

To illustrate, a modern mechanical cottonpicker can harvest about as much cotton in an hour as a typical worker picks by hand in an entire season. Now, for this practice to be profitable to farmers, ginneries have had to increase the hourly capacity of their plants and add special drying and cleaning equipment.

In South Carolina an estimated \$12 million has been spent in modernizing gins since 1959. Roughly half of this has been spent during the last 2 years. Concerning my own ginning operation, this money would be completely wasted if a diversion program were to affect our volume as it did previously. Gentlemen, the one thing that stands out clearly in this whole cotton problem is that if an answer is to ever be found, it will involve a program that requires a period of years to work out—a long-range plan that affords all of us enough confidence in the future of this industry to be willing to continue making investments of the magnitude that ginneries in my State have been making.

Based on the reduction in production under the soil bank in 1958, about 326,000 acres might be taken out of cotton production in my State if a diversion program were again in effect. I have indicated the serious damage this would do to the ginning industry, and its ability and willingness to continue making the investments that are so essential to future progress in cotton. But I ask you to think of the impact of this diversion on the total economy of South Carolina. Taking 326,000 acres out of cotton would reduce the size of our crop by more than a quarter of a million bales. At average prices received by farmers, this is about \$50 million in gross farm income. But when you consider that this money turns over at least six times, a diversion program of this size would shrink the economy of my State by more than \$300 million. This would mean lost employment on farms, in gins, and in other branches of the cotton industry and also in other businesses which serve the farmer, including suppliers of fertilizers, insecticides, farm machinery, petroleum products, banks, and other lending agencies, just to mention a few. In 1958, of the 14 major cotton-producing States there were 5 States that put more acres in the soil bank than South Carolina. Therefore there are other States where the economic problem would be even greater than in South Carolina.

In my judgment—in the judgment of all the members of our ginneries organization—the damage that would result from a diversion program of this sort would far outweigh any good it can accomplish. The damage would continue long after

the program ceased operating. We strongly recommend that you not enact any acreage-diversion program for cotton.

STATEMENT OF JAMES C. WILLIAMS, VICE PRESIDENT, SOUTH CAROLINA FARM BUREAU, NORWAY, S.C.

Mr. WILLIAMS. Senator, I am James Williams from Norway, S.C. I am chairman of the South Carolina Cotton Committee.

Dr. Boykin and I wrote the statement that he presented here to you together, sir, and that voices the sentiments of the South Carolina farmers.

The CHAIRMAN. All right. Thank you very much, gentlemen.

Mr. Morgan, you may identify yourself for the record.

STATEMENT OF ROBERT F. MORGAN, SHELBY, N.C., REPRESENTING THE AGRICULTURE COMMITTEE, SHELBY CHAMBER OF COMMERCE, THE CLEVELAND COUNTY GINNERS ASSOCIATION, AND THE CLEVELAND COUNTY FARM BUREAU

Mr. MORGAN. Thank you, sir.

Mr. Chairman, I am Robert Morgan from Shelby, N.C.; a member of the State senate and former chairman of the senate agriculture committee.

The CHAIRMAN. Well, you ought to be able to give us a lot of good advice now.

Mr. MORGAN. Oh, sir, I can only from experience give you some sympathy, perhaps. [Laughter.]

The CHAIRMAN. That will do.

Mr. MORGAN. But I am here today, Mr. Chairman, representing the Chamber of Commerce Agricultural Committee of Shelby, N.C.; the Cleveland County Ginnery Association, the Farm Bureau, and on my behalf as an officer of a firm dealing with cotton and related farm supplies and others, and as vice chairman of the legislative committee of the North Carolina Promotion Association.

Naturally, I appreciate the opportunity to appear here. The prepared statement I have given deals to some extent with the voluntary reserve system which I shall deviate from in the statement, as it has been covered, and I express my appreciation to you, sir, for your statement, and having true faith in the press to carry the word, I will drop that.

I do that with this exception: I regret Senator Aiken is not here, with respect to some statement he made earlier, if I may inject one word here, that this voluntary reserve does not stop in its work with the producer, but the history shows they are related industries which means that they must work hand in hand with the producer.

The effect on the economy in some areas by such a program is almost disastrous. Any modern gin has roughly \$150,000 invested in it. I have not found in any of the so-called provisions any statement or provision in it for a cotton gin. If you put it in I know several that would have some effect on and would be interested in it.

Mr. Chairman, I would make only three broad statements with respect to cotton legislation other than that dealing with the voluntary reserve. First, I think that we recognize the problem of surplus and without going into any of the individual bills, that possibly the

only way to take care of a surplus is just by stopping the production of some of it.

I support a base acreage national allotment. But in the event the surplus is cumbersome and entirely too heavy until certain breakthroughs in price and cost of production are made, I would respectfully suggest that it might be well to study a temporary moratorium across the board of the national allotment to some figure which would be in keeping with the thinking of this committee to all size farms, irrespective of the size of that farm, but a temporary moratorium on acreage for a year or so, until this cost of production has been brought down.

Secondly, there is one other thing that I think in a broad cotton program that must be considered, and that is this one-price system relative to the textile manufacturers in America.

All that I represent, and my knowledge of the situation, certainly is favorable to some relief for American textile manufacturers. We are cognizant, however, of the fact that domestic consumption in some respect is sold, as the chairman has eloquently put, to a high standard of living people in America, and certainly the approach that the chairman has made to this thing is a sensible approach.

I think that somewhere we must establish what the domestic mills are using, and if we believe what we say in searching for new markets, that, perhaps, the incentive is not there. We do not favor this, of course, to the exclusion of anything that the committee might do relative to helping the textile manufacturers in America today.

The third point I want to make is simply this: That this committee and the American people and all of the cotton producers in America have waited and work toward certain advancement which would lower the cost of production of cotton. I think it is obvious to the educated in the cotton industry today that certainly in the last 2 years and, possibly, the next 1 or 2, that more breakthroughs in this will be and have been made, than have been made in 20 years. So, perhaps, if nothing can be done about the across-the-board cut for cotton acreage for this year, if we have to devise some means in keeping with the thinking of this committee to work toward a one-price system or an additional one-price system as the chairman has submitted for textile manufacturers today, we might just have to sweat it out for 1 year until the effect—until this takes effect in draining off some of the consumption and bring the other down.

The CHAIRMAN. Well, in keeping with what you are saying, since the acreage allotment has been announced by the Secretary of Agriculture, there is no possibility of changing that now.

Mr. MORGAN. That was the point I said we would have to depend on, some system whereby consumption might be upped, and some means that we hope we can find for increasing the exports of cotton in this country; and I think that working toward a price help to textile manufacturers in this country would be one of the most beneficial ways of taking care of some of this surplus.

I wish also to state this, that actually the situation which is hurting cotton producers in America today, and a great many of us, was brought about by the sudden increase in the national allotment some few years back without any attempt whatsoever to reduce this cost which would have brought it about.

The CHAIRMAN. That is right.

Mr. MORGAN. And, therefore, we feel that the producers of America are not solely responsible for this, but actually we might say it was some, maybe a miscalculation in thinking this program through or something.

Mr. Chairman and gentlemen of the committee, we think that these general proposals are about as far as we can go in maybe suggesting something definite. I am open to any questions that you might have relative to any of these broad points.

The CHAIRMAN. Well, I think you have covered it pretty well. You more or less leave it to the committee. I was in hopes that you might give us some new ideas. But I guess those new ideas are hard to find because we have been dealing with this problem now—I have been on this committee now only 27 years, and we have it facing us almost constantly, except during the war. We have been plagued, and it is all due to the fact that the Lord has been good to us and given us the right weather and a big production, and the farmers have gone to town and used a lot of fertilizer, and this skip row planting and things like that which they have done.

Mr. MORGAN. It might be well to do away with skip row planting.

The CHAIRMAN. I do not know. That has been looked into. We cannot write that into the law, but I think administratively it can be studied.

Mr. MORGAN. Mr. Chairman, as definite suggestions we do feel that an effort should be made to help domestic consumption by some corrective measures dealing with this inequity today for American manufacturers.

The CHAIRMAN. Let me ask you this now: Is it to make it possible for them to sell more of their cotton abroad, cotton goods abroad?

Mr. MORGAN. I think the idea as a whole of just simply coming out and saying that we are going to completely irradicate this now existing 8 cents, 8¼ cents a pound difference, perhaps might be a little far-fetched, roughly \$47-some-odd a bale. I would say this, that there is today a field in the market in America for a great deal more cotton consumption in the way of cotton goods with, in my opinion, some help to American manufacturers. I am not versed sufficiently in domestic cloth exports to go into that, Mr. Chairman.

As I say, I think there is a definite field today in the domestic sales for more cotton cloth goods in America today. I think there is no question about that. We are facing synthetic competition which is presently under our price. I do not know that we have to go plumb to synthetic prices. I certainly would not favor any 20, 22 cents a pound. I do not think that is necessary.

The CHAIRMAN. I am looking at some figures here to indicate the extent to which we have been using cotton goods over the years per capita. In 1950 the per capita consumption of cotton was 30.9 pounds. In 1962 it was 22.5 pounds. Now, in the case of rayon in 1950 the use was 8.9 pounds per capita. Today it is 6.8, it is going down. In the case of noncellulose, in 1950 it was 0.9 pounds, in fact, not a pound, and that has increased to 5.8 per capita.

Mr. MORGAN. That is correct.

The CHAIRMAN. So there is a tendency to increase in the synthetics. But it is my belief, after having spoken to quite a few mill people, that they would use synthetics in any event because to mix it with cotton makes it a better usage, and it makes it more attractive.

Mr. MORGAN. I think it is a matter of the percentage of blend here, Mr. Chairman.

The CHAIRMAN. Well, I know. But the point that I have tried to emphasize is that if I felt, and I am speaking only as a Senator now, I mean personally, that we could increase cotton consumption by doing what you suggest, I would be for it. But the idea of our spending \$275 million in order to increase the cotton consumption only by 600,000 bales, I think it is just too costly.

Mr. MORGAN. Mr. Chairman, I agree with you. I think the record will show I said working toward some aid in this field.

The CHAIRMAN. Yes.

Mr. MORGAN. As to the extent, of course, that would have to be——

The CHAIRMAN. What I would like for the committee to do, and we want to work on it, is to give a decrease in the price of cotton if more is used.

Mr. MORGAN. Correct. That is the point I agreed with you on in your statement on the additional domestic overconsumption in this direction.

The CHAIRMAN. Yes.

Now, instead of making it apply to all cotton, if they used 8,600,000 bales this year, why, we might make it 7,500,000 bales, use that as a figure, or on a percentage basis. If they use a certain percentage over their normal production we will give them that cotton at a cut rate so as to induce them to use more cotton.

Mr. MORGAN. I agree with you completely, sir; I could not agree with you more.

The second thing I think is the basis of recognizing that the producers of cotton in this Nation have repeatedly and recently endorsed as means of controlling production, the quota system, and that it must be somewhere in this program that we find the means to lower our cotton surpluses, and to do it certainly we all hate to see our cotton acreage lowered anyway, but it seems to me the only equitable thing would be, to do, would be to cut across the board, to cut the whole national allotment until we do increase our consumption or exports, one, and then, of course, the law of supply and demand enters in to help us. Thank you.

The CHAIRMAN. Thank you.

(The prepared statement of Mr. Morgan follows:)

Mr. Chairman and members of the committee, I am Robert F. Morgan from Shelby, N.C. I appear here today on behalf of the Agriculture Committee of the Shelby Chamber of Commerce, the Cleveland County Ginners Association, and the Cleveland County Farm Bureau. I appear also speaking on my own behalf as a member of the State Senate of North Carolina, as a former chairman of the senate agriculture committee, and member of a firm whose principal business deals with cotton and cotton ginning and cotton seed production.

I am very grateful for the opportunity of appearing before this committee. In some small measure I understand the problems which you are confronted with, and am aware that they are many and varied and pressing in most instances. I am further conscious of the fact that the United States today, and principally the cotton-producing segment of our economy, is faced with the problem of surplus and meeting world competition in the production of cotton. Let me say at the outset that I believe that the cotton producers, certainly in the area that I am familiar with in the southeast, are becoming increasingly aware of this, and are facing the facts and facing the realities that cotton must become more competitive pricewise and are devoting of their energies and times to this end.

My remarks principally today will be directed at a provision of the pending legislation dealing with cotton and that is the acreage reserve provision whereby

producers are paid a specified amount for not planting their allocation of cotton, and it is to this provision that I wish to direct most of my brief remarks.

First, in my opinion, this provision of this law would affect certain areas of cotton production in the United States more than others. It seems to me that if we are to attempt in any successful manner to deal with the problems confronting cotton today, that it must be a nationwide effort and one that will not penalize nor affect one particular area more than others. But should this provision become law, in my opinion it would affect certain areas now producing cotton more than others, and some of these areas by their history and by their production of cotton over many, many years, have more of their economy tied directly to the production of cotton than certain other sections in our country.

Another factor which I believe weighs heavily against the adoption of any acreage reserve system for cotton today is the desire of the producers themselves. Recently we are familiar with the fact that the cotton producers of this Nation voted approximately 95 percent in favor of the quota system to control production of cotton in this Nation. It seems to me after many years, that the producers themselves have determined that this is the more equitable and proper way to control the production of cotton in America today. I think it is obvious to all of us that not only the producers but the related industries themselves have over the past few years, certainly since World War II, adjusted themselves to limited cotton production.

But what would the effect on these related industries be should this acreage reserve system be a part of our cotton legislation today? In the first place, I think it should be considered and noted that the average cotton gin today, the second step in cotton production today, to equip and build a modern gin, costs approximately \$150,000.

It is obvious to all, I believe, that should this acreage reserve portion of our cotton legislation become law, that in certain areas where smaller cotton farms now in connection with the diversification on their farm, continue to operate their farms at a profit, might be tempted to put their cotton allotment in the acreage reserve and this could well be the straw that breaks the camel's back so far as their operation is concerned, and affect the producer of the entire farm unit itself. But it is the related industry of the gin. Should this become widespread in certain areas, these gins by the very law of economics would be forced to close their doors, and I simply pose this question, "Is there an acreage reserve for cotton gins today as well as for the producer himself?" And following this, one other step: What of our great seed-processing industry today where literally millions of dollars is invested in the processing of seed? This would affect them very definitely.

I doubt, gentlemen, if in any industry in America today there has been a higher percentage of businesses in any one given field closed in the past 10 years than in the gin and oil mill business in the southeastern part of the United States. I think these industries bear some consideration certainly in any cotton legislation which might be enacted.

And yet another factor, to my mind, certainly bears consideration in this matter, and that is the effect that should these related industries find it necessary to cease their operations, what of those now employed in these industries? It is well to note, I believe, that in some of the areas, particularly in the Southeast where cotton production is a large factor of the economy, that these areas also unfortunately represent one of the greater labor surplus areas that we find. In my opinion the enactment of acreage reserve for our cotton allotment today would simply make this labor supply even larger, and being realistic, certainly a portion of this would be the unskilled labor which we find an ever-diminishing demand for.

So tying these factors together, certainly it would seem only reasonable and practical that consideration be given to some of the related industries as well as to the producers of cotton themselves, for indeed they have, hand in hand, worked these many years in the production and processing of cotton, and together they must always be—for neither of these individually stand on their own. It seems logical that in legislation which is being considered affecting cotton that all industries that handle this product should bear somewhat equal consideration.

In conclusion, members of the committee, we simply ask that in considering cotton legislation that the following four items be considered.

First, that the desires of the producers themselves be considered in the light of their almost unanimous vote within the last few months favoring the quota system as the method best suited to the producers of cotton and controlling the production of cotton.

Secondly, that related industries to the cotton producers themselves and to cotton production, an integral part of cotton production—that these industries be given some consideration in any legislation affecting cotton.

Third, that in certain areas, particularly in the Southeast, where chances are that advantage might be taken of an acreage reserve system to the end that unemployment might become more prevalent in some of these areas, that these factors be considered.

Fourth, that we believe that we stand today on the threshold of lowering the cost of cotton production to the end that cotton, the natural fiber, might once again not be a problem of surplus but rather that it regain its place in world trade and in domestic consumption to the betterment of all and to the detriment of none.

The CHAIRMAN. I understand that Mr. A. C. Lawrence is present. Do you want to file a statement?

STATEMENT OF ARTHUR C. LAWRENCE, CHAIRMAN, AGRICULTURAL POLICY COMMITTEE, NORTH CAROLINA STATE GRANGE, APEX, N.C.

Mr. LAWRENCE. I would just like to make a statement or two.

The CHAIRMAN. I will give you 2 minutes.

Mr. LAWRENCE. Yes, sir.

The CHAIRMAN. You were supposed to testify tomorrow.

Mr. LAWRENCE. I did not understand that. There was a mixup.

The CHAIRMAN. Go ahead.

Mr. LAWRENCE. Thank you, sir.

The CHAIRMAN. I am advised that you were supposed to come today.

Mr. LAWRENCE. Yes, sir.

Mr. Chairman and members of the Agriculture Committee, my name is Arthur C. Lawrence from Apex, N.C. I am chairman of the Agricultural Policy Committee of the North Carolina State Grange, and I am here today to speak for that organization.

The CHAIRMAN. The organization itself spoke yesterday, you know.

Mr. LAWRENCE. That was the National Grange. This is the North Carolina State Grange.

The CHAIRMAN. Well, aren't you connected with the National Association?

Mr. LAWRENCE. I hope so. What I would say very briefly is what I have to offer is a justification for the attitude of the North Carolina State Grange with respect to the proposed soil bank.

We are definitely in opposition to the soil bank program for cotton of any kind, and we also recommend that prices for cotton, for the 1964 year, be not less than those in 1963. That is substantially my statement.

The CHAIRMAN. So you want to keep high prices and the same acreage?

Mr. LAWRENCE. We want to keep the price where it is. We may be like the fellow who wanted a hundred percent parity, that is what we are after; yes, sir; present prices, same acres.

The CHAIRMAN. Is that all? Do you want to put your statement in the record?

Mr. LAWRENCE. Yes, sir.

The CHAIRMAN. All right, it will be put in the record at this point.

Mr. LAWRENCE. Yes.

The CHAIRMAN. Thank you very much, sir.

(The prepared statement of Mr. Lawrence follows:)

Mr. Chairman and members of the Agriculture Committee, my name is Arthur C. Lawrence, Apex, N.C. I am chairman of the Agricultural Policy Committee

of the North Carolina State Grange and appear here today in opposition to the proposal for a soil bank program for cotton.

We recognize that cotton and its products are of enormous importance in the economy of the United States, and that every possible means should be explored to bolster the industry. We are aware of certain inequities imposed upon our domestic cotton manufacturers by the discrepancy they must pay for raw cotton in comparison with the world price enjoyed by foreign textile mills which are importing cotton yarns and finished products into the United States in competition with U.S. manufacturers. But, we do not believe the answer to the manufacturer's problem should be sought for in a soil bank program for cotton farmers.

The North Carolina Grange favors legislation to eliminate inequities in cost for cotton between domestic and foreign mills and recommends that any payments that may be required by Government in achieving these objectives should be made to someone other than producers. Our organization is opposed to the revival of a voluntary acreage reserve soil bank program for cotton in any form since it believes that the responsibility for supply adjustment should be shared by all producers.

If approved in referendum by producers of products involved, the grange has consistently advocated and supported supply management programs for agricultural commodities in difficulty. Cotton farmers have recently approved quotas offered them by a 97-percent vote. They have shown faith in a program that adjusts cotton supplies by mandatory allotment reductions that apply equally to all cottongrowing regions of the Nation.

Cotton as an industry contributes a sizable amount to the total economy of North Carolina. The proposed soil bank provision for cotton producers would mark the beginning of the end for the growing of cotton in our area. The nature of our cotton farms and allotments is such that the release and reapportionment of cotton acreage is necessary if we are to get our share of the national quota planted. Under this plan, farmers who need and wish to grow more cotton can do so. Many family farms have been strengthened because by being able to plant more cotton they could operate more efficiently. The release and reapportionment provision affects not only cotton producers but the entire cotton economy of our State, including cotton merchants, ginnermen, and warehousemen. Last year in North Carolina 104,130 acres were released and 99,595 acres were reapportioned. We submit that under the soil bank proposal very little cotton acreage would be released in North Carolina and that we would suffer a disproportionate cut in relation to growers elsewhere.

Any proposal for cotton deserves the appreciation of cotton farmers in the United States providing in implementation of it—

1. The family farms on which cotton is produced shall be preserved and strengthened.
2. Production of cotton accruing from such action shall be proportionately shared by all cottongrowing States.
3. That farm income from the production of cotton shall be moved up as a result of it.
4. Costs are not excessive when compared with alternative proposals.

It is the certain belief of the North Carolina State Grange that the problem facing cotton at the cotton manufacturer's level, and in the area of national policy in respect to world trade, should not be met at the expense of cotton farm income. We urge that cotton supplies be adjusted through mandatory allotment provisions that apply equally to all cottongrowing regions of the Nation. Cotton producers have consistently endorsed a management-supply program.

The CHAIRMAN. The committee will stand in recess until tomorrow morning at 10 o'clock.

(Whereupon, at 12:45 p.m., the committee adjourned, to reconvene at 10 a.m., Thursday, January 30, 1964.)

COTTON PROGRAMS

THURSDAY, JANUARY 30, 1964

U.S. SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D.C.

The committee met, pursuant to recess, at 10:05 a.m., in room 324, Old Senate Office Building, Senator Allen J. Ellender (chairman) presiding.

Present: Senators Ellender, Eastland, Talmadge, Walters, Aiken, Hickenlooper, and Mechem.

The CHAIRMAN. The committee will please come to order.

The committee will continue its hearings on the proposed cotton legislation.

The first witness is Mr. Stevens. Will you have a seat, sir?

Mr. STEVENS. Could I bring Mr. Hayes up?

The CHAIRMAN. As many as you want because we need light here.

STATEMENT OF BOSWELL STEVENS, PRESIDENT, MISSISSIPPI FARM BUREAU FEDERATION, JACKSON, MISS., AND J. D. HAYS, PRESIDENT, ALABAMA FARM BUREAU FEDERATION, MONTGOMERY, ALA., BOTH REPRESENTING THE AMERICAN FARM BUREAU FEDERATION

Mr. STEVENS. Thank you, sir.

Mr. Chairman, you will see from this testimony that we have a number of our people here.

In addition to those listed we have several others who also accompanied us.

We have Mr. Hubbard Huddleston, vice president of the Mississippi Farm Bureau; Mr. Adair Merrell, vice president of New Mexico, and, of course, Mr. Walter Randolph, vice president of the American Farm Bureau. We would like to read this statement, sir.

I know that you know it is rather long, but we are going to skip some of it because we are not going to take your time in reading things you full well know, but we would like to have the opportunity to go rather deeply into this subject, and we, sir, would like to, if possible, to give each one of these gentlemen an opportunity very briefly to make a point if they so desire.

The CHAIRMAN. All right, you may proceed. I think you testified last May on the same subject. We have virtually the same bills before us, and I am very hopeful that your testimony won't be repetitive.

Mr. STEVENS. Well, we hope not to be boring.

The CHAIRMAN. It is not a question of being boring. What we want is a fresh view as to how to solve the cotton problem.

Mr. STEVENS. We do this, we have some fresh views, Senator.

The CHAIRMAN. All right.

Mr. STEVENS. We appreciate the opportunity to appear before this committee and to review with you our current observations about the serious problems confronting not only cotton producers but the future of the entire cotton industry.

The American Farm Bureau Federation is the Nation's largest general farm organization with voluntary paid membership of over 1,628,000 farm families in 1963—the largest membership we have ever had. A large percentage of our membership has a direct interest in cotton production in the United States. These members, through their elected delegates, have just reviewed their policies in December at the annual meeting in Chicago.

COTTON IN REAL TROUBLE

Everyone recognizes that cotton is in serious trouble and that action is needed at once to reestablish confidence and growth in this commodity, which is so important to our domestic economy, international trade, and balance of payments. We must be competitive in both our domestic and foreign markets.

Even though the 1963 national cotton allotment was the smallest ever, the crop of 15.4 million bales was the largest since the program to reduce cotton output by allotments and marketing quotas was reinstated in the early 1950's.

The 1963 yield of 524 pounds per acre exceeded the previous record established in 1958 by 58 pounds per acre. This proved again the ability of farmers to offset the effects of reduced acreage by greater output where given sufficient incentive by high price supports.

Utilization of upland cotton during the last market year (ending July 31, 1963) was about 11.6 million bales. This compared to 13.7 million bales 1 year earlier and 14.8 million bales 2 years earlier, and 16.1 million bales in the marketing year ending July 31, 1960. (See table 1 attached.)

Upland cotton carryover on July 31, 1963, spiraled to about 11.0 million bales up from only 7.7 million bales 1 year earlier and 7.1 million bales only 2 years before. (See table 1 attached.)

Because cotton is not priced competitively, it has been gradually but dramatically losing its percentage share of the domestic consumption of all fibers. This percentage share has dropped from 69.4 percent of the total in 1949 down to 59.8 percent in 1962 (the last full calendar year for which we have complete Government reports). If the current unwise and unwarranted action of the USDA in setting price supports is continued into 1964, the trend to use synthetics will certainly continue. (See table 2 attached.)

We have a table that we think will justify that statement.

CAUSE OF COTTON TROUBLE

The drastic deterioration in the cotton situation the last 3 years is clearly due to cotton having been priced out of competition with synthetic fibers and with cotton produced abroad.

This costly tragedy could have been avoided by proper administration of the 1958 Farm Act as it relates to cotton or could be corrected even at this late date if the Secretary of Agriculture chose to do so.

As chairman of this committee, Senator Ellender, you have repeatedly said and made similar statements.

BRIEF REVIEW OF AGRICULTURAL ACT OF 1958 AS APPLIED TO COTTON

Early in 1958 all segments of the cotton industry, including Farm Bureau, joined forces to support passage of the Agricultural Act of 1958. The basic philosophy on which this legislation was founded was that cotton should move toward a one-price system that would make cotton competitive both at home and abroad.

Congress, in effect, provided a transitional bridge to reach this end.

The price support plan set forth in the 1958 act provided for a change, by means of four annual transitional steps, from the old formula system of determining supports within the range of 75 to 90 percent of parity (depending on the relationship of supplies to utilization), to a discretionary system with a minimum support of 65 percent of parity at the end of 4 years or with the 1962 crop.

Coupled with the price support change was a provision that beginning in 1961 and thereafter the CCC cotton resale price for unrestricted use could not be less than 115 percent of the support level plus reasonable carrying charges. (Under the previous law the resale price was 105 percent.)

The first transitional feature of the new law (in two steps) provided farmers a choice program for the years 1959 and 1960. The support level was graduated down 5 percent each year. The law was administered as intended and great progress was made during these first 2 years (1959 and 1960).

(1) The competitive position of American cotton was strengthened.

(2) Domestic mill consumption of upland cotton rose from an average of 8.2 million bales in the 2 years 1957 and 1958, to 8.5 million in the 2 years 1959 and 1960. (See table 1 attached.)

(3) In the same period exports rose from a yearly average of 4.2 to 6.9 million bales; total utilization rose from a yearly average of 12.5 to 15.4 million bales; the carryover was reduced from an average of 8.6 million bales in 1957 and 1958 to 7.2 million in 1959 and 1960. (See table 1 attached.)

(4) As a result of this progress the national acreage allotment was raised to 18,458,424 acres in 1961, which made the 1961 allotment the highest for any year since 1954.

The next transitional step provided for in the law was to have become operative in 1961. This would have reinstated a single support of not less than 70 percent of parity, and instituted the minimum CCC resale price of 115 percent of the support level plus carrying charges.

Also, beginning in 1961, the 1958 act provided that cotton price supports were to be related to the average grade and staple length of the crop rather than to middling seven-eighth inch, as was the case previously.

The final transitional step to the permanent program set forth in the 1958 act on cotton was to have become effective with the 1962 cotton crop. This contemplated final step differed from the legal requirement for the 1961 crop only by changing the minimum support level to 65 percent of parity. The Secretary had the authority to set the support level in 1962 anywhere between 65 and 90 percent of parity.

Early in 1961 the Secretary of Agriculture disregarded the basic intent of the 1958 act and raised the support level for the 1961 crop of upland cotton to 82 percent of parity. (Had the Senate version of the 1958 act prevailed in conference, the Secretary would not have had this discretionary authority.)

This made the support rate 33.04 cents per pound, gross weight, basis middling 1-inch cotton or 31.88 cents per pound on basis of average quality. This also raised the average spot market price of middling of 1-inch from 30.96 to 33.67. This caused the export subsidy to jump from 6 to 8½ cents a pound—which still did not maintain our competitive position in the world market. Instead of raising the price support—and the export subsidy—he should have lowered both.

Early in 1962 the Secretary again disregarded the intent of the 1958 act and set the support level at approximately 82 percent of the January parity price for upland cotton. This meant a support rate to producers at not less than the higher of (a) 32.47 cents per pound, gross weight, basis Middling 1-inch cotton, at average location, or (b) a national average of 31.88 cents per pound, gross weight.

On October 15, 1962, the USDA announced a national marketing allotment of 14,367,000 bales (standard bales of 500 gross weight) and a national allotment of 16 million acres for the 1963 crop of upland cotton. This was the minimum permitted under the law and compares to 18,101,718 acres allowed for the 1962 crop.

The progress which we had been making toward a vastly improved cotton situation was thrown into reverse when the Secretary decided to ignore the clear intent of the Agricultural Act of 1958 and to raise the support price for cotton effective with the 1961 crop.

When the average of the 2 marketing years, 1961 and 1962, are compared with the average of the 2 years, 1959 and 1960, the results were reversed from 2 years earlier.

(1) Exports dropped from a yearly average of 6.9 million to 4.1 million bales.

(2) Total utilization was down from an average of 15.4 million to 12.6 million bales.

(3) The carryover, which was down to 7.1 million bales at the end of the 1960 marketing year, rose to about 11 million bales at the end of the 1962–63 marketing year. Current USDA estimates (from the November Cotton Situation) indicate a carryover of close to 13 million bales on July 31, 1964.

The USDA report of December 16, 1963, shows investment by CCC in loans and inventories, on October 31, 1963, in upland cotton is \$1,553,855,619 up \$1,090,179,651 from just 2 years earlier.

SUGGESTED SOLUTION TO THE COTTON PROBLEM

It is our understanding there are at least three different kinds of proposals, for solution of the cotton problem, being given consideration by this committee.

(1) The Cooley bill (H.R. 6196), which has passed the House and involves a dual system of price supports and domestic compensatory payments to be paid to members of the trade other than producers of cotton.

(2) The Talmadge bill (S. 1190) which eliminates acreage controls and sets up a multiple system of price supports for domestically used

cotton and includes a graduated system of compensatory payment paid directly to producers.

(3) Amendments to the 1958 act as it applies to cotton to force the Secretary of Agriculture to administer the cotton law the way the sponsors of the 1958 act originally planned in the Senate version of the act. Farm Bureau and others are submitting a bill (copy attached) that will carry out this intent.

In addition to the three proposals listed above, the USDA has recently proposed a diversion plan under which farmers would be given payments-in-kind for diverting part or all of their allotted acres from cotton production.

Experience with the costly and expensive feed grain program should provide an ample warning against the extension of this approach to other commodities; however, there is an additional reason for not extending it to cotton. Existing law authorizes the release and reapportionment of cotton acreage allotted to farmers who do not wish to plant their full allotments.

In 1963, for example, 1,588,452 acres were released by 167,529 farms, and 1,557,691 acres were reapportioned to 216,490 farms.

Under the proposed diversion program the first people to sign up presumably would be those who otherwise would have released their allotments for reapportionment.

Thus, one of the effects of this proposal would be to channel Government payments to people who have not been planting cotton, while drastically reducing the acreage that can be planted by growers who have been receiving reallocations.

The mere announcement that a diversion program is being considered apparently has had a seriously adverse effect on the release of cotton acreage for reapportionment. There is an urgent need for Congress to clear the air by making it clear that there is not going to be a diversion program, so that people who are no longer interested in growing cotton will feel free to release their allotments for reallocation to the growers who are trying to stay in the cotton business (see table 3).

WHY FARM BUREAU OPPOSES COOLEY BILL (H.R. 6196)

(1) The answer to the cotton problem is to build upon the basic philosophy of the 1958 act. The Cooley bill completely disregards this philosophy and proposes a permanent dual system of price supports and a costly compensatory payment program paid (in effect) to the mills, though it is not to go direct as we understand it.

(2) The Cooley bill does not provide the basis for effectively increasing the national acreage allotment for cotton above the minimum announced for 1963 by Secretary Freeman (16 million acres). Efficient U.S. cotton farmers want to plant more acreage than can be allotted them under the present program. They could market the cotton produced from a larger acreage on a profitable basis at a lower price if they were permitted to compete for markets.

(3) The Cooley bill for the first time would authorize the Secretary at his discretion to set up an unsound, mandatory dual price support system under which the level of price support to farmers would vary with the amount the individual farmer produces.

One level of price support would be provided on the first 15 bales produced and a lower level would be provided for the production in excess of 15 bales. The support price for the first 15 bales could not be more than 10 percent above the support price on the balance of the crop, nor more than 32.47 cents (current support rate) for Middling 1-inch cotton.

The ultimate consequences of this dual price support arrangement are difficult to envisage. If the price support should be set at a higher level for the first 15 bales of each farmer's production than for the balance of the crop, 100 percent of the first 15 bales of every producer's cotton (which would total about 5 million bales) would have to be acquired by CCC in order for the farmer to get the full support price.

The administrative costs and complexities of preparing millions of loan or purchase documents would be wholly unnecessary if, as provided for in the Agricultural Act of 1958, we would move toward the market system for cotton.

(4) The McIntire amendment was approved as a committee amendment and was made a part of H.R. 6196 as passed by the House and would fix the maximum price support for all cotton in excess of the first 15 bales produced by each producer.

It would fix this price at 30 cents per pound for the 1964 crop, 29½ cents for the 1965 crop, and 29 cents for the 1966 crop. The practical effect would be to raise the price support level a little for this part of the crop (as compared with the level contemplated by the administration) for 1964; keep it about the same for 1965; and reduce it slightly for 1966.

Some of the proponents of the McIntire amendment argue that it would result in a support price for cotton of less than 29½ cents in 1965 and 29 cents in 1966, by requiring the Secretary to make adjustments for reductions in the cost of producing cotton.

Senator EASTLAND. What would the Farm Bureau bill fix the support price?

Mr. STEVENS. For 1964? At 30 cents.

Senator EASTLAND. You said 30 cents a pound?

Mr. STEVENS. Yes, sir.

Senator EASTLAND. 1965 and 1966. You state what the Cooley bill fixes the price support.

Mr. STEVENS. Senator, I think if you will permit us to continue we will bring that out just a little bit later.

Senator EASTLAND. All right.

Mr. STEVENS. Mr. Chairman, with your permission I seem to be getting a little dry. May I call on Mr. Hays to read the rest of it?

The CHAIRMAN. Certainly.

Mr. HAYES. Since the determination of whether the cost of producing cotton has been reduced would be entirely discretionary with the Secretary—who has been unwilling to use the authority he already has to reduce the support price—we do not think that this aspect of the McIntire amendment has any practical significance.

(5) The Cooley bill endeavors to correct the mistakes of the past by piling one subsidy on another. It would add to the present export subsidy a compensatory payment to be paid on domestic consumption, at such level as the Secretary in his discretion determines to be necessary to eliminate inequities due to the export subsidy.

This could mean costs for exports and domestic payments (including cotton owned by mills on the date the bill was enacted), of \$765 million the first year (1964 crop year). This includes costs under Public Law 480.

(6) The cost of the program in 1965, 1966, and 1967 would depend upon the manner in which the Secretary might administer the discretionary features of the bill. If the Secretary decided to maintain the price support at the maximum level provided by the bill (as his past actions would indicate he probably would) the cost of the cotton program would approximate \$750 million per year.

Senator EASTLAND. Does that take into consideration the reduction of the support price this year of 30 cents a pound?

Mr. HAYES. The question, Senator, is what, sir?

Senator EASTLAND. The costs that you cite of the Cooley bill, does that take into consideration the reduction of the support price?

Mr. HAYS. Yes, sir. That is our estimate.

Senator EASTLAND. All right, sir.

Mr. HAYS. Estimates of the costs of the current program for cotton as administered the last 2 years are about \$410 million annually. Public Law 480 costs are included in each instance. Thus, it is obvious that the cost to taxpayers with H.R. 6196 in operation would be dramatically more than current programs.

(7) There is no assurance that the Cooley bill would permit cotton to be sufficiently competitive to halt the rapid slide toward substitution of foreign production and other fibers for American cotton.

(8) The bill holds out a hope that when and if cotton stocks are reduced to normal, those willing to accept lower supports would be permitted to plant somewhat more than the allotments they would be entitled to under present law. This is a futile hope because the stocks of cotton are not likely to be substantially reduced under the operations contemplated by the bill.

(9) The Cooley bill would be a costly and temporary expedient that would produce no one knows fully what disrupting consequences. It is a blank check to the Secretary of Agriculture to manage the cotton industry in accord with what he determines to be economically or politically wise.

It substitutes central management of the cotton industry for the operation of competitive and market factors. The passage of this bill would set a precedent for using Federal funds to "bail out" any industry that gets into trouble.

OUR UNDERSTANDING OF MAIN PROVISIONS OF TALMADGE BILL (S. 1190)

(1) The bill is permanent legislation and applies to all upland cotton produced after 1963.

(2) The bill would eliminate all acreage controls for cotton and instead assign each farmer a domestic consumption allotment based on bales or pounds.

(3) Beginning with the 1964 crops, the Secretary of Agriculture would establish a national domestic allotment for cotton, based on bales.

(4) This allotment would be apportioned to the States, counties, and farms for the years 1964 through 1967 based primarily on past production history and acreage allotments.

(5) Beginning in 1968 the State, county, and farm allotment would be based on average production for the 3 preceding years.

(6) The release and reapportionment provisions of present law would be essentially retained.

(7) All cotton production would be supported at a price determined by the Secretary between 50 and 60 percent of parity or 20 to 24 cents per pound under current parity.

(8) Price supports for cotton produced for domestic consumption under allotment would be provided at these levels:

	Percent of parity	Cents per pound
15 bales or less.....	80-90	32-36
16 to 30 bales inclusive.....	75-85	30-34
More than 30 bales.....	70-80	28-32

(9) Cotton produced under domestic allotment would be supported by loans, purchases, or payments in cash or in kind to producers.

(10) Payments in kind for CCC stocks, to persons other than producers, would be authorized, until August 1, 1964, to remove the two-price discrimination which exists against domestic mills.

WHY FARM BUREAU OPPOSES THE TALMADGE BILL (S. 1190)

The CHAIRMAN. Before you get to that when you say "Government money would be used to bail out industries that are in trouble," what industries are you talking about now, the textile industry?

Mr. HAYS. The sentence, "The passage of this bill would set a precedent for using Federal funds to bail out any industry that gets into trouble"?

The CHAIRMAN. In this instance what would it be, the textile industry? You don't think they are in trouble, do you?

Mr. HAYS. My interpretation of this would be——

The CHAIRMAN. They make pretty fair profits as I understand it. They have got a good market to sell to.

Mr. HAYS. It could be applied to any industry that claimed or presented proof that it was in trouble.

Senator EASTLAND. You mean the Cooley bill provides that the Secretary can bail out any industry that is in trouble with Federal funds?

Mr. HAYS. No, sir. The statement is that it would set a precedent.

Senator EASTLAND. Set a precedent, I see.

The CHAIRMAN. Proceed.

Mr. HAYS. We are opposed to compensatory payment programs for cotton as envisioned in S. 1190, for, among others, the following reasons:

1. It is wishful thinking to assume that any compensatory payment program, such as the Talmadge bill envisions, can be confined to cotton. It would be equally applicable to any commodity that is facing increased competition from substitutes as a result of price-support programs. For example, butter would be an obvious candidate for similar treatment. If a butter-payment program reduced consumption of margarine, the next step might well be to make trade-

incentive payments to maintain consumption of soybean and cotton-seed oil, both of which are made from price-supported products.

2. The compensatory payment plan is a defeatist approach because it assumes that a fair return to producers is not possible in the marketplace. It says to our competitors—foreign cotton producers, and both foreign and domestic producers of synthetics—“(a) cotton is only worth 24 cents per pound (Basis Middling 1 inch) and (b) we cannot compete either at home or abroad without a subsidy program that uses Federal tax dollars to offset a substantial portion of the cost of producing cotton.”

Senator TALMADGE. Will you yield at that point?

Mr. HAYS. Yes, sir.

Senator TALMADGE. Isn't that what we are doing now? Don't we pay a subsidy on every pound of cotton we export overseas?

Mr. HAYS. Yes, sir.

Senator TALMADGE. Then the only question is the most efficient and effective method of paying the subsidy, is that it?

Mr. HAYS. This is not exactly it—I would agree to it, Senator, as to this specific point. I do not believe that this, however, would be consistent with our overall policy.

Senator TALMADGE. Let me get this point clear.

Under our present system of marketing cotton, a great percentage of it goes into the warehouse because there is no purchaser to buy it at a willing price, is that not correct?

Mr. HAYS. Certain grades and staples from time to time, of course, don't find a ready market and hence the provisions of the loan program do make loans available to producers.

Senator TALMADGE. When it goes into the warehouse, the market price doesn't go up, the farmer forfeits his product, and title goes to the Government.

Mr. HAYS. Yes, sir.

Senator TALMADGE. The Government then is involved not only with the title to the cotton which it then takes possession of, but it is also involved with warehousing, selling, shipping, giving it away, and hiring individuals to look after all of those extraneous efforts, is that not true?

Mr. HAYS. Yes, sir; in the pursuit of the——

Senator TALMADGE. Don't you think that is a highly complicated way of paying a subsidy?

Mr. HAYS. I can't agree with you that it is—it is highly complicated; yes, sir.

Senator TALMADGE. Doesn't that make the Government a pawnbroker for farm commodities?

Mr. HAYS. Let me say this, if you would allow us to present the facts and figures and the tables, I believe we could point out, at least in general, in broad range, the broad spectrum, the answer, to some of these questions that you have asked me.

Senator TALMADGE. Go right ahead. I have no objection to your completing the statement. I want to make the point clear, though. We are paying a subsidy now.

I would much prefer a free market. But I think most of us will agree that there are a great many farmers in our country, including a great many of the small farmers in Louisiana, most all of the small farmers in my own State, virtually all of the small farmers in the

southeastern original traditional Cotton Belt, that can't produce cotton at 24 cents a pound.

The question is not a subsidy. I think we all agree that they must have some sort of subsidy to stay in the cotton business. The Farm Bureau and everybody else.

The only argument we have is which is the cheapest subsidy to the taxpayers, which is the most beneficial subsidy to the farmers, which subsidy will enable cotton to compete with its competitors.

That is the only issue which we must concern ourselves with.

Proceed.

Senator EASTLAND. Wait a minute—I want to ask him a question.

I have great respect for Senator Talmadge. He is my friend. But I want to know how under his bill you would finance the cotton crop. It is agreed we can't grow cotton for 24 cents a pound.

Now, his bill would put the support price to the world level, would it not?

Mr. HAYS. As I understand it, yes, sir.

Senator EASTLAND. 20 to 24 cents a pound.

Now, a man who goes to a bank or a production credit association has got to have a basis for a loan, does he not?

Mr. HAYS. Generally, this is generally true.

Senator EASTLAND. Generally?

He has got to have it.

Mr. HAYS. This is generally the consideration; yes, sir.

Senator EASTLAND. How could he get a loan based on cotton that is below the cost of production and a promise from the Government that he might get a check?

Mr. HAYS. Well, I don't know that I can answer you, Senator. I believe you want to ask Senator Talmadge.

Senator EASTLAND. I asked you the question: How could a crop like that be financed?

Mr. HAYS. I don't know the answer to it.

Senator EASTLAND. If you can't finance it, then you can't get it grown.

Mr. HAYS. I don't know the answer to it.

Senator EASTLAND. You don't know the answer to it?

Mr. HAYS. Not under those circumstances.

Senator EASTLAND. Do you think a crop can be financed on that basis? That was my question.

Mr. HAYS. I think it would be very difficult, that, and a number of other reasons.

Senator TALMADGE. I don't want to get into an argument with my great and genial friend from Mississippi, nor with the witness, but I do want to point out that he would finance his crop in exactly the same way he does now.

My bill has various supports for various productions. It would be a Government guarantee, just like it is now, and it would provide supports at 32 to 36 cents a pound on the first 15 bales, 30 to 34 cents a pound on 16 to 30 bales, inclusive, 28 to 32 cents a pound in excess of 30 bales, on his domestic allotment. The only time the world price or the loan price or the guaranteed loan price would come into play would be on his excess production over and above his domestic allotment.

Senator EASTLAND. That is the point, exactly. That will take us out of the export market for cotton.

Senator TALMADGE. That would put us in the export market for cotton.

Senator EASTLAND. Because it can't be grown at 24 cents a pound.

Senator TALMADGE. The subsidy now goes to the foreigner. I want to get it into the farmer's pocket.

Senator EASTLAND. The subsidy goes to the farmer. If the world price is 24 cents a pound, that is the price. Anything above that goes to the American farmers.

Senator TALMADGE. Plus Government charges, plus bureaucrat charges, plus selling, and plus giving away.

The CHAIRMAN. Let's retain the arguments for the Senate floor. [Laughter.]

The CHAIRMAN. But there is one point that I would like to make now and that is that all of these arguments so far have stated that—have been based on 24-cent cotton.

If we should make the mistake to raise cotton for world prices at a support level of from 50 to 60 percent of parity, it would seem to me that whatever the support price we put for this excess cotton will doubtless fix the world price, and if you fix it, if it is 24 cents, the world price would be 23½ cents. If you fix it at 20 cents, the world price would be 19½ cents. That is the history of it in the past.

Mr. HAYS. Yes, sir—generally, this has been true.

Senator EASTLAND. With one exception. The world price now is 21 to 22 cents a pound. When we have a support price of 32.47, you have got a factor—

The CHAIRMAN. I am speaking of the Talmadge bill now. Under the Talmadge bill, I am talking about now.

Senator EASTLAND. You are right.

The CHAIRMAN. In other words you have got 50 to 60 percent of parity. The parity price now is around 40 cents.

Now, that would made 20-cent cotton at 50 percent.

If we had to reduce the support price on cotton production in excess of our domestic requirements 20 cents might be the world price insofar as we are concerned, but our competitors would always find a way to put it a little bit cheaper and that will apply to synthetics as well.

Senator EASTLAND. I couldn't be in more agreement.

The CHAIRMAN. You may proceed, sir.

Unless there are further arguments.

Mr. HAYS. In our opinion, these premises are both wrong and highly damaging to the future of the U.S. farmers who would like to continue to produce cotton in response to market demand.

3. Making payments or trying to control production on a bale or poundage basis, as planned in the Talmadge bill, would hinder the progress we have been making in increasing per acre yields of cotton. Increased yields per acre help bring the per unit cost of production down, which is a must in this day of synthetics if cotton is to survive.

4. Our competitors would be tempted to make future plans on the assumption that U.S. cotton will be a declining factor in the textile picture. That planning itself would, in fact, make cotton's situation more difficult.

5. Our competitors would question—and in our opinion with justification—how long the American public would continue to permit the Government to pay such large subsidies on domestic mill consumption.

6. Payments would make farmers dependent on appropriations. With production greatly increased and market prices depressed, most farmers would be unable to continue to produce without a subsidy payment from the Federal Government. Thus, the payment approach would make farmers dependent on congressional appropriations for their net income, and probably for a part of their costs as well. In effect, it would put farmers on the Government payroll without civil service status. Thus, farm income would become highly vulnerable to changing public and congressional sentiments—and economy waves do develop from time to time.

It may well be that Congress would never take the drastic step of terminating a payment program without providing for a transition period. But it is entirely possible that appropriations would fall short of the amounts needed to meet announced program goals. The record shows that Congress was never willing to appropriate the amounts authorized for parity payments under the Agricultural Adjustment Act of 1938, even though these amounts involved were small in comparison with the cost of recent proposals. The 1957 vote in the House to deny funds for the 1958 acreage reserve program and the eventual restoration of two-thirds of the funds authorized for this program illustrate what could happen.

Since a payment program which promised producers a profit would induce a high level of production and thereby depress market prices, any congressional cut in the funds needed for payments would subject farmers to a real squeeze. Thus, the payment approach would create a perfect basis for the complete regimentation of agriculture. With market prices depressed by surplus production resulting from artificial incentives, a farmer would have to meet the eligibility requirements for payments in order to stay in business.

7. Payments would place a ceiling on opportunity and level down farmers' income. From a political standpoint, the "most equitable" basis of distributing money to individuals is on an equal basis—one share, one vote. In order to make the program "equitable" Congress almost certainly would adopt a maximum limitation on payments to individuals, a quota system for all producers, and provisions to increase the smaller payments—all of which move in the direction of equalizing producer incomes by Government decree.

The original Brannan plan limited support to individual producers on a basis designed to limit gross sales to \$25,000 per year. Still other proposals have put the limitation on payments to an individual producer at \$2,500 per year. The fantastic cost of a program without limitations makes it likely that drastic limitations would be applied. The record on other direct payment programs gives a clear indication of what should be expected:

(a) Although the agricultural conservation payments program was designed to promote the public interest by encouraging farmers to adopt soil conservation practices, the original law limited such payments to a maximum of \$10,000 per farm. This caused many farms to be subdivided. But, in spite of this, Congress gradually reduced the maximum payment from \$10,000 to a low of \$1,500.

(b) The soil bank, and particularly the acreage reserve, was designed to encourage farmers to reduce the production of surplus crops. When the law was under consideration, acreage reserve payment limitations of \$25,000 to \$50,000 per farm were discussed, but no limitation was adopted. A year later, however, acreage reserve payments were limited to \$3,000 per farm—an amount that is only a fraction of the lowest limitation that was considered when the program was originally before Congress.

(c) In 1958 a proposal to provide direct payments to domestic producers of certain minerals was defeated in the House of Representatives. Before the final vote, however, the House voted to provide that no payments could be made to any company that paid dividends or transferred funds to a surplus account.

(d) In 1963 National Farmers Union actively promoted a family farm cutoff amendment to the Wool Act placing a limit of \$1,000 on wool payments to any grower. It is worth noting that the 11 Western States plus Texas and South Dakota currently have 95 percent of the growers who would be adversely affected by such an amendment. The other 37 States have the remaining 5 percent.

It appears that large annual appropriations for direct payments to farmers and ranchers could not be enacted without the concurrence of powerful labor union leaders. We believe some labor union leaders would be more than willing initially to support an expensive payment program in order to destroy the independence of farmers and ranchers and to increase their own political power.

FARM BUREAU RECOMMENDATIONS

We believe a sound and lasting solution to the cotton problem must:

(1) Make cotton competitive in world markets.

Senator TALMADGE. What do you mean by that statement?

Mr. HAYS. That is to provide a program by whatever means that we can agree upon, that the end result will be that adequate productions will flow, adequate sales will flow into world markets.

I do not speak specifically of price in cents per pound, but rather as a competitive situation.

Senator TALMADGE. You mean by that, then, that whatever price other people are selling cotton for in the world market, that the United States of America, the Commodity Credit Corporation ought to meet it on the nose, or whatever is necessary to sell that particular product?

Mr. HAYS. Let me say it this way: As I understand it, sir, there is a fixed amount of cotton grown in the world for the markets that are consuming the cotton in the world, and as we raise or lower our production in this country, this automatically flows to or from other areas.

In other words, if we lower our production in this country this production flows to other countries, and is used in world production.

Senator TALMADGE. Except you know what happened, there was a time, 30 years ago, we produced over 50 percent of the world cotton.

Mr. HAYS. Yes, sir.

Senator TALMADGE. We produced in excess of 14 million bales at that time, and the world produced slightly less than that.

We have held a price umbrella over the rest of the world market and now they are producing 49 million bales, and we are right where we were, still 14 million bales.

I take it from that statement, item 1, you make the point that cotton ought to be truly competitive in the world markets.

I agree with that. Now, the only way it can be truly competitive is to go out and sell it at whatever it will bring, is that not correct?

Mr. HAYS. That is correct, sir.

Senator TALMADGE. All right.

Then, in turn, the Congress must make the appropriations to the Commodity Credit Corporation to pay up the losses for that sale of cotton, is that not true?

Mr. HAYS. Well, I would say if there are losses, certainly this ought to be the case.

Senator TALMADGE. Well, there are losses now.

Mr. HAYS. Well, there have been occasions when the situation was right reversed, though, Senator. You remember we had to embargo the sale of cotton at one time in this country.

Senator TALMADGE. I am well aware of that situation. We are supporting cotton at 32.47 cents per pound while that commodity is only bringing 24 cents on the world market.

Senator EASTLAND. But it is not selling.

Senator TALMADGE. It is not selling because we are not meeting it competitively on the world market price the way we should, and I don't think we ever will unless cotton flows freely and competitively into the world market channels. That is one of the principal reasons why I made the competitive payment proposition, to let it seek its own level. Then we would not have the complicated problem of a pawnbrokerage business, but let the subsidy go directly to the farmers.

Then we could truly compete and until we do, we can't. It is that simple.

Senator EASTLAND. How can you sell it at 22 cents a pound, that is the world price?

Senator TALMADGE. Because the subsidy would go to the farmers and not by an appropriation.

Senator EASTLAND. But he can't control it.

The CHAIRMAN. Senator Talmadge, were you through?

Senator TALMADGE. Yes.

Proceed.

Mr. HAYS. Second, allow cotton to compete favorably in the domestic market without compensatory payments being used.

Senator TALMADGE. Will you yield there?

Senator EASTLAND. I would like to know what he means.

Senator TALMADGE. What is that, I want to know.

Mr. HAYS. Again, sir, if you would allow me—I do not propose to be devious, but in this matter of price it is not static, as we all know, and it moves in relationship to a great many other factors, and I do not say that 24 cents or 22 cents or 21 cents or 27 cents is a price today that we will be dealing with 10 years from now.

These statements are designed to indicate the direction in which we think this should go, and I think this is important, the direction that you are going, and not exactly specifically the steps that you are taking.

Senator EASTLAND. All right. How are you going to do it? You have got rayon prices at 26 cents a pound delivered at the mill. You

have mills, because rayon is cheaper, that are mixing rayon in their mix rather than cotton. How are you going to meet that and make it competitive?

Mr. HAYS. In the beginning, of course, we certainly must recognize, as I am sure all of us have, that there must be an immediate price reduction.

Senator EASTLAND. Well, correct.

Mr. HAYS. Secondly, of course, we must strive for additional means to bring about additional reductions if they become necessary.

Senator EASTLAND. If they become necessary.

Mr. HAYS. Which I do believe they will be.

Senator EASTLAND. All right.

Now, under your program, what would the support price be in 1965?

Mr. HAYS. Well, this would—

Mr. STEVENS. Let's tie it to the market.

Mr. HAYS. Well, we will have to—may I be allowed to outline the rest of the points? We will have—

Senator TALMADGE. I would like for you to clarify that question. It is the point I had in mind.

The CHAIRMAN. Well, Mr. Stevens, if you desire to answer the question, proceed, sir.

Mr. STEVENS. Certainly.

The proposal we are making, Senator, is that in 1964 that we support cotton at 30 cents a pound, and in 1965 it will be 90 percent of the average market price.

Senator EASTLAND. What is that price?

Mr. STEVENS. Approximately, I presume it would be, I could only presume because I don't know what it will be—I have seen figures projected on out to 1966, but I am not sure those figures are worth anything because I don't think they know what might happen here, and I don't think anybody can project a market price beyond the year 1964.

I presume it would be about 29½.

Senator EASTLAND. 28.40 cents a pound is a projection.

Mr. STEVENS. I did not make any such projections.

Senator EASTLAND. You said you had seen projections.

Mr. STEVENS. I had.

Senator EASTLAND. Wasn't it 28.40 a pound and doesn't it get down to 24.8 cents a pound?

Mr. STEVENS. No, sir; I don't think we have ever said anything about remembering anything like that. I don't think so. I think somebody would have to make a lot of assumptions if they ever said it would get down there.

Senator EASTLAND. No; that is based on the assumption that parity stays where it is.

The CHAIRMAN. But the redeeming feature in the Farm Bureau bill is that they now accept the parity concept. Before this year the Farm Bureau, as I recall, made it 90 percent of the last 3 years average, and they left out the parity concept. Now, they have got it at 60 percent instead of 65 percent.

Mr. STEVENS. That is right for the floor.

The CHAIRMAN. And whichever is the higher, the last 3 years or 60 percent of parity would be the bottom, rockbottom price.

Mr. STEVENS. Yes, sir. Correct, sir.

The CHAIRMAN. Well, now, as I pointed out here yesterday——
Senator EASTLAND. It is 90 percent of the 3 years' average.

The CHAIRMAN. Right.

Senator EASTLAND. That is what it is.

Mr. HAYS. Yes, sir, That is what the support would be.

Senator EASTLAND. When you get cut down to 27 or 28 cents a pound you have taken the profit away from the farmer.

Now, right down to where we are, your proposal is against the Cooley bill, isn't that what we are up against? The Cooley bill would put cotton to 30 cents this year, 29½ next year, 29 the next year, and then as costs and—I mean a breakthrough in research and cost of production can be brought down and farmers still make money—then the support price goes down. But you would take it down regardless, is that true?

Mr. HAYES. No, sir.

Senator EASTLAND. Where is that wrong?

Mr. HAYS. Not the way I understand it.

First of all, the price would not be 90 percent. This would be the support price.

Senator EASTLAND. I am talking about the support price, that fixes the price.

Mr. HAYS. As to what would happen, let me suggest that you look at table 1 here in the back of the report there, the page following page 15. This is not numbered but it would be 16 if it were numbered, and I would like to look at the year 1959-60, and the year 1960-61, and look at the utilization, the total utilization of cotton.

You can see the trend there. There is supported, some of the observations that we made earlier in this report, and how this improves cotton, the action taken under the act of 1958 resulting in increased sales and consumption.

This was an average price under average situation of about 30 to 31 cents a pound.

Senator EASTLAND. Isn't it true we all realize we have got to get cotton prices down, that they are too high?

Mr. HAYS. Apparently.

Senator EASTLAND. We are getting priced out of the market.

Now, what you propose—what the farm bureau proposes is that the whole load be borne by the farmer, while the Cooley bill provides for Government help to make cotton competitive in the domestic market with synthetics, which sell at 26 cents a pound. Isn't that, whether it is right or wrong, isn't that the major difference in your proposal and the Cooley proposal?

Mr. HAYS. Well, of course, let me say this: We have a position in Alabama in regard to the matter of payments, and whatever I might think about it, I have to be subjected to what my directives are, and this would be the first qualification that I would have to make to this in regard to the difference in approaches.

Secondly, I do not think, Senator, we ought to presuppose that the direction of the price would be one way only, simply down.

Senator EASTLAND. It has got to be.

Mr. HAYS. But there are other factors.

Senator EASTLAND. With rayon at 26 cents it has got to be down.

You have said—you have testified that cotton was in trouble because it is priced out of the market. That has been the whole basis of your testimony.

Mr. STEVENS. Senator, there is more to this than what we have said. We actually believe, and I believe most sincerely that we are having a breakthrough on reducing the cost of cotton, and I think we are going to find that we can reduce that.

You know what is happening.

Senator EASTLAND. I grow it, and I will swear I haven't seen the breakthrough; costs go up every year.

Mr. STEVENS. Well, your—

Senator EASTLAND. Isn't the basic difference, and it is a question which can be answered yes or no, between the Farm Bureau proposal and the Cooley bill is that the Government will assist the farmer, make cotton competitive, and that you want to reduce the support price and put the whole load on the farmer, not you individually but the Farm Bureau?

The CHAIRMAN. Might I interject here now, that the Farm Bureau's proposal is no different from the present law, except that the bottom price would be—under the suggestion by the Farm Bureau would be 60 percent of parity instead of 65 which is now the law.

Senator EASTLAND. Mr. Chairman, the Cooley bill, and, of course, it has defects, and I am not attempting to defend the Cooley bill, but it brings down the price of cotton to the mill where it can be competitive with rayon. It does it with Government assistance.

Now, as I understand their proposal, and here is a table of projections that they would bring it down by reducing the support price, and let the farmer bear the whole load without any help from the Government, and I would like to know if that is right, whether I am right in that or not.

Mr. STEVENS. You are making an assumption, Senator, that it is bound to do down; it is going to go down all the time.

Senator EASTLAND. The whole basis of your testimony is that cotton is priced out of the market.

Mr. STEVENS. That is correct.

Senator EASTLAND. And we are faced with 24-cent rayon. Of course it is going down that is why you are here, is that we have got to readjust it. Now, isn't that the fundamental difference in the Farm Bureau and the Cooley bill?

Mr. STEVENS. I think there is a lot more to it than just that difference, myself.

Senator EASTLAND. Well, is that a difference? Is that the Farm Bureau's position?

Mr. STEVENS. Of course there is a difference, whether we are going to try to use the market price as an index to what we are going to do and whether we are going to use the Government Treasury.

Senator EASTLAND. I am not trying to argue.

Mr. STEVENS. I know, Senator.

Senator EASTLAND. I am trying to get what the facts are.

Mr. STEVENS. I wouldn't dare, around this table with the Senators.

The CHAIRMAN. You are as smart as many of them.

Mr. STEVENS. No, sir; I don't profess to be.

Senator EASTLAND. What are the facts?

Mr. STEVENS. The facts are we are trying to get cotton in a sound economic position without our Government interfering—without Government interference.

Senator EASTLAND. Of course.

I ask a question that can be answered yes or no. Is that the distinction?

Mr. STEVENS. I don't think that is the only distinction. The main one of the distinctions.

Senator EASTLAND. All right. Do you advocate Government help, then, in bringing—in making cotton competitive domestically?

Mr. STEVENS. No, sir; I do not, Senator. On the assumption that you are trying to tell me now that the price has got to do it, I think it is a trap you ask me to walk into.

Senator EASTLAND. I am not asking you to walk into a trap.

Mr. STEVENS. There are many factors, the Government can help and they are helping to reduce the price.

Senator EASTLAND. I am asking if that is the meaning of point 2 on the recommendations, which I certainly have a right to ask.

Mr. STEVENS. Yes, sir.

Would you let me read point 5 now down there, or would you still say that I shan't go any further?

The CHAIRMAN. Read the point 5 and see what it is.

Mr. STEVENS. Be built on a firm, sound, economic foundation that will reestablish permanent confidence in the cotton industry so that long range plans can be made, leading to increased utilization of U.S. cotton both at home and abroad on a lasting basis.

I don't believe you are going to establish any permanency; we are not going to be able to project the long-range plan so long as we are dependent on Federal subsidization.

Senator EASTLAND. I agree with you. I certainly agree with you on that entirely. But still that is a difference in the proper approaches.

Mr. STEVENS. Fundamentally.

Senator EASTLAND. I think I am in line with the Mississippi Farm Bureau's recommendation in its resolutions when it says, "Cotton's market and economy must be recovered." I agree with all that. "Yet the cost involved in reversing the trend in market losses toward one of world market expansion should be shared by growers and government." I agree with that; it shouldn't all come out of the hide of the farmer during this transition period, and it should be just a transition period.

"(a) Price supports based on cost of production"—well, that is certainly true but when you get it down to 27 and 26 and 25 cents a pound you have got it below cost of production. "(b) Payment in-kind certificates to equalize cotton costs to the mills"—that is sound.

"(d) Cotton exports at competitive prices in world markets"—I think what our Farm Bureau—what your Farm Bureau did is very sound, and I was trying to find out what the difference is between those recommendations and this.

The CHAIRMAN. I suppose all of us will agree that cotton can't compete with synthetics unless it gets aid from the Government.

Senator EASTLAND. That is right. That is all I am saying and I simply ask them, Mr. Chairman, if their position was that the farmer must bear it and the Government not bear any part of the costs.

The CHAIRMAN. But the point I want to make is I don't care if cotton goes down to 10 cents a pound, the mills are still going to use rayon and they will still use other synthetics to suit the public, that is what is going to happen. You can't stop that.

As I pointed out yesterday, the increase in the consumption, per-capital consumption of cotton hasn't varied very much from 1950 to now. It was 30 pounds in 1950, and now it is 22½ pounds.

In the case of rayon in 1950 it was 8.9 per capita, pounds per capita. Now, it is 6.8, it is going down, and in regard to noncellulose, it was 1 cent—I mean 1 pound, now it is 5.8 pounds.

Senator EASTLAND. Yes. But a mill wants to make money.

The CHAIRMAN. They all make it, too.

Senator EASTLAND. Under the Labeling Act, you can put in 4-percent rayon or other fiber without designating the fiber content of the fabric, and where they spin thousands of bales of cotton a year they are mixing in rayon, because it brings their unit cost down, the difference is in the price, and that is where we are getting hurt.

Of course, they are like drapes, there are different commodities that rayon is superior in. Of course, cotton is not going to compete there.

Senator TALMADGE. Mr. Chairman, may I get back to point 2 and ask a question?

The CHAIRMAN. Yes, you may proceed, Senator Talmadge.

Senator TALMADGE. Your No. 2 recommendation was to allow cotton to compete favorably in the domestic market without compensatory payments being used.

Now, of course, as you know, a bale of cotton, we will say, that is grown in Georgia, if it is purchased by a mill in Georgia, must bring at least 32.47 if it is to sell, otherwise, it goes into the loan. If that same cotton goes to a mill overseas at the present price, it is much below that.

What would you favor as the selling price to the mills in the United States of America, assuming we had the present support prices?

Mr. HAYS. The question again, Senator?

Senator TALMADGE. I am trying to find out at what price you would sell American cotton to the textile mills for, assuming that the present support price continues.

The only way to be competitive is to be competitive. How much would you charge the mill for that pound of cotton?

Mr. HAYS. Well, of course, under our proposal we are outlining the points here involving the price support, and also the trip point on it, at the level at which cotton would be released from the loan, and——

Senator TALMADGE. All right. What price would that be?

Mr. HAYS. Well, for 1964, it would be 30 cents a pound.

Senator TALMADGE. 30 cents. You may proceed.

Mr. HAYS. And CCC cotton would be released at 115 percent of the loan rate.

Senator EASTLAND. Would that stop giving our markets to rayon?

Mr. HAYS. No sir. But the main thing here, I want to point out, it is my opinion that the price of cotton is not a static thing and that it moves up and down because of other factors in the cotton industry. Price is one, production is another, quality, and this kind of thing all enter into it as well as the long-range intent, and I think these are all factors which you must keep as a backdrop as you consider what and how price will react to these given circumstances. I think this is plainly indicated by the movement of price throughout the past years, both here and abroad.

This is what stimulated, of course, world production of cotton in the beginning, by virtue that we had a very high price and a lot of

people said we need to get into cotton production, and conversely when we had a new direction in our policy, under the first 2 years of 1958 act and a few years ago, then world production of cotton began to taper off, and I think in general, all of the factors will determine the course that we will follow, not just the price alone.

And these are the principles that we are standing on here.

Senator EASTLAND. I know, but during this transition period, what is going to happen to the markets we will continue to lose?

Mr. STEVENS. Senator, in the first place, we are recommending very strongly here that we reduce the support price to 30 cents in 1964.

Senator EASTLAND. Sure, I favor that but that is not going to do the job.

Mr. STEVENS. Well, it may not do all of the job, Senator.

Senator EASTLAND. The farmer can't do the job; he has got to have help from the Government. That is my complaint with your bill.

Mr. STEVENS. I want to show you we are not advocating, we disassociate ourselves. We are still in support of Public Law 480 in which we are using Government funds for this particular purpose.

Senator EASTLAND. Yes, but that doesn't create markets.

Mr. STEVENS. All right, maybe it doesn't, but it might get rid of some cotton. Then we stand a great deal, I think, on this research and I think the Congress has very wisely stepped up their research program to help bring this cost of production down rather rapidly and I think that is where we are going to find our help.

Senator EASTLAND. Of course, I hope that is right. There is a lot of sense in your statement.

Mr. STEVENS. I honestly believe they will.

Senator EASTLAND. But that is something that may happen, or may not happen. But under this proposal the price of cotton is going down below the cost of production, research or no research as I see it.

The CHAIRMAN. Well now, as I pointed out on two or three occasions, we mustn't overlook the taxpayer in all this discussion we are proceeding with.

If the Cooley bill should be adopted, with the Jones amendment in it which would leave it to the Secretary of Agriculture to fix the differential between the price of foreign sold cotton and domestic, it would cost us only \$276 million, and the evidence is that they use about 600,000 bales more than they will now use, and I don't see how anyone could justify that, the Congress or anyone else.

Just for the additional use of 600,000 bales of cotton, it would cost the taxpayers \$276 million. I for one couldn't justify that and wouldn't even try it.

Proceed.

Mr. HAYS. (3) Cost the taxpayers much less.

(4) Permit and encourage increased efficiency in cotton production.

(5) Be built on a firm, sound, economic foundation that will re-establish permanent confidence in the cotton industry so that long-range plans can be made, leading to increased utilization of U.S. cotton both at home and abroad on a lasting basis.

Senator TALMADGE. Would you yield at that point?

Getting back to item 3, what would your proposal cost the taxpayers?

Mr. HAYS. Well, you mean in regard to the amount of cotton going into the loan?

Senator TALMADGE. Whatever your bill is, it is bound to cost the taxpayers something. How much would it be?

Mr. HAYS. There is no direct cost involved.

Senator TALMADGE. What would the price support be?

Mr. HAYS. 30 cents for 1964.

Senator TALMADGE. I presume you still intend to compete competitively in world markets and therefore, there is bound to be a cost. We can't sell our cotton for over 30 cents overseas without the Government paying the difference.

The CHAIRMAN. Well, the effect would be, if I understand it, that today the support price is 32.47, and at 30 cents cotton would at least save per pound 2.47, both to the local mills as well as to foreign consumption.

Mr. HAYS. Yes, on the entire crop.

Senator EASTLAND. That is true.

The CHAIRMAN. That would be a reduction of the cost to the Government. At least the amount of that. But we have been dealing with the cotton problem here for the past 27 years, ever since I have been on this committee and I have heard over and over the same arguments we have got to be in position where we can compete abroad, and also compete with synthetics, and up to now we haven't been able to do it, and I don't expect we will ever do it except that Uncle Sam will be willing to put up the money to pay this difference, no matter what bill is enacted.

But it would seem to me that we ought to adopt one that will be the least hurtful to the taxpayers of our country.

Mr. HAYS. That is what this would do. This would reduce some costs here.

Senator TALMADGE. Do you have any idea what the cost to the taxpayers would be under your proposal, Mr. Hays?

Mr. HAYS. No, sir, just be less.

Senator EASTLAND. Could you supply tables for the record, get the staff to make an estimate for the record?

Mr. HAYS. Yes, sir, we can try to establish any information the Senator wants.

Senator EASTLAND. I think it ought to be in the record.

Senator TALMADGE. Thank you; proceed.

Mr. HAYS. But I don't have any specific figures on it with me.

Senator EASTLAND. No, I say get the staff to make some projections and let's have it in the record.

Mr. HAYS. All right.

The CHAIRMAN. It would, of course, depend on the production of cotton. If we produced a crop like last year that would be much more than the ordinary production. It would be pretty difficult to be specific even with your bill, Senator Talmadge.

Senator TALMADGE. You have to take basic assumptions, of course, to be specific on any of these issues.

Senator EASTLAND. That is correct.

Senator TALMADGE. The degree of support, the bales involved and the conditions prevailing.

Senator EASTLAND. You would have to take a 3-year average.

(The information is as follows:)

As compared with the present law, Farm Bureau's proposal would save 2½ cents per pound or \$12.50 per bale in export subsidy costs in 1964-65. Assuming exports of 5 million bales, this would mean a saving of \$62.5 million in export

subsidy costs. There would be some additional savings in export subsidies on cotton products. In addition, the Farm Bureau proposal would avoid the costs of the Cooley bill provisions which provide for trade incentive payments, and additional support on the first 15 bales sold by each producer. These two items would cost an estimated \$361.5 million in 1964-65.

Major items of cost in 1964-65

[Millions of dollars]

	Cooley bill	Farm Bureau proposal
Export subsidy 6½ cents per pound on 5 million bales.....	162.5	162.5
Producers payment on increased support—1st 15 bales—5 million bales, at \$12.50 per bale.....	62.5	-----
Trade incentive payments, 9.2 million bales, at \$32.50 per bale.....	299.0	-----
Public Law 480 costs, excluding export subsidy.....	180.0	180.0
Cotton products export payments.....	-----	13.0
Total above items.....	704.0	355.5

Allowing for carrying charges, interest, and transitional costs, we estimate that the Cooley bill would cost over \$750 million the 1st year. There would be no transitional costs under the Farm Bureau proposal, and CCC operating costs would be somewhat less than under the Cooley bill.

The CHAIRMAN. But the point is that if cotton is fixed at 30 cents for the first year, you would have a saving there, as I have just pointed out of 2.47 cents on every pound that is sold abroad and every pound that is sold domestically.

Senator EASTLAND. That is correct.

The CHAIRMAN. Right.

Senator EASTLAND. But that doesn't meet the rayon problem.

The CHAIRMAN. You would never meet the rayon problem unless the Government puts up money. It might lessen it and if we have a breakthrough and do away with the boll weevil which I understand costs the cotton farmer about 5 cents a pound, if you can get rid of that, why we might be able to reduce it. But in my opinion——

Senator EASTLAND. If we could get rid of it we might be able to, I agree with that.

The CHAIRMAN. Of course. But in my judgment, Senator Eastland, I can't see cotton being produced in our country at any time in the near future that will compete with the foreigners' or with rayon and these other new——

Senator EASTLAND. You mean by the American farmers.

The CHAIRMAN. Of course.

Senator EASTLAND. I certainly agree with you.

The CHAIRMAN. Why argue about it?

Senator EASTLAND. No argument about it.

The CHAIRMAN. Proceed.

Mr. HAYS. In order to achieve these objectives, we will support legislation to amend the 1958 act as it relates to cotton to do the following:

(1) Set up an expanded, well-planned research program for cotton designed to reduce the cost of producing cotton. We believe such a program could very rapidly make great strides in reducing the unit cost of producing cotton and would get at the very heart of our trouble in making it possible to be competitive.

(2) Set price supports on upland cotton at 90 percent of the previous 3-year average market price; with the provision that the support

rate shall not be less than 30 cents per pound for 1964 only and shall not be less than 60 percent of parity in any year.

Senator EASTLAND. Doesn't that get right back to what I just said now. You pay the parity at the same price for 2 years without any breakthrough, and you have taken the hide off the cotton farmer by having a price of approximately 27.47.

The CHAIRMAN. That is our present law as I pointed out before except you reduce the parity price from 65, you make it 60, that is the only difference between the present law and this, and your suggestion.

Proceed.

Mr. HAYS. (3) Continue all the other provisions of the 1958 act as it applies to cotton. These include the prohibition against selling CCC stocks of upland cotton for unrestricted use at not less than 115 percent of the loan rate, and the provision for expanding allotments as cotton consumption increases.

The export program provided for in section 203 of the Agricultural Act of 1956 which requires that—

Such quantities of cotton shall be sold as will reestablish and maintain the fair historical share of the world market for U.S. cotton—

would also be continued.

A bill that would carry out the above recommendations for a sound cotton program is attached for your careful study and we hope action.

In addition to the recommendations made above, Farm Bureau policy also calls for action to protect our domestic cotton textile industry, through import restrictions, until our program for cotton becomes fully effective and such protection is no longer needed. This could be done through an import equalization fee equal to the difference between the price at which upland cotton is available for domestic use and the price at which CCC makes such cotton available for export.

Senator EASTLAND. Of course, that has already been turned down, hasn't it?

Senator TALMADGE. We have been trying to get that accomplished for years without success, unfortunately.

Mr. HAYS. We recognize that this objective could be achieved by action of the executive branch of Government under existing law; and also that any new legislation to impose an import fee would have to originate with the House Ways and Means Committee.

Nonetheless, we want to make clear our support for action necessary to deal effectively with the cotton textile import problem—to the extent that continuation of export subsidies on raw cotton causes or threatens injury to the domestic textile industry.

CONCLUSION

By adopting our recommendation, the Congress would be moving in the direction of a one-price system; it would reassure all segments of the cotton industry that we are embarking on a policy of expanded markets for cotton; it would serve notice both at home and abroad that we intend to compete for these markets. At the same time we would save the taxpayers of the United States hundreds of millions of dollars each year by avoiding the trap of compensatory payments.

In reducing the direct subsidies now being made or proposed to be made and—more importantly—by restoring the market price system for cotton, such a program would return us to a consumption level that prevailed in 1959–60 or higher. It would encourage cotton producers to adopt improved technology in an effort to reduce their unit cost to production in order to be more competitive. In other words, it would restore and revitalize confidence in the total industry.

The CHAIRMAN. There is one proposal you didn't cover, and that has been suggested by the Department, and that is diversion payments on acres not planted to cotton. What is the view on that, can you tell me?

Mr. HAYS. Mr. Chairman, we are opposed to this program.

Mr. STEVENS. That was covered briefly in our statement.

The CHAIRMAN. I didn't hear you mention it. That is why I am asking it. You are opposed to it.

Mr. HAYS. Yes, sir.

The CHAIRMAN. All right.

But suppose the production of cotton keeps on increasing, and our surpluses are thereby increased, would you suggest a further limitation in the minimum acreage to be planted to cotton?

Mr. HAYS. Well, obviously, unless some adjustments are made that will affect the carryover of cotton, and will increase consumption, some provisions will have to be made. We propose in this recommendation that by taking these steps this will increase consumption.

The CHAIRMAN. But suppose it does not? I have been hearing that right along, you know, that we would reduce our carryovers and under the 1958 act we did to some extent, but it may be that some Senators may suggest that rather than have the diversion program, pay not to plant, that in order to have cotton production in keeping with our requirements we may have to cut down on the minimum acres, and I would like to have your view as to what we ought to do.

Proceed, Mr. Stevens.

Mr. STEVENS. We have some figures here that show release and reapportioned acres in 1963.

The CHAIRMAN. I would like to have all facets.

Mr. STEVENS. They show the number of acres that were taken out, released by these farmers who apparently did not care to plant the cotton. Not all of that cotton was planted by others, but if you make a payment, if you give them a bonus they will stick to asking for their allotments they have had, and in my opinion, you are prolonging the very bad situation.

We have people who have already gotten out of the cotton business because they didn't care to pursue it and have entered other pursuits, and with this I am sure you will have nobody who will go out again. They will all stay in there and look for the payment on land they don't plan on planting to cotton.

The CHAIRMAN. Your answer is not responsive to the question I asked. I am saying that in lieu of paying not to plant on diverted acres, if we can't accomplish it that way, would you suggest a lessening of the minimum acres provided in the law? As you know, it is 16 million plus around 300,000 to adjust differences.

Because that question may come up and I would like to have the Bureau's views on that, if you have any.

Mr. STEVENS. We certainly would at the present time oppose any further reduction in the allotment figures.

The CHAIRMAN. All right.

Any further questions?

Mr. HAYS. In connection with that let me make this one supplemental statement and this is in general, and I am sure it is not the specific question that the Senator had in mind.

I am not being evasive but it seems to me this is a part of the problem. In considering the well-being of the cotton industry as far as the producers are concerned in this country, we, I believe, must agree that we must be mindful of both the domestic consumption and the export of our cotton, for with only the domestic consumption and leaving off the export, then certainly we would be in deep trouble no matter what the price.

This would bring about a tremendous reduction in acreage. So, we are going to have to strive toward a balanced program in these areas by virtue of adjustments in price and so forth in order to continue a reasonable level of production both for domestic consumption and for export programs.

Now, any reduction made, whatever means are used, is certainly going to be disruptive, and this, of course, getting back to the other question is our serious objection to this diversion proposal.

Now, we have in Alabama about 27,000 people that released this last year—voluntarily, involving—some 168,000 acres.

On a voluntary basis this was done, and this involves almost a third of our producers.

The CHAIRMAN. Well, you have answered—you have testified as to that and we understand you are against it, as well, I believe as the committee is or most of them. But the question I was asking is if we fail in getting a diversion program, and somebody suggests that we reduce the acres, I understand that your answer would be in the negative.

Mr. HAYS. Yes, sir.

Mr. STEVENS. At this time.

The CHAIRMAN. The committee will stand in recess for about 4 minutes, I hope.

(Short recess.)

(The tables and bill referred to follow:)

TABLE 1.—*Carryover and utilization of upland cotton, 1957-63, with comparisons*

[Thousand bales]

Marketing year beginning Aug. 1	Mill consumption	Exports	Total utilization	End year carryover
1957-58.....	7,900	5,707	13,607	8,615
1958-59.....	8,594	2,766	11,360	8,733
1959-60.....	8,879	7,178	16,058	7,404
1960-61.....	8,131	6,625	14,756	7,090
1961-62.....	8,783	4,908	13,691	7,741
1962-63.....	8,268	3,348	11,616	10,983
1957-58 average.....	8,247	4,236	12,483	8,674
1959-60 average.....	8,505	6,902	15,407	7,247
1961-62 average.....	8,525	4,128	12,653	9,362

TABLE 2.—Domestic consumption of fibers: Total and per capita, 1930 to 1961

Year beginning Jan. 1	Cotton		Wool		Rayon and acetate ²			Noncellulosic manmades ³			All fibers ³	
	Popula- tion July ¹ (millions)	Total (millions of pounds)	Percent- age of fibers	Per capita (pounds)	Total (millions of pounds)	Percent- age of fibers	Per capita (pounds)	Total (millions of pounds)	Percent- age of fibers	Per capita (pounds)	Total (millions of pounds)	Per capita (pounds)
1930	123.1	2,457.6	85.9	20.0	286.5	10.0	2.3	117.1	4.1	1.0	2,861.2	23.2
1931	124.0	2,519.6	84.0	20.3	325.5	10.8	2.6	157.5	5.2	1.3	3,002.3	24.2
1932	124.8	2,328.4	85.5	18.7	240.8	8.8	1.9	154.4	5.7	1.2	2,723.6	21.8
1933	125.6	2,942.0	84.3	23.4	330.5	9.5	2.6	216.4	6.2	1.7	3,488.9	27.8
1934	126.4	2,579.8	85.3	20.4	239.3	7.9	1.9	205.9	6.8	1.6	3,025.0	23.9
1935	127.2	2,700.9	87.3	21.2	433.6	12.7	3.4	272.0	8.0	2.1	3,406.5	26.8
1936	128.1	3,433.0	81.6	26.8	434.2	10.3	3.4	340.7	8.1	2.7	4,207.9	32.8
1937	128.8	3,598.7	83.1	27.9	405.0	9.4	3.1	326.5	7.5	2.5	4,330.2	33.6
1938	129.8	2,809.2	81.6	21.6	295.8	8.6	2.3	335.8	9.8	2.6	3,440.8	26.5
1939	130.9	3,509.0	79.9	26.8	418.6	9.5	3.2	463.3	10.6	3.7	4,392.9	33.6
1940	132.1	3,822.6	80.9	28.9	416.9	8.8	3.2	483.2	10.2	3.7	4,726.9	35.8
1941	133.4	4,936.9	79.7	37.0	663.1	10.7	5.0	584.5	9.4	4.4	6,195.7	46.4
1942	134.9	5,424.3	81.3	40.2	607.1	9.1	4.5	621.4	9.3	4.6	6,675.3	49.5
1943	136.7	5,008.9	79.4	36.7	605.0	9.6	4.4	663.7	10.5	4.9	6,312.1	46.2
1944	138.4	4,507.9	77.4	32.6	561.5	9.6	4.1	707.2	12.2	5.1	5,821.1	42.1
1945	139.9	4,248.7	75.0	30.4	604.6	10.7	4.3	766.8	13.5	5.5	5,668.1	40.5
1946	141.4	4,450.4	73.6	31.5	699.1	11.6	4.9	846.6	14.0	6.0	6,045.3	42.8
1947	144.1	3,915.8	70.8	27.2	668.1	12.1	4.6	901.2	16.3	6.3	5,530.9	38.4
1948	146.6	4,025.7	68.4	27.5	714.7	12.1	4.9	1,081.1	18.4	7.4	5,878.5	40.2
1949	149.2	3,472.6	69.4	23.3	533.5	10.7	3.6	911.9	18.2	6.1	5,002.8	33.5
1950	151.7	4,464.1	67.7	29.4	691.1	10.5	4.6	1,305.4	19.8	8.6	5,096.6	43.5
1951	154.4	4,513.9	70.1	29.2	532.3	8.3	3.5	1,206.4	18.7	7.8	6,436.9	41.7
1952	157.0	4,165.4	68.2	26.5	548.3	9.0	3.5	1,161.4	19.0	7.4	6,112.1	38.9
1953	159.6	4,209.4	67.9	26.4	550.8	8.9	3.5	1,167.9	18.9	7.3	6,192.5	38.8
1954	162.4	3,885.6	67.6	23.9	439.7	7.7	2.7	1,106.6	19.3	6.8	5,742.0	35.4
1955	165.3	4,206.6	64.5	25.5	459.5	7.5	2.0	1,395.0	21.4	8.4	6,518.0	39.4
1956	168.2	4,216.0	66.0	25.1	526.2	8.2	3.1	1,167.4	18.3	6.9	6,386.1	38.0
1957	171.2	3,878.0	64.3	22.7	449.4	7.5	2.6	1,145.3	18.9	6.7	6,031.9	35.2
1958	174.1	3,729.0	63.9	21.4	416.7	7.1	2.4	1,113.4	18.9	6.4	5,832.6	33.5
1959	177.1	4,274.4	62.6	24.1	538.5	8.1	3.1	1,256.3	18.4	7.1	6,533.4	36.6
1960	180.7	4,232.3	64.6	23.4	558.5	8.2	3.0	1,031.8	15.7	5.7	6,567.6	36.3
1961 ⁶	183.7	4,048.3	61.9	22.1	535.0	8.1	2.9	1,105.4	16.9	6.0	6,551.0	35.7
1962 ⁶	186.6	4,278.1	59.8	22.9	568.7	7.9	3.0	1,238.7	17.3	6.6	7,159.9	38.4

¹ Bureau of the Census. Population continental United States as of July 1, including Armed Forces overseas.² Includes fiber waste.³ Does not include silk and flax.⁴ Less than 0.05 pound.⁵ Includes picker lap.⁶ Preliminary.

TABLE 3.—Utilization of 1963 upland cotton allotments

In 1963 upland cotton allotments totaling 1,588,452 acres were released for reappportionment, and 1,557,691 acres were reappportioned to other farms.

Despite this farmers still underplanted their 1963 allotments by 1,572,661 acres. Since it is likely that most of the reappportioned acreage was planted, the total of the acres reappportioned plus the acreage not planted would appear to give a good indication of the amount of acreage that was not planted on the farm to which it was originally allotted. State-by-State figures are shown below:

State	Allotment	Acres planted	Acres not planted	Total acres reappportioned	Total of acres reappportioned plus acres not planted ¹	Acres reappportioned plus acres not planted ¹ as a percentage of original allotment
Alabama.....	972,239	848,000	124,239	166,937	291,176	29.9
Arizona.....	331,738	332,800	² (1,062)	2,389	2,389	.7
Arkansas.....	1,321,954	1,269,000	52,954	53,662	106,616	8.1
California.....	738,871	749,000	² (10,129)	6,495	6,495	.9
Florida.....	37,171	25,100	12,071	7,267	19,338	52.0
Georgia.....	843,382	653,000	190,382	136,041	326,423	38.7
Illinois.....	2,935	2,400	535	634	1,169	39.8
Kansas.....	23		23		23	100.0
Kentucky.....	7,306	6,500	806	520	1,326	18.1
Louisiana.....	568,383	532,000	36,383	60,864	97,247	17.1
Maryland.....	14		14		14	100.0
Mississippi.....	1,546,299	1,480,000	66,299	117,873	184,172	11.9
Missouri.....	354,911	352,000	2,911	1,452	4,363	1.2
Nevada.....	3,522	3,400	122		122	3.5
New Mexico.....	171,430	174,900	² (3,470)	2,385	2,385	1.4
North Carolina.....	466,443	392,000	74,443	99,594	174,037	37.3
Oklahoma.....	757,866	618,000	139,866	81,848	221,714	29.3
South Carolina.....	690,499	550,000	140,499	91,559	232,058	33.6
Tennessee.....	548,352	515,000	33,352	22,676	56,028	10.2
Texas.....	6,869,104	6,174,600	694,504	703,447	1,397,951	20.4
Virginia.....	17,558	14,300	3,258	2,048	5,306	30.2
United States.....	16,250,000	14,692,000	¹ 1,572,661	1,557,691	3,130,352	19.3

¹ Total of underplantings only.

² Overplanted.

A BILL To provide price supports for the 1964 and subsequent crops of upland cotton

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That effective with the 1964 crop of cotton, Section 103 of the Agricultural Act of 1949, as amended, (7 U.S.C. 1444, 63 Stat. 1051) is amended to read as follows:

"SEC. 103 (a) Notwithstanding the provision of Section 101 of this Act, the price support to cooperators for each crop of upland cotton, beginning with the 1964 crop, for which producers have not disapproved marketing quotas, shall be (1) 90 per centum of the average price received by farmers during the three calendar years immediately preceding the calendar year in which the marketing year for such crop begins, or (2) 60 per centum of the parity price therefor, whichever is higher: *Provided*, That the level of price support for the 1964 crop of upland cotton shall not be less than 30 cents per pound for Middling inch. Price supports in the case of non-cooperators and in case marketing quotas are disapproved shall be as provided in Section 101(d) (3) and (5).

"(b) The Secretary of Agriculture is hereby authorized and directed to conduct a special cotton research program designed to reduce the cost of producing upland cotton in the United States at the earliest practicable date. There are hereby authorized to be appropriated such sums, not to exceed \$10,000,000 annually, as may be necessary for the Secretary to carry out this special research program. The Secretary shall report annually to the Committee on Agriculture of the House of Representatives and to the Committee on Agriculture and Forestry of the Senate with respect to the results of such research."

The CHAIRMAN. The committee will come to order.

I understand the farm bureau has two more witnesses who want to be heard.

Mr. STEVENS. One minute each. I would like to call Mr. Grant, president of the California Farm Bureau.

STATEMENT OF ALLAN GRANT, PRESIDENT, CALIFORNIA FARM BUREAU FEDERATION, BERKELEY, CALIF., REPRESENTING THE AMERICAN FARM BUREAU FEDERATION

Mr. GRANT. Mr. Chairman and members of the committee, I am from California. We have 80,000 members of the farm bureau in California. We have about 12,000 of those farmers who are raising cotton. We produced about 13 percent of the total cotton of the Nation last year, and we would like to grow more cotton.

I was in India 3 years ago, and a man there told me he had purchased cotton from America, he said he would like to buy a lot more. I said we would like to sell him a lot more, and the Secretary of Agriculture was there, the fall after I was there, in this same area. He was asked if it would be possible for them to buy 250,000 more bales of cotton than they had purchased the year before.

Mr. Freeman said no, it would be impossible because he had increased the support price and that it would not be available, because they had cut the allotments. And this, to me, indicates that under the conditions that existed in 1960 these people would have purchased cotton.

You know what the price of cotton was at that time, and you know what the subsidy was to get it exported. I don't have to go over that.

So we can sell cotton without its being at too low a price. In addition to that I would like to say that our domestic market takes cotton at a higher price than the support price and they mix it, of course, with synthetics, but it is salable at a better price than the support price.

The CHAIRMAN. What can you produce cotton for in California?

Mr. GRANT. That would be difficult to say because of the differences in costs of water. It is all an irrigated crop in California and the water costs vary from \$22 an acre-foot where they grow 3 bales of cotton to the acre, down to perhaps a dollar an acre-foot where it's an appropriative right on the river and the productive capacity is different because of the climatic conditions and soil and water conditions, so I couldn't say explicitly.

The CHAIRMAN. Could you compete on world prices, on world markets?

Mr. GRANT. It depends on what you call the world market because the price of American cotton doesn't have to be down to the price of other cotton to be salable, as this man in India said, "We would rather have your cotton than any other."

Mr. STEVENS. Dr. Brown, do you care to make a statement, sir?

Dr. BROWN. Mr. Chairman, and gentlemen, I would prefer—what I say is on the record already, not off the record—but I would prefer, Mr. Chairman, that Senator Talmadge be here; is he coming back?

The CHAIRMAN. I hope he is.

Mr. STEVENS. Could I call on Mr. DeVaney then? We certainly can't delay this thing.

STATEMENT OF C. H. DEVANEY, PRESIDENT, TEXAS FARM BUREAU, WACO, TEX., REPRESENTING THE AMERICAN FARM BUREAU FEDERATION

Mr. DEVANEY. I have a short statement. I am C. H. DeVaney, president of the Texas Farm Bureau, we have 89,000 farmer families in our organization, most of whom produce cotton. These proposals before the committee were discussed for the last 2 years before our group in great detail, and we came out with recommendations to the American Farm Bureau almost identical with the position that the American Farm Bureau took on these particular proposals.

Mr. STEVENS. Thank you, Mr. DeVaney.

Mr. Lynn of Louisiana.

STATEMENT OF BRUCE N. LYNN, VICE CHAIRMAN, COTTON COMMITTEE, LOUISIANA FARM BUREAU FEDERATION, GILLIAM, LA., REPRESENTING THE AMERICAN FARM BUREAU FEDERATION

Mr. LYNN. Mr. Chairman, I am Bruce Lynn of the Louisiana Cotton Committee, vice chairman of the cotton committee for the farm bureau, and I think that you know how we have met with you and discussed with you a great many times, and I do want to say this: that having a Senator who expresses the views the way you did about the cotton bill it is certainly gratifying and we do believe we can produce cotton for around 30 cents a pound, and that that will sell, and it will, in turn, make the whole costs of the program less.

That is the feelings of the farmers in your State.

The CHAIRMAN. Mr. Lynn, what is the feeling of the farmers in Louisiana in respect to this diversion program; pay not to plant?

Mr. LYNN. I am glad you asked that, Senator. We are very much opposed to that.

The CHAIRMAN. Now, if cotton production should remain high and our surpluses increase, what would be the attitude you think of our people over a period of time to reduce the minimum acres in order to lower our surpluses?

Mr. LYNN. I think that as the program gets underway, and you take a second look at it, we will have to have another look at it.

Mr. STEVENS. Dr. Brown, would you care to make one statement?

STATEMENT OF DR. HARRY L. BROWN, PRESIDENT, GEORGIA FARM BUREAU FEDERATION, MACON, GA., REPRESENTING THE AMERICAN FARM BUREAU FEDERATION

Dr. BROWN. Mr. Chairman and gentlemen again, Harry Brown, president of the Georgia Farm Bureau Federation.

I would just like to emphasize what both Mr. Grant and Mr. Lynn have said—that cotton is selling for 30 cents a pound and more under the present circumstances and we feel that it will continue to sell somewhere in that area because of its quality, and our farmers are unequivocally opposed to compensatory payments or direct payments.

Might I say this: that I happen to be one citizen of the United States who considers the U.S. Senate still to be the greatest deliberative body in the world, and they have the responsibility of making this decision. We bring them our story and our feelings in what we think is right, what we think is fair. It is their decision to make. We leave it in your hands, Mr. Chairman.

Mr. STEVENS. Mr. Chairman, we thank you on behalf of the Farm Bureau for permitting us to testify before your committee.

The CHAIRMAN. Thank you very much.

Mr. STEVENS. Thank you very much.

The CHAIRMAN. Mr. Williams, will you step forward?

You substituted for someone yesterday. If you desire to testify now or later—

STATEMENT OF W. S. WILLIAMS, JR., CHAIRMAN, COTTON COMMITTEE, NORTH CAROLINA FARM BUREAU FEDERATION, MIDDLESEX, N.C.

Mr. WILLIAMS. Mr. Chairman, in view of your statement, I am perfectly willing to submit my statement for the record.

Sir, could you let me submit my statement for the record and hear Mr. Heidelberg who has a short statement?

The CHAIRMAN. Without objection, the statement of Mr. Williams will be put in the record at this point and, Mr. Heidelberg, you may have a seat, sir.

Proceed.

(The prepared statement of Mr. Williams follows:)

Mr. Chairman, my name is W. S. Williams, Jr., and I am a cotton farmer of Nash County, N.C., and chairman of the cotton committee of the North Carolina Farm Bureau Federation. It is the State's largest general farm organization with more than 50,000 members. It is in their behalf that I am here today to be heard by you and other distinguished members of this committee in respect to the legislative proposals affecting cotton which are before you.

It is my understanding that you have at least three proposals before you, namely, H.R. 6196 known as the Cooley bill, S. 1190 introduced jointly by Senator Talmadge, of Georgia, and Senator Humphrey, of Minnesota, and the recent proposals made to the Cotton Advisory Committee relating to voluntary soil bank payments for the nonplanting of allotments.

H.R. 6196, as amended, provides among other things for the lowering of prices paid to farmers to a level of 29 cents per pound in 1966 and thereafter. The price would decline in direct proportion to the reduction of production costs through research. This bill also provides for an appropriation of \$10 million for a program of research to lower the cost of producing cotton. However, the cotton farmers of this country, under the mechanism of this bill, will not share in the benefits from this research, if it is successful. To give farmers no part of a reduction in production cost seems very unfair. I can see great difficulty in clearly and equitably defining production costs, especially as it is related to the cost of living. I will add that the price level of 29 cents would be disastrous in my State, much less further reductions which the McIntire amendment allows.

S. 1190 apparently would embody the principle of direct payments to farmers and the North Carolina Farm Bureau has traditionally opposed compensatory payments in any form.

The recent proposals for payments for voluntary acreage retirement has been violently opposed in North Carolina by the genuine cotton farm people. This plan would destroy the release and reapportionment program which has worked so well in our State and all across the Cotton Belt. It has made possible great progress in our overall cotton economy. It would have a disastrous effect upon cotton's allied industries, and to the economy of the small agritowns in particular, and rural North Carolina in general. I would respectfully urge you to reject these unwise proposals.

North Carolina and 17 of the 19 upland cotton States voted overwhelmingly last December 10 for marketing quotas on cotton. They were, in my opinion, voting for control of supply by adjustment in the national allotment. It would be hard to find a stronger mandate from the people than a 94-percent vote for such a program of supply management. The only States to vote less than a two-thirds majority for the quotas were California and New Mexico. This type of program is what we in North Carolina support. It is what the people voted for. It is what the people obviously believe in deeply and want.

At their annual State convention in Durham last fall, North Carolina Farm Bureau Federation passed six resolutions which make up the heart of the cotton program. They express very well what cotton producers in North Carolina want and need.

Here are the resolutions:

1. Allotment of acreage should be gradually adjusted to bring supply in line with demand, with a reasonable contingency reserve.

2. The current release and reapportionment program should be continued, but allotment lost through failure to plant shall be reallocated within the county or State, with preference being given to those who have planted released cotton.

3. The 1964 price support level on cottonseed should be set at not less than the 1963 support level.

4. The area boll weevil and boll worm control program should be expanded and further research should be undertaken to eliminate the cotton boll weevil.

5. A cotton export program is recommended in which the export subsidy, if any, is paid to the last handler.

6. In case of a national reduction or increase in quotas, they should be shared by all producers at the same percentage.

Thank you, Mr. Chairman, for this opportunity to speak to your committee. I have attempted to present to you the views of the membership of the North Carolina Farm Bureau in a most sincere and helpful way, and I am sure that whatever is ultimately decided upon by this distinguished committee will be for the best interest of the cotton farmers of this country.

**STATEMENT OF FREDERIC H. HEIDELBERG, EXECUTIVE VICE
PRESIDENT, NORTH CAROLINA COTTON PROMOTION ASSO-
CIATION, RALEIGH, N.C.**

Mr. HEIDELBERG. Well, Senator, my name is Frederic H. Heidelberg. I am executive vice president of the North Carolina Cotton Promotion Association, which is in North Carolina, the official organization, commodity organization, representing cotton farmers.

As I said, Mr. Chairman, I have laid aside already prepared testimony in view of all that has been said before, many points have already been covered, and on May 21, you will remember I presented testimony here on various bills.

I abbreviated this but I will abbreviate it further just to make these points.

I do think we have too much cotton, we have got to reduce the carryover, and our thinking is that the way to do this rather than through an acreage diversion program, would be to have a 3-year moratorium on the 16 million acre base national allotment proportionately to each farm allotment, and by that procedure it wouldn't have to distribute the 310,000 acre minimum acreage reserve to take care of small farms, and this is just something we in North Carolina are willing to do.

This would remove, say, some 20,000, 25,000 acres from our supply, but we have got to give in this thing. As far as legislation that will help in reducing this surplus, it would have to come through increased consumption, and I do want to say here that mill assistance in obtaining cotton at or near world price, as near world price as Congress can

find it possible to provide, without damaging farm income is certainly not objectionable in North Carolina.

We feel like the justification for such action is attributable to some extent due to Government policies in the past that have affected the mills.

So far as farm income for the cotton production is concerned, I think it is a fundamental point of disagreement in this entire matter of how these adjustments are going to be made in our situation, and the matter of price is awfully important to us.

We just don't feel like we can go much lower than we are now, but certainly not lower than 31 cents a pound middling inch average location.

I want to make that point and put it in the record. We are making progress in our State as rapidly as we are permitted to by congressional action. The release and reapportionments program has helped us greatly in making adjustments in larger size allotments just like it has in Louisiana.

The evidence of our dynamic feeling about this, even under these conditions is that in North Carolina we have come from 95 mechanical harvesters in 1960 to 806 in 1963. Our pick was 3 percent in 1960 in our crop mechanically to 43 percent in 1963, this represents a sizable investment on the part of farmers. Included in that would be other farm equipment in this direction.

I would summarize it quickly to get out of the way and let these hearings be completed on time. In summary, we feel like the legislation which will stimulate consumption and not reduce farm income appreciably and be for not more than 3 years is in the right direction.

Thank you.

The CHAIRMAN. Well, how are the textile mills making out in North Carolina?

Mr. HEIDELBERG. You mean in what way, sir?

The CHAIRMAN. Financially. They are not going broke, are they?

Mr. HEIDELBERG. Well, my understanding is as textile mills they are doing all right. But there is a difference between textile mills and the consumption of cotton. We are aware that they are having to reduce some of their use of cotton and using other fibers.

Now, on cotton, they don't break it down between the income from cotton and other synthetic fibers so I couldn't answer it.

The CHAIRMAN. Well, the synthetic fiber has been on the increase but not very severely in the last 10 years, and cotton consumption has been holding its own pretty well, and I notice here that it is estimated that during the current year the mills will consume about 8.6 million bales of cotton, and in the past about 5 percent of their cotton balings are sold to the mills at the same price that foreign mills purchased because this cotton is sold abroad in the form of textiles, and the amount of cotton that is made into cloth abroad baleagewise amounts to about the same, maybe 50,000 or 60,000 bales difference.

It would seem to me, as I have indicated on several occasions, that if we should adopt the Cooley bill, it would mean an increase in the consumption of cotton of only 600,000 bales at a cost of \$275 million.

Could you justify that for the committee? It is just that simple.

Mr. HEIDELBERG. It is that simple?

The CHAIRMAN. Yes. I would like you to justify it because I have been unable to say to myself that I can go before the Senate,

and advocate such a high price, such a high cost in order to utilize only 600,000 bales of cotton in addition to what they are now using.

Mr. HEIDELBERG. Well, Senator, you have asked me a question that has not been one on a subject that I have dug into very much.

I represent farm people. My main interest in all of this cotton situation since last December a year ago, when we started this thing was received, that the farmers that I represent in the process of obtaining legislation should not have to face legislation that would put them out of business.

Now, the question you ask I think was in the House hearings, one that came up frequently. I think I recollect that one of the assistant secretaries of the Department of Commerce made testimony in the direction of trying to answer your question, and made the case that as a result of the reduction in the cost of cotton to the mills the general public—it would all be passed on to the general public. That was one effort of justifying it.

I am just relating to you what was said.

The CHAIRMAN. Yes.

Mr. HEIDELBERG. I am not making a judgment on it.

The CHAIRMAN. I am familiar with that argument. But I just can't agree with it, to the extent that it was presented.

For instance, the shirt you have got on there, I am sure it won't affect the price of it to you, in fact, to most cotton goods if it is spread around so thinly.

Today with cotton at 33 cents a pound, you don't have a pound of cotton in this shirt, yet the cost of it to me, as you know, has gone up tremendously.

Mr. HEIDELBERG. Yes, sir. I know about that.

The CHAIRMAN. That is not due to the cost of the cotton.

Mr. HEIDELBERG. No.

The CHAIRMAN. It is due to the labor costs as well as higher machinery costs and other things. Something I have been stating time and time and time again, and I would like to have someone to disagree with me if they can, is that 95 percent of all the cotton that's made into wearing material in the United States is sold in a good market, people who are more or less able to pay, and we have a standard of living second to none in the world, and it would seem to me that for us to try to further reduce this cotton and get the taxpayers to pay that difference, to me doesn't add up, and I am trying to get someone to show me why I am wrong so that I——

Mr. HEIDELBERG. I wouldn't want to try to answer you. I just want to say this, I didn't start all this. The farmers didn't start it. All I have been trying to do in the process of it is trying to see that the farmers don't get hurt too badly.

The CHAIRMAN. All right.

We have only one more witness left for today. The rest of them were unable to come.

Mr. Chapin, will you step forward, please.

Have a seat, sir. Will you identify yourself for the record?

STATEMENT OF S. C. CHAPIN, PRESIDENT, AGRICULTURAL COUNCIL OF ARKANSAS, TRUMANN, ARK.

Mr. CHAPIN. Chapin from Arkansas representing the Agricultural Council of Arkansas. We have a short statement that I will read to you. I have copies for members of the committee.

The CHAIRMAN. All right, sir, you may proceed.

Mr. CHAPIN. I will be glad to answer any questions I can. I will tell you that I am not a professional, I am a farmer.

The CHAIRMAN. Well, those are the ones we like to talk to.

Mr. CHAPIN. All right.

My name is S. C. Chapin and I am president of the Agricultural Council of Arkansas, a nonprofit organization representing a large percentage of the cotton producers in Arkansas. I will try to be brief in my remarks and at the same time endeavor to convey the feelings of cotton farmers in our State with regard to proposed legislation.

First, I would like to say that farmers are greatly concerned with the steadily increasing carryover of cotton. It has risen from 7.8 million bales on August 1, 1962, to 11 million at the beginning of the 1963 season, and it appears will end up in 1964 with almost 13 million bales. We think that basically is an unhappy situation, we are getting too much carryover. We realize this cannot be allowed to continue without something being done about it and the only place we know to come for relief is to Congress.

As we understand it, the Secretary of Agriculture now has the authority, and, under the bid sale program is selling CCC stocks of cotton for export at what is determined to be the world market price.

Also, there is nothing in any proposed legislation that would modify this procedure or materially increase the sale or use of additional U.S. cotton by foreign countries. Therefore, we must look to an increase in domestic consumption if we expect to retain or expand our present rate of production.

From information furnished by the Department of Agriculture, the National Cotton Council, the textile mills, and other sources of information, it appears that any increase in consumption of cotton by domestic mills depends on the price of cotton being made considerably more competitive with that of manmade fibers.

In fact, the entire future of the cotton industry may well depend on this one factor. It is therefore apparent that this is the main objective to be accomplished in any proposed legislation.

We believe this can be done through elimination of the existing inequities between the cost of raw cotton to foreign and domestic mills as contained in section 348 of H.R. 6196 and section 7 of S. 1190. This is also an area of substantial agreement among a majority of cotton producers we have worked with.

While the initial cost of any cotton program to the Government is an important factor, we do not believe it outweighs the economic effect on the many thousands of people who depend on the survival of the industry for a living. It is our opinion that a majority of cotton farmers are willing to suffer some proportionate sacrifice in order to make the price of cotton more competitive, but they cannot bear it all and the decline must be gradual and in line with their reduction in the cost of production.

It is noted that H.R. 6196, with the McIntire amendment, not only sets a ceiling on the support price of cotton for 1964, 1965, 1966, and thereafter, but also retains a provision which would affect further reductions as will reflect the cost of production.

We consider this inequitable as it does not provide for upward adjustment in the price support in the event of increased production

costs which, of course, is quite possible. While we do not feel the increase in support price on the first 15 bales of cotton as contained in H.R. 6196 is equitable, essential or necessary, we would not seriously object to this provision if needed to obtain the desired legislation.

In other words, while we have outlined some objectionable features of H.R. 6196, we believe it comes nearer to accomplishing the desired objectives than any other proposed legislation.

The Agricultural Council of Arkansas, along with most other cotton producer organizations, is opposed to the legislative proposals as contained in S. 1190 known as the Talmadge bill.

A majority of cotton producers have for a number of years opposed cotton allotments based on bales instead of acres. This proposal diametrically opposes former incentive to increase cotton yields and reduce production costs as taught by the land-grant colleges and every county agent. It would defeat the objectives to which every good farmer aspires.

We are opposed to a domestic allotment with provisions for unlimited planting of cotton acres for export regardless of the support price for the additional cotton produced. While we do not believe that even the largest and most efficient cotton farmers can produce cotton and survive with a support price at 50 to 60 percent of parity, we feel such a program would wreak havoc with all farmers, both large and small, before it came to an end.

The council is opposed to discrimination with respect to price support as between farms and farmers as contained in S. 1190. We are also opposed to limitation of payments for the same reason.

We believe the records will indicate that a family-type farm is probably operated at lower cost of production than those requiring considerable hired labor and management. We are also opposed to the price-support level being set, or equalization payments being made in such manner as will cause the farmer's cotton to be sold on the open market or placed in the loan at the world market price for cotton. And we are strongly opposed to any compensatory payment being made direct to the farmers.

In conclusion I would like to say that we hope the Senate Committee on Agriculture and Forestry are in agreement with respect to the vital need for emergency legislation to be enacted at once and before the present marketing year, which will not only be a step in the right direction but will revitalize the cotton industry toward recovery and enable it to retain its essential place in the economy of the Nation.

Now, that is our position, Senator. I might make a comment or two, if you are willing to hear me. We are very much alarmed, of course, at the inroads that synthetics are making against cotton.

We just feel in our section that farming is based to a large extent on cotton. The income of our farmers depends largely on cotton, and we can't just go on losing our markets to synthetics. That is the whole thing that we see would come out of a bill such as the Cooley bill.

Now, the cost of that is quite another thing. We do feel we can cut our costs of production rather rapidly, as research goes on and we find chemicals that will control the insects and control the weeds, the grass.

The cotton council have worked it out, their experts, to where they think maybe we can have as much as 11 cents reduction in costs of

production. If that is true, we will be able to relieve the Government of a lot of this support that they are giving us at the present time.

But we have got to—we can't take that all at once as you know. It would break our people. I have farmed myself down there for 35 years, we have been through just about everything, Senator, we can have, floods to drought and other things. I farm with a lot of small farmers. Our section is largely small farms. We don't say 40 acre farms there but they are 80, 160 acre farmers. The only problem is their overhead in education for their family, and things like that is building up all the time. It just costs more than is used to for them to live. That is why we hate to take too much of a reduction in our price of cotton.

At the same time if we go blindly along trying to hold a high support price and live with that, it is good for that year but we have got to look a little bit beyond it.

Now, what the Congress can do, what seems to be the best, of course, will have to be decided by Congress, and by your committee, and I am sure you have all the facts or will have them all.

The CHAIRMAN. Well, we have them all and judging from what you said in your statement, we don't have any bill to fit in with what you are talking about. We would have to even amend the legislation before us to comply with what you are suggesting and that is the problem with us. There is so much diversity of opinion among the growers, among the handlers of cotton, the textile mills, and all others, that it will be left more or less to us to do the best we can.

Mr. CHAPIN. That is right, yes.

The CHAIRMAN. We had a bill in 1958 which is the present law, which I believe would have done the job if administered according to what Congress intended, but the trouble is they raised the acreage and kept the price high. More cotton was produced, so that we have more now.

Let me ask you this: what would you think of a bill along the same line as the present law and reduce the price of cotton, say, to 30 cents, provided that all producers of cotton up to 10 bales will get the present price, but paid by way of payments-in-kind.

What would you think of a proposal of that kind?

Mr. CHAPIN. The only comment I would have to make on that 1958 bill, Senator, was that a good bit of water has gone under the bridge, you know, since then, and our situation is probably much more precarious now in respect to competition with synthetics than it was then.

The CHAIRMAN. The record doesn't show that. It doesn't show an increase, it is about steady, that's in the last 2 or 3 years.

Mr. CHAPIN. In proportion to the population, though, the textile cycle and all, isn't it true that our proportion has been declining?

The CHAIRMAN. Well, I am going to ask to place in the record at this point a table which indicates how the poundage used, the per capita poundage of cotton, say, since 1950 has varied from year to year, also the poundage used in rayon has varied. It was 8.9 pounds per capita in 1950, and now it is only 6.2. So it went down, the same as cotton went down. The one that went up was now—some kinds of cellulose—nylon and things like that. That went up some.

Mr. CHAPIN. They have gone up.

(The table is as follows:)

TABLE 22.—Mill consumption of fibers: Total and per capita, 1935 to date

Year beginning January 1	Population July 1 ¹	Cotton ²			Wool ³			Rayon and acetate ⁴		
		Total	Percentage of fibers	Per capita	Total	Percentage of fibers	Per capita	Total	Percentage of fibers	Per capita
		Million pounds		Pounds	Million pounds		Pounds	Million pounds		Pounds
1935	127.2	2,755.4	78.1	21.7	417.5	11.8	3.3	259.2	7.3	2.0
1936	128.1	3,471.4	80.7	27.1	406.1	9.4	3.2	322.4	7.5	2.5
1937	128.8	3,646.6	82.1	28.3	380.8	8.6	3.0	304.8	6.9	2.4
1938	129.8	2,918.3	81.0	22.5	284.5	7.9	2.2	329.4	9.1	2.5
1939	130.9	3,628.6	79.5	27.7	396.5	8.7	3.0	468.9	10.0	3.5
1940	132.1	3,959.1	80.4	30.0	407.9	8.3	3.1	482.1	9.8	3.6
1941	133.4	5,192.1	80.0	38.9	648.0	10.0	4.9	591.9	9.1	4.4
1942	134.9	5,633.1	81.5	41.8	603.6	8.7	4.5	620.8	9.0	4.6
1943	136.7	5,270.6	79.5	38.6	636.2	9.6	4.7	656.1	9.9	4.8
1944	138.4	4,790.4	77.2	34.6	622.8	10.1	4.5	704.8	11.4	5.1
1945	139.9	4,515.8	75.2	32.3	645.1	10.7	4.6	769.9	12.8	5.5
1946	141.4	4,809.1	73.7	34.0	737.5	11.3	5.2	875.5	13.4	6.2
1947	144.1	4,665.6	72.5	32.4	698.2	10.8	4.9	987.9	15.4	6.9
1948	146.6	4,463.5	69.7	30.4	698.1	10.8	4.7	1,149.4	17.9	7.8
1949	149.2	3,839.1	70.4	25.7	500.4	9.2	3.4	1,993.5	18.2	6.7
1950	151.7	4,628.7	68.3	30.9	634.8	9.3	4.2	1,350.0	19.7	8.9
1951	154.4	4,868.6	71.1	31.5	484.2	7.1	3.1	1,274.6	18.6	8.3
1952	157.0	4,470.9	69.4	28.5	466.4	7.2	3.0	1,214.7	18.8	7.7
1953	159.6	4,456.1	68.8	27.9	484.0	7.6	3.1	1,222.5	18.8	7.7
1954	162.4	4,127.3	68.4	25.4	384.1	6.4	2.4	1,154.7	19.1	7.1
1955	165.3	4,382.4	65.2	26.5	413.8	6.2	2.5	1,419.2	21.1	8.6
1956	168.2	4,362.6	66.7	25.9	440.8	6.7	2.6	1,200.9	18.3	7.1
1957	171.2	4,060.2	65.1	23.7	368.8	5.9	2.2	1,177.1	18.9	6.9
1958	174.1	3,866.9	64.8	22.5	331.1	5.5	1.9	1,127.2	18.9	6.5
1959	177.1	4,334.5	63.3	24.5	435.3	6.4	2.5	1,252.5	18.3	7.1
1960	180.7	4,190.9	64.6	23.2	411.0	6.3	2.3	1,055.4	16.3	5.8
1961	183.7	4,081.5	62.1	22.2	412.1	6.3	2.2	1,126.7	17.2	6.1
1962 ¹¹	186.6	4,189.9	59.4	22.5	429.1	6.1	2.3	1,263.5	17.9	6.8

See footnotes at end of table, p. 494.

TABLE 22.—*Mill consumption of fibers: Total and per capita, 1935 to date—Continued*

Year beginning January 1	Noncellulosic manmades ¹			Manmade waste ⁶			Flax ⁷ and silk ⁸			All fibers	
	Total	Percentage of fibers	Per capita	Total	Percentage of fibers	Per capita	Total	Percentage of fibers	Per capita	Total	Per capita ⁹
	Million pounds	Percent	Pounds	Million pounds	Percent	Pounds	Million pounds	Percent	Pounds	Million pounds	Pounds
1935	---	---	---	14.5	0.4	0.1	85.0	2.4	0.7	3,531.6	27.8
1936	---	---	---	20.8	.5	.2	80.5	1.9	.6	4,301.3	33.6
1937	---	---	---	24.8	.6	.2	78.4	1.8	.6	4,435.4	34.4
1938	---	---	---	10.7	.3	.1	61.0	1.7	.5	3,603.9	27.8
1939	---	---	---	14.1	.3	.1	69.7	1.5	.5	4,567.8	34.9
1940	4.3	0.1	(10)	12.3	.2	.1	89.7	1.2	.5	4,925.4	37.3
1941	11.6	.2	0.1	14.0	.2	.1	35.3	.5	.3	6,492.9	48.7
1942	23.1	.3	---	15.0	.2	.1	23.2	.3	.3	6,918.8	51.3
1943	35.3	.5	.3	21.4	.3	.2	13.6	.2	.1	6,633.1	48.5
1944	45.8	.7	.3	21.9	.4	.2	9.5	.2	.1	6,195.2	44.8
1945	49.8	.8	.4	25.4	.4	.2	8.4	.1	.1	6,014.4	43.0
1946	53.2	.8	.4	25.6	.4	.2	26.1	.4	.2	6,327.0	46.2
1947	51.4	.8	.4	18.6	.3	.1	12.0	.2	.1	6,433.7	44.6
1948	71.7	1.1	.5	18.6	.3	.1	12.9	.2	.1	6,409.2	43.7
1949	92.8	1.7	.6	15.6	.3	.1	10.1	.2	.1	5,451.5	36.5
1950	140.5	2.0	.9	27.9	.4	.2	21.4	.3	.1	6,857.3	45.2
1951	195.5	2.8	1.3	8.5	.1	.1	18.3	.3	.1	6,849.7	44.4
1952	249.0	3.9	1.6	26.5	.4	.2	19.3	.3	.1	6,446.8	41.1
1953	279.4	4.3	1.8	21.8	.3	.1	15.4	.2	.1	6,489.2	40.7
1954	328.6	5.4	2.0	25.0	.4	.2	15.4	.3	.1	6,035.2	37.2
1955	432.2	6.4	2.6	51.1	.8	.3	19.0	.3	.1	6,717.7	39.1
1956	484.1	7.4	2.9	42.4	.6	.3	20.6	.3	.1	6,551.4	39.0
1957	567.5	9.1	3.3	48.0	.8	.3	15.5	.2	.1	6,237.3	36.4
1958	575.2	9.6	3.3	61.7	1.0	.4	9.4	.2	.1	6,237.3	34.3
1959	741.4	10.8	4.2	70.9	1.0	.4	11.8	.2	.1	5,971.4	38.7
1960	761.7	11.7	4.2	60.9	.9	.3	11.6	.2	.1	6,846.4	35.9
1961	861.7	13.1	4.7	74.7	1.1	.4	12.7	.2	.1	6,491.6	35.8
1962 ¹¹	1,075.7	15.2	5.8	85.0	1.2	.5	12.4	.2	.1	7,055.6	37.8

¹ Bureau of the Census. Population, continental United States as of July 1, including Armed Forces overseas.

² Mill consumption as reported by the Bureau of the Census. For American cotton, tare as reported by the Crop Reporting Board has been deducted; for foreign cotton, 3 percent (15 pounds) was deducted (20 pounds beginning Aug. 1, 1958). Since 1950, data have been adjusted to year ended December 31.

³ Includes apparel and carpet wool on a scoured basis. Data from wool consumption reports of the Bureau of the Census.

⁴ Textile Organon, publication of the Textile Economics Bureau, Inc. Includes filament and staple fibers. Data are U.S. producers' domestic shipments, plus imports for consumption.

⁵ Textile Organon. Nylon, orlon, glass fiber, etc. U.S. production less exports plus imports for consumption.

⁶ Producers' manmade fiber waste consumed by mills (excludes glass).

⁷ Flax. Imports and estimated production. Bureau of the Census and Plant Industry through 1948. 1949-52 production was estimated by the Agricultural Marketing Service, Portland, Oreg., office. Imports only since the 1953 season.

⁸ Silk. Bureau of the Census. Net imports through 1933. Since 1934, imports for consumption.

⁹ Total consumption divided by population and not a summation of per capita consumption of fibers.

¹⁰ Less than 0.05 pound.

¹¹ Preliminary.

Source: USDA, Cotton Situation, November 1963.

The CHAIRMAN. But it is my judgment that irrespective of what you sell cotton for most of the mills will want to use some of that nylon and will want to use some of the rayon because, I don't know it makes a better piece of material, but the people who wear them, particularly the ladies——

Mr. CHAPIN. That is right.

The CHAIRMAN. So irrespective of what we do here, they are going to use nylon and they are going to use rayon.

Mr. CHAPIN. That is correct.

The CHAIRMAN. But here in the last few years, judging from this table, it would seem to me that the amount of rayon or cellulose used has been about steady. There hasn't been much change, and the same thing goes in the use of cotton. There hasn't been much of a change in the last 3 or 4 years.

Mr. CHAPIN. Percentagewise, though, there has been a down change; baleagewise we have maintained about eight and a half million bales.

The CHAIRMAN. But the point I am trying to make to you is that the per capita consumption hasn't varied much.

Mr. CHAPIN. Well, as I said——

The CHAIRMAN. In other words, in 1960 the cotton consumption was 23.2 pounds per person. Rayon was 5.8 and other cellulose of fabric was 4.2. The next year it was 4.7 for rayon—for cellulose and for rayon it was about the same as the year before, and the same thing goes for cotton. So you see there hasn't been much difference, and I don't believe that the price of cotton insofar as our textile industries in this country are concerned would make much difference in lowering the price of cotton. In other words, they would buy these synthetics at any rate.

Mr. CHAPIN. Well, as I said when I started, I am not an expert. You will hear from the Cotton Council people here, I suppose, and I have just come from their meeting in Biloxi——

The CHAIRMAN. I understand they wouldn't testify.

Mr. CHAPIN. And I got a different picture from that.

The CHAIRMAN. I understand they wouldn't testify.

Mr. CHAPIN. No, I believe not.

The CHAIRMAN. Well, I was ready for them, if they did. [Laughter.]

Mr. CHAPIN. Too bad.

The CHAIRMAN. I would like for them to come back and see us, let them come and testify.

Mr. CHAPIN. I would say this, the picture we got was not as hopeful as you have it there. Now, to go back to this 1958 program, we certainly went along with that and I agree with you that if we had let that price slowly sag we would have been better off today surely and I think our people could have gone along with it and I think we could have lived with it.

The CHAIRMAN. Our program that we had in 1958, we had given 5 years for the program to adjust itself.

Mr. CHAPIN. That is right.

Mr. CHAIRMAN. And if it had been administered in that manner, why we may not be out of trouble but our troubles wouldn't be as great as they are now.

Mr. CHAPIN. Yes, but it would have been better, I agree, and I am sure our people agree with that, Senator.

The CHAIRMAN. Now, with respect to the use of cotton by the textile mills, I would cheerfully support a law to make that possible, and it is my belief that if we told the mills, "Well, 80 percent, let's say as an example of your past production, you are going to buy at the regular price and the rest we will give you a cut on the cotton price," to try to encourage them to use it.

But for us to give a subsidy, as I have just pointed out of \$275 million to get 600,000 more bales consumed is just something that you and nobody else can justify to me or anybody else.

Mr. CHAPIN. Well, I am just wondering, that 600,000 bales, whether that is going to remain the situation or whether we would lose part of what we have already got in this eight and a half million bales domestic consumption if we don't do something.

The CHAIRMAN. It would be, according to that——

Mr. CHAPIN. We wouldn't lose quite as much and we would gain in the other.

The CHAIRMAN. Their use of cotton, though, hasn't varied much over the years. It has just about been constant, don't you see, but not in proportion, though, to an increase in population.

In 1957 they used 8,280,000 bales. In 1958, 7,912,000; in 1959, 8,878,000 bales; in 1960, 8,589,000 bales; in 1961, 8,366,000 bales; in 1962, 8,584,000 bales.

So you can see that that consumption has been constant, and for the year of 1964 the estimate is 8,600,000. So——

Mr. CHAPIN. Your position is if we could maintain eight and if we could subsidize them to increase——

The CHAIRMAN. Yes, that is the point. That is the point. I would be willing to give it to them at 50 percent of parity if they would increase it.

Mr. CHAPIN. Well, we do think this, Senator, that we can take to show good faith, we have fought this out in our own community so don't think we are saying it lightly, we could live with a lower price now but we can't certainly go down to world price.

Mr. CHAIRMAN. I realize that. And, of course, that applies not only to cotton but other commodities. Our standard of living is so far superior to that of any other nation——

Mr. CHAPIN. That is right.

The CHAIRMAN. That we can't compete with the labor at all. It is impossible, and I realize that, and that is why we can't afford at the moment to get out of these support price programs. I would like to get out of them altogether.

Mr. CHAPIN. I would, too. Well, Senator, there is one thing I hope you can protect us on and that is taking any further acreage cuts. We are down now to——

The CHAIRMAN. You think you are low enough?

Mr. CHAPIN. I think we are low enough. I am looking at my farmers right there that I work with every day, and by golly they haven't got enough acreage that they can stand to take a cut, even a 10-percent cut.

Now, the diversion if you have to go that way, speaking for myself, and not our council, but that would be preferable if you have to do it because then those who feel they could do it, and there are people in special situations that can do it, but if I were offered a diversion of, say, 11 cents that has been suggested which is \$55 a bale, and on our

land that would be \$55 an acre, it would be much more money in my pocket to take that diversion and run my tenant completely out of there than it would to go along with them, but I couldn't justify that because this thing wouldn't last and I think that is a tendency. We are forcing people to quit the farm and that is their way of life, that is what they love or they wouldn't farm.

They don't make enough money out of farming, that is sure, to stay there. Not in our section. I hope you can protect them on that.

The CHAIRMAN. Well, we will do our best.

Mr. CHAPIN. As near as possible.

The CHAIRMAN. We will do our best.

Mr. CHAPIN. You can't do the impossible.

The CHAIRMAN. Thanks ever so much.

Mr. CHAPIN. Thank you.

The CHAIRMAN. Is there anybody else who would like to be heard here today who was supposed to come tomorrow?

If not, the committee will stand in recess until 10 o'clock tomorrow.

(Whereupon, at 12:35 p.m., the committee recessed to reconvene at 10 a.m., Friday, January 31, 1964.)

1906

COTTON PROGRAMS

FRIDAY, JANUARY 31, 1964

U.S. SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D.C.

The committee met, pursuant to recess, at 10:10 a.m., in room 324, Old Senate Office Building, Senator Allen J. Ellender (chairman) presiding.

Present: Senators Ellender (presiding), Eastland, Talmadge, Jordan of North Carolina, Walters, Aiken, and Mechem.

The CHAIRMAN. The committee will come to order.

The committee will proceed with further hearings on cotton legislation, and we have as our first witness Mr. C. B. Ray.

Mr. Ray, will you step forward, please? Will you identify yourself for the record, Mr. Ray?

STATEMENT OF C. B. RAY, EXECUTIVE VICE PRESIDENT, EL PASO VALLEY COTTON ASSOCIATION, EL PASO, TEX.

Mr. RAY. Yes. I am C. B. Ray, executive vice president of the El Paso Valley Cotton Association.

Mr. Chairman, I would like to say that in my script there are frequent references made to the Cooley bill and, of course, I mean the House bill, H.R. 6196.

The CHAIRMAN. Proceed.

Mr. RAY. Cotton's competitive situation is very little different from what it was at the time of your May hearing, except cotton is now in deeper trouble and time is running out. There have been, however, some new developments which merit attention.

One of these is the so-called Jones amendment, now a part of H.R. 6196, which would give the Secretary authority to establish the domestic subsidy at whatever level he believed would eliminate the inequity of the cotton cost difference. The claim is made that it is not necessary for American cotton to be made available to American mills at the same price it is sold for export in order to eliminate the inequity. This argument is based on the assertion that domestic mills have a freight rate advantage. This is entirely irrelevant, as I will show in a moment, but let me say that the freight question depends upon where the cotton is produced and where the textiles are to be delivered, and, of course, and how and in what type of bottom it is shipped.

For example, it costs considerably less to send California cotton to Japan and back to California in the form of textiles than it does to send the same cotton to South Carolina and same textiles back to California. The inequity which everyone is talking about was created by the export program which permitted foreign mills to buy

American cotton cheaper than American mills, and it is this inequity which should be fully removed.

Whatever freight differences exist now existed before the export program was put into effect. To eliminate the cotton cost differential, it is necessary that American cotton be made available to U.S. mills at the same price it is made available for export—no more, no less.

The CHAIRMAN. You mean without the trade differential?

Mr. RAY. That is right.

The CHAIRMAN. In other words, give to the domestic mills a subsidy of \$42.50 a bale, is that your idea?

Mr. RAY. If you are going to eliminate the inequity then it has to be that price equivalent to the export price because this is the main reason for the inequity that we have. This is the whole point I am trying to make.

The CHAIRMAN. So you want the committee to eliminate the Jones amendment?

Mr. RAY. Yes, sir.

The CHAIRMAN. Proceed.

Senator AIKEN. Are you satisfied that any benefit given to the mills would be returned to the producers?

Mr. RAY. I believe it works, Senator, for the reason I think competition——

Senator AIKEN. You mean the mills would lower the cost of consumer goods so much that it would offset the cost of the program?

Mr. RAY. Senator, you know, of course, that I am not a millman and, therefore, can't answer this question positively but it is my opinion that the competition is such——

Senator AIKEN. I wanted to be sure if the mills got the subsidy would they pass it back to the producers?

Mr. RAY. I am convinced.

Senator AIKEN. Just like they did when we had the subsidy on beef back in the war.

Mr. RAY. Senator, it is my brand of economics that the producer would be benefited and so would the consumer. There would be no cushion of profit there to the in-between. I think competition would take care of it.

Senator EASTLAND. Wouldn't this factor enter into it? They would consume more cotton and they would run more and would that reduce their unit cost of manufacturing cotton?

Mr. RAY. No, reason why it shouldn't because of mass production.

Senator EASTLAND. It would, wouldn't it?

The CHAIRMAN. How would it if they can get a substitute that is equal in price to that of cotton? And as I said yesterday and the day before, in my opinion, no matter what the cotton sells for, they will use synthetics in order to suit the whims of the trade.

Mr. RAY. That enters into it, of course.

The CHAIRMAN. Certainly. And the same thing prevails in Europe whether it is in Belgium or France or Germany or Italy and the U.K. You have had a gradual decrease from the use of cotton to synthetics and I will ask permission to put into the record at this point a table indicating that. I put one in yesterday in respect to the cotton uses in the United States in contrast to synthetics.

(The table referred to follows:)

Mill consumption of cotton, wool, and manmade fibers, total and percent of total by fiber, 1952-62

Calendar year	Million pounds				Percent			
	Cotton	Wool	Man-made	Total	Cotton	Wool	Man-made	Total
Belgium:								
1952	173.5	57.1	20.3	250.9	69.2	22.8	8.0	100
1953	190.3	69.9	30.9	291.1	65.4	24.0	10.6	100
1954	210.8	63.3	41.2	315.3	56.9	20.0	13.1	100
1955	196.4	64.8	41.0	302.2	65.1	21.4	13.5	100
1956	202.2	78.0	45.2	325.4	62.1	24.0	13.9	100
1957	210.8	79.8	57.3	347.9	60.6	22.9	16.5	100
1958	164.5	70.3	38.1	272.9	60.2	25.8	14.0	100
1959	190.7	78.0	52.7	321.4	59.3	24.4	16.3	100
1960	202.8	86.6	65.5	354.9	57.2	24.4	18.4	100
1961	201.1	88.2	81.8	371.1	54.2	23.8	22.0	100
1962 ¹	183.9	102.1	101.2	387.2	47.5	26.4	26.1	100
France:								
1952	548.3	213.8	147.5	909.6	60.3	23.5	16.2	100
1953	582.2	250.2	189.2	1,021.6	57.0	24.5	18.5	100
1954	649.0	256.4	193.1	1,098.5	59.1	23.3	17.6	100
1955	570.3	245.6	209.7	1,025.6	55.6	24.0	20.4	100
1956	602.3	276.2	228.6	1,107.1	54.4	24.9	20.7	100
1957	667.3	310.4	270.7	1,248.4	53.4	24.9	21.7	100
1958	630.5	266.1	267.0	1,163.6	54.2	22.9	22.9	100
1959	589.3	266.8	258.4	1,114.5	52.9	23.9	23.2	100
1960	663.4	279.8	331.6	1,274.8	52.0	22.0	26.0	100
1961	661.8	301.1	336.6	1,299.5	50.9	23.2	25.9	100
1962 ¹	618.8	290.8	371.5	1,281.1	48.3	22.7	29.0	100
Germany (Federal Republic):								
1952	468.5	131.6	304.0	904.1	51.8	14.6	33.6	100
1953	548.7	153.7	349.9	1,052.3	52.2	14.6	33.2	100
1954	596.1	151.7	383.4	1,131.2	52.7	13.4	33.9	100
1955	599.9	180.1	417.3	1,197.3	50.1	15.0	34.9	100
1956	649.0	191.4	412.9	1,253.3	51.8	15.3	32.9	100
1957	696.9	192.2	425.5	1,314.6	53.0	14.6	32.4	100
1958	665.3	144.8	389.3	1,199.4	55.5	12.1	32.4	100
1959	669.8	153.7	454.4	1,277.9	52.4	12.0	35.6	100
1960	713.6	155.0	506.8	1,375.4	51.9	11.3	36.8	100
1961	689.6	149.9	528.2	1,367.7	50.4	11.0	38.6	100
1962 ¹	656.5	147.9	584.0	1,388.4	47.3	10.7	42.0	100
Italy:								
1952	409.6	125.0	126.3	660.9	62.0	18.9	19.1	100
1953	410.5	131.6	145.5	687.6	59.7	19.1	21.2	100
1954	414.9	118.6	192.5	726.0	57.2	16.3	26.5	100
1955	361.3	113.3	161.2	635.8	56.8	17.8	25.4	100
1956	386.2	126.8	212.7	725.7	53.2	17.5	29.3	100
1957	430.8	160.9	238.5	830.2	51.9	19.4	28.7	100
1958	405.9	156.1	244.5	806.5	50.3	19.4	30.3	100
1959	443.6	178.6	268.5	890.7	49.8	20.0	30.2	100
1960	500.4	214.5	290.1	1,005.0	49.8	21.3	28.9	100
1961	496.0	186.9	314.8	997.7	49.8	18.7	31.5	100
1962 ¹	511.9	205.0	396.2	1,113.1	46.0	18.4	35.6	100
United Kingdom:								
1952	694.4	385.8	246.9	1,327.1	52.3	29.0	18.7	100
1953	814.6	496.0	377.0	1,687.6	48.3	29.4	22.3	100
1954	883.4	471.6	401.2	1,756.2	50.3	26.8	22.9	100
1955	774.3	486.3	394.6	1,655.2	46.8	29.4	23.8	100
1956	733.2	492.1	423.3	1,648.6	44.5	29.8	25.7	100
1957	759.9	500.2	449.7	1,709.8	44.4	29.2	26.4	100
1958	631.8	460.1	372.6	1,464.5	43.1	31.4	25.5	100
1959	639.1	535.3	439.6	1,614.0	39.6	33.2	27.2	100
1960	613.8	506.2	526.9	1,646.9	37.3	30.7	32.0	100
1961	551.2	471.8	604.1	1,627.1	33.9	29.0	37.1	100
1962 ¹	492.5	448.0	670.6	1,611.1	30.6	27.8	41.6	100

¹ Estimated.

Source: Data from International Cotton Advisory Committee.

Senator AIKEN. I would like to know, Mr. Chairman, a little more about how it works. Let us assume that we will support cotton to the producer at 32½ cents, with the world market price at 24 cents. Now as the mills buy from the producer, would they pay him the 32½ cents and then get a rebate, in the form of a Government check, or how it is proposed to work?

Mr. RAY. Senator, I envision this thing as working almost identical to the way it is worked now on the export subsidy. This is nowhere near the farmer——

Senator AIKEN. They would get either a check or a payment in kind.

Mr. RAY. I am not thinking in terms of the farmer getting this any more than in the support price or in a——

Senator AIKEN. How would he get his support price?

Mr. RAY. As he does now.

Senator AIKEN. From the Government?

Mr. RAY. Oh, yes.

Senator AIKEN. And the mills would get their rebate from the Government?

Mr. RAY. I don't see that. It would work identically the way you are working export subsidy now, this is what I am saying.

The CHAIRMAN. The cotton that is now sold to foreign mills is sold by the trade?

Mr. RAY. Right.

The CHAIRMAN. And it is purchased from the Commodity Credit or on the market. Now, I presume in this case, according to the Cooley bill the differential would be paid in kind.

Mr. RAY. Certificates in the same manner that it is now being paid to the exporter.

The CHAIRMAN. But the Government would be the one to suffer the losses, because it would practically give away cotton in order to take the place of the money that would be required to pay this differential.

Mr. RAY. Senator, I try to cover that point later in my testimony.

Senator TALMADGE. Mr. Ray, may I ask you a question at that point?

Mr. RAY. Yes.

Senator TALMADGE. What you are trying to say as I understand your testimony is, that an American cotton mill ought to be entitled to buy American cotton at the same price that a foreign mill buys cotton; is that your testimony?

Mr. RAY. Yes, sir, I made that statement almost exactly.

Senator TALMADGE. All right. Let me ask you this further question: Is it not true that the textile industry is one of the most competitive groups there is in America, and that the competition would force any savings in cost of raw cotton to be passed on to the consumers.

Mr. RAY. I am convinced that this is true as I said earlier. I think the consumer and the producer would be the two people who would benefit in this effort.

Senator TALMADGE. Thank you, Mr. Ray.

Senator AIKEN. Then it amounts to this. If the support level were 32½ cents, the Government would pay the producer 32½ cents and resell it to the mills at the world price at 32½ cents, and the Government would, in effect, control the crop of cotton.

Mr. RAY. This is correct, provided the support remains at 32 or whatever it is. I envision a lower support than that.

Senator AIKEN. In other words, the Government would be in a very large deficit business.

Mr. RAY. Well, as I said earlier, Senator Aiken, I hope to cover that later.

Senator AIKEN. All right.

Mr. RAY. I do want to make the point clear I am not advocating 32½-cent support.

The CHAIRMAN. Mr. Ray, I notice here that you are executive vice president of the El Paso Valley Cotton Association.

Mr. RAY. That is correct, sir.

The CHAIRMAN. Are you producers of cotton?

Mr. RAY. Yes, sir.

The CHAIRMAN. Why would you want, why would you advocate the Cooley bill then, because in my humble judgment, I may be in error about this, but the Cooley bill does not assist or help the producers of cotton.

Mr. RAY. Yes, in my opinion, it does, and in the opinion of my members it does.

The CHAIRMAN. How?

Mr. RAY. It puts cotton back in the market. It puts cotton back in the use, and it makes cloth out of it instead of storing it in warehouses.

The CHAIRMAN. Well, I am sorry you were not here to hear all of the testimony. It was brought out that every cent that cotton goes down, the mills would consume; that is, domestic mills would consume approximately 100,000 bales of cotton. I assume that the subsidy is 8½ cents. That would mean 850,000 bales of cotton that would be used in addition to what the mills now use or consume, but the payment to the mills would be in excess of \$300 million. Could you justify that to the American taxpayer by saying to them that in order to get the use of, let's say, 850,000 bales of cotton, we will subsidize the mills to the tune of over \$300 million? Could we justify that?

Mr. RAY. Senator, before I answer that, I would like to first preface my remarks by saying that I am not familiar with these figures, and I don't know how anyone knows what 1 penny difference would get in number of bales consumed.

The CHAIRMAN. That is the advice we got from some witnesses, and even the Department of Agriculture said that, too, that the amount of cotton that would be used by the domestic mills in addition to their present consumption wouldn't be over a million bales.

Now, in order to get this million bales sold, the taxpayers would have to pay in excess of \$300 million, because they would have to pay the \$42½ a bale under the bill you are suggesting, not only on the excess amount of cotton that would be used but on all of the cotton use. So take this year, for instance, we are utilizing 8.6 million bales of cotton, and add to that in round figures a million bales. That would be 9,800,000, and multiply that by \$42½ and you will have the amount of money that the Government would have to shell out in order to satisfy or be in keeping with your recommendations.

Mr. RAY. Senator, may I elaborate a bit on this one point? I think this is very important; if you take these figures and you accept it that you get 100,000 bales for each penny you lower the price. All you can lower the price is 32½; is that correct?—if my arithmetic is correct if you gave the cotton away.

The CHAIRMAN. You can lower the price under the present law if you desire, to 65 percent of parity, and you don't want that; do you?

Mr. RAY. I am talking about economics now. I am not talking about laws and what you can do. But simply trying to show the fallacy in a straight line use curve as that that is pointed out here, 1 penny for a thousand bales—a hundred thousand bales. I am simply saying if you gave the cotton away under this same theory you would only use, what, 3 million bales more. I mean this is what is wrong, Senator, with saying that is all you will get for a penny. I don't know, sir, what you will get for a penny.

The CHAIRMAN. If you don't know, you can't argue against the testimony that has been given to us previously.

Mr. RAY. I am not arguing against the testimony, sir, but simply showing the danger.

The CHAIRMAN. All right. Proceed.

Mr. RAY. This was recognized by the Department of Agriculture in 1959, and again in 1962, at the hearings before the Tariff Commission on the issue of offsetting the cotton cost difference on cotton textile imports. In both instances the Department officials told the Tariff Commission that an import fee in the amount of the export subsidy was needed to eliminate the inequity.

Further, Jones amendment would place in the hands of the Secretary a tool which could be used to obtain support for the administration's legislative proposals, whatever they might be, in that it gives him authority to set the level of the domestic subsidy, and second, it would cause hand-to-mouth buying of textiles for several months each year just prior to the announcement of the subsidy.

Others before me, Mr. Chairman, have testified in behalf of a cotton textile import fee as a means of offsetting the price inequity. On first blush this sounds good, but when examined further, you find a well-traveled road littered by defeat.

In 1955, the Secretary of Agriculture was petitioned for action under section 22 of the Agricultural Adjustment Act to impose quotas on imports of cotton textiles. The petition was turned down.

In 1956, an amendment including import quotas was offered in the Senate to the farm bill, but was defeated. During the same year the Senate rejected two proposed import quota amendments to the foreign aid bill.

Included in the Agricultural Act of 1956 was a section authorizing the President to negotiate with foreign countries to limit imports. Negotiations aimed at limiting imports from Japan began in 1956 and culminated in a 5-year plan for voluntary control of Japanese exports of cotton textiles to the United States.

I might add at that time Japan was one of the greater ones in bringing cotton to this country.

In 1959 the industry asked the Secretary to seek a Tariff Commission hearing under section 22. The President asked that the case be limited to the effect of imports on the cotton export program. The Tariff Commission turned down the industry's request.

In 1961, action was initiated with the Office of Emergency Planning seeking a determination that the cotton textile industry is both essential to national defense and jeopardized by imports (the President may impose import quotas to protect an industry if the above criteria are met). No decision has thus far been announced.

Long-and short-term Geneva agreements were negotiated in 1961 and 1962, but enforcement, although greatly improved recently in the past year, has been difficult.

In 1961, the Department sought Tariff Commission action to limit imports under section 22. The President widened the scope of the investigation, but the Commission once more ruled against relief.

It was only after this long series of bitter disappointments that the development of legislation to remove the inequity of the two-price cotton program began at the President's—and that was President Kennedy, at his direction in late 1962.

An import fee may be desirable, but it would not solve cotton's total problem. I am speaking of the inequity problem, Senator. Cotton has a lot more problems than this. Certainly, it would be helpful in controlling imports of those articles in which cotton is the greatest element of cost. And while the greatest growth in cotton textile imports has occurred in these items, they by no means account for all imports.

Furthermore, an offsetting fee would not stem the shift from cotton to manmade fibers in cotton's domestic markets, because it could do nothing to make U.S. cotton more competitive in price with rayon and other synthetics.

I want to emphasize this is the very important item that we want to cover.

Now, Mr. Chairman, I would like to pose a question: How did cotton get into its present condition. To me, and this is my personal feeling, there can be but one answer. Actions which the U.S. Government has taken are responsible. Therefore, it is only reasonable that further actions of the Government are necessary to correct the situation.

Now, in light of this statement, I would like to analyze two proposals which have already been placed before this committee.

The first is the American Farm Bureau Federation's price support proposal which would set the support price at 90 percent of the average market price for the preceding 3 years, except that it could not be lower than 30 cents for 1964, nor lower than 60 percent of parity for any year, which, on the basis of present parity, would be about 24 cents.

This committee has already had overwhelming testimony to the effect that cotton needs to be priced at not more than 24 cents a pound, if it is to be competitive in world markets. Testimony has also been presented that cotton needs to be priced at 24 cents a pound in order to be competitive with rayon. If the Congress repealed the price support program and let the basic economic laws operate, we would certainly expect that the price of cotton would immediately fall to at least 24 cents, in order to meet its basic competition, namely, rayon and foreign cotton.

The Farm Bureau's proposals would not do this immediately. They would do it gradually. So long as the price level of cotton's competition is 24 cents, the only thing that would keep cotton's price from going that far would be the support price. As I have already said, the Farm Bureau's proposals set the support price at less than the market until it reaches the 24 cent minimum.

Now, obviously, this proposal will make farmers bear the whole burden of lowering the price of cotton down to 24 cents in order to make it competitive. Incidentally, if cotton proves not to be competitive at that level, it cannot ever become competitive under the Farm Bureau proposal.

Let me recite to the committee what the price support for various years would be under the Farm Bureau proposal, based on the assumption that since the support level would be above the competitive level, the market price would be the same as the support price.

The table is here, and without reading those, I want to point out that I am talking about the average of the crop and not Middling inch. And I want to point out in the table there that in 1968 you will note, which is the 4 years from this moment, the farmers will be anticipating a 25-cent cotton. Two bits isn't very much for a farmer with the costs that he has today.

(The table referred to is as follows:)

Anticipated price support under Farm Bureau's proposal for the average of the crop

	Cents		Cents
1964.....	29. 25	1967.....	26. 28
1965.....	28. 40	1968.....	25. 16
1966.....	27. 47	1969.....	24. 24

Senator EASTLAND. It can't be grown at that price, can it?

Mr. RAY. We can't in our country, Senator, and I doubt seriously that if the farmers in yours could, under present conditions. I can visualize it in time but I can't at the moment.

With the current cost of growing cotton, I do not know of any area where farmers can grow cotton profitably at this level. Certainly they cannot in my country, and, Senator, I do not believe they can in yours.

A banker friend of mine told me recently—and he is in the financing business of cotton—that if the support price was 24 cents a pound, he could not afford to finance cotton production; that the Department of Agriculture should be prepared to expand the Farmers' Home Administration sufficiently to take over the entire crop-financing operation for cotton.

I would like to say privately that he couldn't visualize any banker in his right mind financing the farmer at that level.

Most farmers can take a moderately lower price support immediately. In time, they can take even lower price support if their costs come down, but I know of no farmer who is willing to have his price support lowered to a competitive level without taking into account the cost of production.

The Cooley bill will make an immediate reduction in the price support to 30 cents a pound in 1964. Thereafter, the price support is lowered as the cost of production is lowered, except that the maximum support level for 1965 is 29½ cents for Middling inch and for 1966 and thereafter, 29 cents.

Practically all farmers can live with this kind of price-support program, and this is the basic difference between the Farm Bureau proposal and the Cooley bill. Under the Cooley bill, the Government would bear the cost of lowering the price the rest of the way down to a competitive level. By 1966, farmers would be bearing about 40 percent of the reduction in price, the Government about 60 percent.

In other words, the Farm Bureau proposal requires that farmers bear the full burden of making their cotton competitive through progressive reductions in price support without regard to farmers' costs. The House bill would make cotton competitive immediately, and the burden would be shared by farmers and the Government.

Further reductions in price support would be geared to reductions in costs of producing cotton.

The Cooley bill also recognizes the extreme difficulty small farmers have in lowering the price to anywhere near the competitive level. It provides for a higher price support on the first 15 bales of each farmer's production. I am told that in the Southeast this will cover about 90 percent of the farms.

The next logical question—how much would this cost?—meaning how much would it cost the Government. I have heard many statements about what the Cooley bill would cost, and, I might add, most of these were irresponsible. To estimate the expenditures under any program, one must establish a set of assumptions.

I will offer the following as what seems to be reasonable: They are generally in line with those of the U.S. Department of Agriculture and private cotton economists. These are the assumptions:

- (1) The maximum acreage allotment would be 16.2 million acres, the same as for 1963;
- (2) Harvested acres would be the same as in 1963;
- (3) The harvested yield per acre would be 480 pounds—this is slightly higher than the average of the past 5 years in order to give recognition to the recordbreaking yield for 1963;
- (4) Production would be 14.2 million bales;
- (5) Exports, 5 million bales;
- (6) Domestic consumption:
 - (a) Under current legislation—8,600,000 bales (same as estimated for 1963);
 - (b) Under H.R. 6196—9,600,000 bales;
- (7) Imports and city crop would be 100,000 bales;
- (8) Reduction in carryover and CCC stocks would be 300,000 bales;
- (9) Basic loan would be 30 cents Middling inch in 1964; 29½ cents in 1965; and 29 cents in 1966;
- (10) Domestic and export subsidy would be 6 cents in 1964; 5½ cents in 1965; and 5 cents in 1966.

In making those assumptions the rest of it is arithmetic.

Exporting 5 million bales of cotton at an export subsidy rate of 6 cents a pound or \$30 a bale would result in expenditures of \$150 million in 1964. It is my understanding that in the President's budget it is anticipated that 1 million bales of cotton would be exported under Public Law 480.

Excluding the export subsidy, which was covered in the above \$150 million expenditure, \$120 million—\$120 a bale at 24 cents a pound—would be the expenditure. Carrying charges, interest, and so forth, on CCC stocks of about 10 million bales would be \$86 million. The increased support on the first 15 bales would be at 2.47 cents a pound, or \$12.35 a bale. It is estimated that 5 million bales would be involved, which means an expenditure of \$62 million.

The gross cost of the domestic subsidy at 6 cents a pound, or \$30 a bale, on 9.6 million bales would be \$288 million. But since there would be a reduction of 300,000 bales in CCC stocks, this cotton would be used to pay part of the cost-in-kind without any offsetting cash expenditure, or a reduction in cash outlay of \$44 million. This means that the net cash cost of the domestic subsidy would be \$244 million. Thus, the total estimated expenditure for 1964 under the Cooley bill would be \$662 million.

The CHAIRMAN. You are referring to cash, cash costs. You don't consider the 300,000 bales as cash costs?

Mr. RAY. No.

The CHAIRMAN. That is what your statement says. But we have got to replenish the cost of that to the Government so that in time we must figure out these 300,000 bales because every year we are called upon by the Commodity Credit Corporation to replenish their capital, so for you to say that cash representing the 300,000 bales was not considered, I think you are in error as far as that goes, in any event.

Mr. RAY. Let's see. Let me proceed further and we will perhaps—the further statement clears this up.

This compares with an estimate of expenditures of the current program, made by the Department of Agriculture, for the current year of \$782 million.

As a result the maximum 29½-cent price support in 1965, and the maximum 29-cent price support in 1966, expenditures for 1965 would be reduced by \$27 million and for 1966 by an additional \$40 million. This would bring the total expenditures under the program down to \$595 million in 1966. This is \$187 million less than the Department of Agriculture says will be spent on the cotton program during the current year.

Admittedly, this large expenditure during the current season is due in great part to the record high yield for the 1963 crop. If we made the calculation of expenditures under current legislation using the same yield and the same size crop as under the Cooley bill, expenditures under the Cooley bill in the third year would be only \$40 million more than the cost of current legislation. This is using the same yield and production for both programs.

But, Mr. Chairman, under current legislation, we would continue to lose markets. This is my answer, sir, to my criticism that we might have on the cost to the Government. In my opinion, these are prime considerations that we ought to consider. We will continue to lose markets under the present programs.

CCC stocks and carryover would continue to build up, and Government costs would continue to increase. This means that we must cut our acreage below the 16 million acre minimum, if this is going to happen, down to possibly 13 or even 12 million acres.

In my view, and I think most farmers agree, certainly in my area, such a situation is unthinkable, a reduction in cotton allotment. Under the Cooley bill, markets would be expanded, Government stocks would be reduced, and we would be on our way, at least, to a sound and prosperous cotton industry.

Mr. Chairman, we believe the House passed bill, without the Jones amendment, most nearly meets the objectives of a sound cotton program. It directly meets the urgent problems cotton now faces.

We urge that the committee give its approval to such a measure.

The CHAIRMAN. So you are advocating the Cooley bill without the Jones amendment. Have you anything to say about other legislation before us, such as the Talmadge bill? I presume you would be against that.

Mr. RAY. The Talmadge bill, most of the people that I know, cotton producers that I know, certainly what little they understand of the Talmadge bill, do not like it. It is a drastic change. They object to,

first of all, to the direct payment feature. They object to the three price levels it contains to some extent. They object to the removal of acreage allotments and substituting in lieu thereof the baleage allotment. I did not go into this, Senator, because I had assumed this would be covered previously.

But for the record I would like to say those are the prime objections to that measure.

The CHAIRMAN. Any further questions?

Senator EASTLAND. Are you opposed to the Talmadge bill?

Mr. RAY. Yes; I don't see how we could make it operate, Senator, to do the job that we need to do.

Senator EASTLAND. If that bill were passed this year, you have most farmers that have already obtained production credit. They have rented land on the basis of this price level. The market would go to the world price, would it hurt a lot of people if it did?

Mr. RAY. I think that is the way I tried to cover this thing when I was talking about my banker. As I understand the Talmadge bill it envisages a support price of around anywhere from 20 to 25 cents.

Senator EASTLAND. 20 to 24 cents.

Mr. RAY. 20 to 24 cents. And certainly it would be extremely difficult to get financed under those circumstances because this is the figure that a financier tells me that he looks at, and in that connection in my country most bankers don't want to pledge themselves in their own mind to go with the farmer more than \$125 an acre because that is getting way up to a pretty high percent of his total cost, and they say that once you start with the man you have got to finish with him. You might finish with him at more than the acre produced if you are not careful, and they say if we are going to start at all we must continue with it or we won't start in the first place.

Senator EASTLAND. What will happen to the banks? It will hurt the banks?

Mr. RAY. It will hurt banks and as soon as a banker found out what was going on he just wouldn't finance it.

The CHAIRMAN. Any further questions?

If not, we thank you very much.

Mr. RAY. Thank you, Senator, I appreciate that very much.

Senator EASTLAND. Fine statement.

The CHAIRMAN. The next is Mr. Cortright. Have a seat. You, I know you have a prepared statement.

Mr. CORTRIGHT. Yes, sir; I shall brief the statement using it as an outline and invite questions at any time and I have some additional matter that I would like to see inserted in the record.

The CHAIRMAN. Before you start Mr. Cortright I wish to place in the record at this point a letter addressed to me from Hon. Luther Hodges, Secretary of Commerce, indicating in that letter the extent to which the consumers would benefit if the legislation proposed by Congressman Cooley were enacted, and I note here that he said a reduction of 8½ cents per pound would thus result in a saving to consumers of more than \$700 million.

Senator AIKEN. Is this Hodges' statement for the consumers?

The CHAIRMAN. Right.

Senator AIKEN. I wonder if the President got a copy of this?

The CHAIRMAN. I will say "Hum."

(The letter referred to follows:)

THE SECRETARY OF COMMERCE,
Washington, D.C., January 31, 1964.

Hon. ALLEN J. ELLENDER,
Chairman, Committee on Agriculture and Forestry,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: It is my understanding that during the course of your current hearings on the need for emergency cotton legislation, the question continues to arise as to whether or not a reduction of 8½ cents per pound in the cost of cotton to domestic mills would be reflected in savings to American consumers of cotton textile products. When similar legislation was being considered by the House Committee on Agriculture, Hickman Price, Jr., then Assistant Secretary of Commerce, testified in behalf of this Department that savings to consumers would amount to about \$90 million for each cent of reduction. A reduction of 8½ cents per pound would thus result in a saving to consumers of more than \$700 million.

This saving, Mr. Price said, would come with a lag of from 3 to 8 months, the time from first consumption at the mill to ultimate consumer, and would be reflected in either lower prices or higher quality of the merchandise.

Speaking with personal knowledge from many years in the manufacturing and marketing of cotton textiles, I agree that such a raw material cost reduction in the highly competitive textile and apparel manufacturing industries would generate a chain reaction of savings to consumers. It is the best estimate of our Department that these savings would be of the general order of magnitude indicated by Mr. Price.

Sincerely yours,

LUTHER H. HODGES,
Secretary of Commerce.

The CHAIRMAN. All right, Mr. Cortright, you may proceed, sir.

**STATEMENT OF GEORGE C. CORTRIGHT, CHAIRMAN, FARM POLICY
COMMITTEE, DELTA COUNCIL, STONEVILLE, MISS.**

Mr. CORTRIGHT. Mr. Chairman, and gentlemen of the committee, my name is George C. Cortright, a cotton farmer from Sharkey County, Miss., and I appear here today as chairman of the Farmer Policy Committee of Delta Council.

Delta Council is an organization supported by the agricultural business and professional leadership of the Yazoo-Mississippi Delta area by the boards embraced by it.

We are authorized to speak the farmers' viewpoint on cotton from this area. We appreciate the opportunity of being with you today.

Mr. Chairman, we have been asked not to repeat testimony that was previously presented. I appeared here before you on May 23 last in a fairly comprehensive statement. I will do my best to avoid repetition, but because of need for clarity, it will be difficult not to reiterate some one or two or three points of prior testimony.

Certainly, we are all keenly aware of the steady deterioration of cotton's competitive position as reflected in substantial market losses. These losses can be accounted for largely by lower prices for cotton's competitors both at home and abroad and by quality against this competing fiber.

Current outlook indicates a carryover of almost 13 million bales by August 1, 1964.

There are four major factors that should be recognized as being of consequence in leading up to the current critical situation.

First, we must recognize that since January 1961 there has been an increase in the cost of cottons to U.S. mills of some 3½ cents a pound while the other fibers have reduced their prices.

Second, U.S. cotton prices have not always been available competitively in the export market and we have not maintained a fair share of the world market.

Thirdly, the Tariff Commission rejected the Department's request for import quotas, and we have been having an increased amount of cotton coming in in the form of manufactured textiles, and fourthly, the President's directive of September 6, 1962, to the U.S. Department of Agriculture to develop legislation to eliminate the inequity caused by raw cotton differences has not yet been implemented.

As you know, major segments of the cotton industry and the Department of Agriculture rallied behind H.R. 6196 which was passed by the House of Representatives in December 1963. We supported this bill in the House, and we appear here at this time urging your favorable consideration of this measure with minor modifications.

One of the most important sections of H.R. 6196, as passed by the House Agriculture Committee, was section 348 authorizing and directing the Secretary of Agriculture to make payment in kind to persons other than producers, to eliminate the inequity of the cost differential between domestic and foreign mills.

This section provided that until August 1, 1964, payments would be at a level determined by the Secretary. From August 1, 1964, to July 31, 1967, the rate would be the amount necessary to make cotton available to domestic mills at a price not in excess of that for which it is made available for export.

This section was amended on the House floor in a manner that would permit payments at a level determined by the Secretary of Agriculture.

The original version of the bill is identical with section 348 as carried in Senate bill 1511 introduced at request by you, Mr. Chairman, and by Senator Jordan on May 13, 1963. We believe it is of vital importance that the payment-in-kind certificate reflect the full amount of the export subsidy and urged this change be made and the bill passed by the House.

Might I now digress for a few moments from my prepared statement to show three charts that illustrate why we believe it is necessary and in the interest of producers to have a single-price cotton.

I would ask Mr. Smith if he would present chart No. 1 for me at this time, please.

On these charts we have a record of the market price of cotton across the past 4 years. These prices are based on official quotations collected by the Department of Agriculture for the designated spot markets across the Cotton Belt.

I am showing you the average price of the 82 principal qualities of grade or staple descriptions. We weighted this average according to the amount of each quality that is produced. These 82 qualities make up 95 percent of the entire crop. I believe this is the fairest possible way to show you a true price record in a single average figure.

In the year 1960, from December 1959 to December 1960, the price dropped about 1¼ cents. Over the next 2 years it rose almost

3½ cents, but the most important factor noted is the net change across this entire 4-year period. The price rose from 30.25 to 32.45 cents, or a net 2½ cents. There were some qualities that rose 4½ or 5 cents a pound. There were others that rose little more than 1 cent. But here is the average raise for the entire crop, 2½ cents per pound.

If you will present the second chart, sir.

Now let us compare this with the price of rayon staple on the same dates. These are the prices delivered at the spinning mill. There was a drop of 4 cents, from 31 to 27 cents in 1960.

Over the next 2 years, a further drop of 2 more cents, making a total decline of 6 cents a pound from the end of 1939 to the end of 1962.

Now during the year just passed the price has risen 3 cents a pound to 28 cents, and in fact I understand that one company, American Enka, has recently gone up to 29 cents but we need to understand why this has happened. The rayon companies are now selling all that they can produce, and in fact they cannot fill all the demand; they are having to ration shipments to their customers. Over the period of time shown in this table the rayon companies have almost doubled their production in response to big new demand caused by these price changes, and they no longer have the capacity to meet demand. So naturally they have raised their prices in order to make some more profit in this temporary situation.

But I must emphasize that this is a temporary situation, because the rayon producers are not rapidly building new plant capacity with which to produce more fiber, and take more markets away from us.

According to Textile Organon, the recognized publication of the rayon industry, there will be enough new capacity by this July to produce the equivalent of 300,000 additional bales of cotton per year and by the following March there will be still an additional 200,000 bales' capacity available.

We are often asked this question: If the price of cotton is lowered, won't the rayon people cancel out the effect of that lowering by their own price?

Well, back when their price was 25 cents, we were confidently saying no to that because we know a lot about their cost of production, and they were not going to be able to reduce their price much, if any, below that figure.

But now that they have raised their price to 28 cents, in a very temporary period of shortage, we have to recognize that if the price of cotton is lowered in order to resist their inroads into our markets and to recover some of the losses we have already sustained, of course, they will go back to the price level where they already have been; namely, 25 cents.

If you will show the third chart.

So, in order to be realistic about the price we have to meet, we had better mark out the temporary price of 28 cents and put in this price of 25 cents in its stead.

I ask you to examine the record and draw your own conclusion as to how far the price of cotton has to be lowered on the domestic market just in order to restore the price relationships that we had back at the end of 1959 when cotton was holding its own in fiber competition and giving a good, strong account of itself in competing with rayon.

We have to meet this reduction of 6 cents a pound in rayon from 31 to 25 cents, but the price of cotton has actually increased 2½ cents.

So, the price of cotton in the marketplace will have to come down more than 8 cents a pound, just in order to restore the same price relationships to rayon that we had before these changes took place.

If we are going to be realistic we have to face the fact that we certainly can't compete today if our price is any higher in relation to rayon than it was 4 years ago.

The other modification of H.R. 6196 that we recommend pertains to the so-called McIntire amendment that was accepted by the House Agriculture Committee and subsequently approved by the entire House.

In effect, it says that in subsequent years after 1965, the price supports shall be the level in effect for the preceding year adjusted as provided in this section to reflect reductions in the cost of producing cotton in future years.

Of course, it sets specific limits for the first 3 years, 30 cents, 29½ cents, and 29 cents, and following that, it would reflect reductions.

Our suggested change is that this be amended to reflect changes in the cost of production, instead of original reductions. Our feeling is this, that it is entirely possible that the inflationary spiral shall run rampant at some future year and we should be protected by an upward change in the cost of production as well as a downward, and it is also possible that the American dollar at some future date may be devalued against gold and we would need protection in the event this should happen.

Mr. Chairman, we believe that H.R. 6196 would do the following things for cotton: It would remedy the price disadvantage in the domestic market. Secondly, it would remove the main cause of rising textile imports. Thirdly, it would help to insure a reasonable income for the farmer during the time of transition, and fourthly, it would minimize the imminent risk of the following: the loss of a large source of foreign exchange, the creation of new depressed areas over the Cotton Belt, the impact of diverted acres from cotton upon the markets of other cotton farmers, and fifthly, the conversion of more mills to synthetic fibers and the construction of large new rayon plants.

The CHAIRMAN. How do you figure that it would reduce imports?

Mr. CORTRIGHT. The simple fact is that in many of these imports, the price of raw cotton represents a substantial percentage of the cost. By getting 6 cents a pound roughly off of—or making cotton domestically available to our mills at the same price the foreigners pay, the impact of this price reduction would allow them to compete price-wise.

The CHAIRMAN. Well, how? Isn't labor the chief reason?

Mr. CORTRIGHT. Labor is one ingredient.

The CHAIRMAN. It is one of the chief reasons.

Mr. CORTRIGHT. But currently we also have an 8½ cents a pound punitive situation as regards our domestic mills.

The CHAIRMAN. How much will a difference in 8½ cents-a-pound cotton affect the cost of your shirt or the cost of any cotton goods?

Mr. CORTRIGHT. It isn't in these categories that I speak of. It is in yarns, and in gray goods where the high labor cost hasn't become a part of the cost of the article. In yarns and gray goods where minimum labor is used, the price of raw cotton represents a substantial percentage. The cost of the import. And it would limit it in these categories.

The CHAIRMAN. And you feel that by subsidizing the domestic mills that that would have the tendency of having them to use more cotton?

Mr. CORTRIGHT. And I don't like the term subsidizing the American mills.

The CHAIRMAN. That is what you would be doing.

Mr. CORTRIGHT. I think it is making cotton available to them that will maintain a market for the American farmer.

The CHAIRMAN. Who pays for the difference though?

Mr. CORTRIGHT. I would hope that it would be a joint farmer project and the public sector of the economy.

The CHAIRMAN. But Uncle Sam would pay both the farmer and the bill, let's be frank about it.

Mr. CORTRIGHT. Well, to the extent——

The CHAIRMAN. Isn't it true?

Mr. CORTRIGHT. To the extent support prices are reduced, farmers would be paying their portion of it.

The CHAIRMAN. Well, under the present law, of course, the Secretary, if he desired to act, which he should have done way back, he should have lowered the cost of cotton, because that was the way the 1958 act—that was the tendency that we hoped to accomplish.

By having the Secretary of Agriculture over a period of 4 or 5 years reduce the support price of cotton.

Mr. CORTRIGHT. The record is very clear as to the cause of our plight today.

The CHAIRMAN. And I just can't see how the Cooley bill is going to help the way you say it will.

Mr. CORTRIGHT. In those constructions where the cost of cotton is a significant part of the total cost, I think you will find it will have a very, very good effect.

Senator EASTLAND. Would that be in heavy goods?

Mr. CORTRIGHT. In heavy goods, in yarn where labor isn't a big part of the cost.

The CHAIRMAN. How much cotton is used in that category?

Mr. CORTRIGHT. I would think, and you can, I am sure, get better information from subsequent people who are here.

The CHAIRMAN. Witnesses?

Mr. CORTRIGHT. That there would be some \$250,000 to \$300,000 reduction or roughly a half of the imports would be cut off is the best judgment I would have.

The CHAIRMAN. Your imports now amount to?

Mr. CORTRIGHT. Between 600,000 and 700,000 at an annual rate.

The CHAIRMAN. 500,000 and 600,000 bales?

Mr. CORTRIGHT. I was thinking the record currently for this year is between 600,000 and 700,000.

The CHAIRMAN. 645,000.

Mr. CORTRIGHT. And the amount of——

The CHAIRMAN. And the amount of cotton we now subsidize with the local mills—I think it is 550,000 bales, is it, that our own mills sell abroad, 459,645 bales? So that we seem to get a share of exports almost equal to the amount of imports we take in.

Mr. CORTRIGHT. But if we had a lower price cotton available to our domestic mills we would exceed in our manufactured textiles what our imports are. We would expand our markets even much more, expand our consumption of domestic cotton here in this country.

The CHAIRMAN. Proceed.

Mr. CORTRIGHT. Mr. Chairman, the question has been also raised within the Department of Agriculture regarding the necessity of either reducing the statutory minimum acreage allotment by 20 percent, or initiating a voluntary acreage diversion program through which cotton farmers would receive payments of up to 10½ cents per pound for not producing cotton on 15 acres or 50 percent of their allotments, whichever is the higher. We maintain that the answer to the cotton problem lies in the direction of expansion of markets and not a further contraction of acreage and/or production. This is especially true in the light of the fact that our allotment is now at the statutory minimum of 16 million acres and that cotton farmers had their allotment reduced by 2 million acres in 1962. If we are faced with having to make a choice between a voluntary diversion program or a mandatory across-the-board acreage cut, we would favor the voluntary program. We maintain, however, that neither the acreage cut nor the acreage diversion program is necessary in the light of potential market expansions that can be achieved over a reasonable period of time.

Farmers in the Mississippi Delta, our area, are unalterably opposed to any approach that would put the nonrecourse loan at the world price level until such time that technological improvements would permit comparable reductions in production costs.

Senator EASTLAND. That is the Talmadge bill you are talking about?

Mr. CORTRIGHT. This is one feature of the Talmadge bill which immediately removes the nonrecourse loan to the world level. We would be opposed to that feature of any bill.

We have considered the domestic allotment proposal and we do not believe that this approach, which has been rejected by Congress on many previous occasions, should be adopted.

The proposed domestic allotment program would be thoroughly disruptive from a production credit standpoint. It is recognized that U.S. farmers cannot yet meet these prices and stay in business. Production credit agencies, banks, and other farm credit organizations would be extremely reluctant to advance needed funds for full crop production under these circumstances. With inevitable limitations on payments and difficulty in obtaining production credit, the domestic allotment bill would eventually straitjacket the industry from a supply standpoint. This would result in increased production abroad and further losses in export markets under the residual supplier position now held by the United States.

Another provision of the domestic allotment bill that is most objectionable to farmers is that, aside from the fact that a specified maximum per farm would automatically attach some penalty to size and therefore to efficiency of operation, the same would be true for increased yields per acre.

There would be no incentive to further increase yields. The domestic allotment bill provides for poundage or baleage allotments. Each farmer's allotment would be based on a certain number of bales or pounds of cotton eligible for payments. Currently, a farmer can reduce his costs per unit by achieving efficiencies in production that result in higher yields per acre. This would not be true, or at least not true to the same degree, under the domestic allotment bill. Since the greatest hope for cotton is in the direction of increasing efficiency and reducing costs, this bill represents a backward step.

Mr. Chairman, we wish to again point out that the cotton industry today faces a crisis that is perhaps without parallel in its entire history. The rise in cotton's price and the change in the textile industry's appraisal of cotton's future, because of this increase in price, have injured not just a few of cotton's markets but almost all of them. American textile manufacturers now have a wide array of many new fibers from which to choose. Some of these fibers lend themselves to blending with cotton in traditional all cotton end uses because of price considerations. The U.S. textile market is growing; however, unrealistic cotton policies are encouraging the use of more manmade fibers. Cotton's share of the fiber market is dwindling. Prompt action is needed to prevent a major disaster.

The CHAIRMAN. Any question?

Thank you.

Senator EASTLAND. That is a fine statement.

The CHAIRMAN. Mr. Ruffin, will you identify yourself for the record, please?

**STATEMENT OF WILLIAM H. RUFFIN, PRESIDENT, ERWIN MILLS,
DURHAM, N.C., REPRESENTING THE AMERICAN TEXTILE MAN-
UFACTURERS INSTITUTE**

Mr. RUFFIN. Mr. Chairman and gentlemen, I am William H. Ruffin, immediate past president of the American Textile Manufacturers Institute, the national trade organization for the textile industry except for wool. I would like to have testify with me, with your permission, sir, Mr. Halbert Jones, president of Waverly Mills of Laurinburg, N.C., and a recent past president of our institute; Mr. Robert C. Jackson, who will not necessarily testify, is executive vice president of the ATMI, sir.

The CHAIRMAN. All right, he may sit around. We may want to ask him some questions. You may proceed, sir.

Mr. RUFFIN. Mr. Chairman, for your benefit, sir, we would appreciate it if we might be permitted to go through our testimony of some 30 or 35 minutes to establish the continuity and then we will gladly receive any questions, sir.

The Chairman. Proceed.

Mr. RUFFIN. I thank you for the privilege of again appearing before this committee to testify in support of legislation designed to abolish two-price cotton.

My company, the Erwin Mills, spun and wove only cotton until approximately 2 years ago when it began combining manmade fibers with cotton. We employ 5,300 people and have consumed an approximate annual average of 180,000 bales of cotton.

It was my genuine hope, and that of the industry I represent, that when we last appeared before this committee some 8 months ago, on May 24, 1963, the Congress would have long since enacted legislation to abolish two-price cotton, and that we and the Congress could now be devoting our attention to other matters. But such has not been the case.

In spite of this disappointing delay the industry is greatly encouraged by your announcement, Mr. Chairman, that it is your desire to report out of committee legislation designed to correct two-price

cotton for Senate action before March 1. It is our desire to do all that we can to help achieve this long sought goal.

The primary purpose of our appearance before you now, while highlighting the position of the textile industry, is to urge immediate action by this committee and the Senate in passing legislation which the President may sign into law by March 1.

It isn't necessary to remind this committee that cotton is virtually worthless until our industry spins it into yarn and makes it into fabric for one of its thousands of end uses. To state it differently: the strength of cotton is in direct proportion to the strength, the vitality, and the interest of the textile industry through which the product moves to market. The textile industry has consumed American cotton for more than 150 years, but we cannot live on past accomplishments. We are here to talk about cotton in 1964, and thereafter. We face harsh facts and it is our obligation to apprise the Congress of those facts.

Bear in mind, please, that the sole activity and business of the textile industry is to make textile products and sell them. We spend hundreds of millions of dollars annually in market development, researching, promoting, advertising, and selling cotton products. We have the world's ablest talent, we think, employed by the thousands devoting their full time and energies to the task of moving textile products into consumers' hands.

If our industry knows anything, it should know something about the competitive factors affecting cotton's markets. It is the job and the business of our industry to know these facts just as precisely as it is the job of a U.S. Senator to understand procedures involved in successful passage of legislation by the Congress.

Based on the experience of the textile industry in trying to make cotton competitive in the textile markets we say to you without the slightest equivocation that cotton today is in a rapidly deteriorating situation. It is being priced out of its markets, and we can prove it to any fairminded person who will go with us into the mills and into the wholesale market in New York where the situation can be examined firsthand. Since that procedure is not practical at this moment we hope we can develop some of the facts now during this hearing.

Many times during the past year or so we have heard cotton's dilemma referred to as a mill problem; that the cotton mills should have some relief. Let's try and get this subject in proper focus. Certainly textile mills do have a problem; so would any manufacturing industry when it sees its markets being undermined by factors over which it has absolutely no control. But this isn't really a mill problem; it is much more a problem of the total cotton economy.

The mills do have alternatives. The smart people who developed rayon and other manmade fibers adapted them to the cotton spinning and weaving system of textile manufacture—so we can move, and are moving, very rapidly away from cotton toward the utilization of other fibers.

Next, we can import yarn and gray cloth for further processing in this country, as a good many of our people are doing already—and quite profitably, I might add. Also, if forced to do so in order to obtain our raw material at a competitive price, some textile investment capital can move abroad.

As you know, many American industries are doing just that. I know that most of our textile industry doesn't want to go abroad but enough of it has been done to demonstrate that it offers distinct possibilities.

What I am saying is that all of the branches of the industry—farming, ginning, warehousing, merchandising, and cottonseed crushing—this is least of all a textile-mill problem. We have a tremendous stake involved—yes. Many of our mills have closed their doors; others have been forced to sell out at discount levels; tens of thousands of men and women who formerly worked in the cotton textile industry are either unemployed or are now otherwise engaged. And there will be tens of thousands of additional unemployed unless this situation is corrected. So we intend to keep on fighting for a program that will save this cotton industry. But it is cotton's battle we are fighting, not just a textile battle alone.

Now, let's take a quick look at what has happened to cotton from the point of view of this industry through which the product moves to market, not because you as a committee have any particular interest in the textile industry as such, but rather, because you must be interested in our structure as the outlet for this agricultural commodity.

To develop this point, Mr. Chairman, I would like for Mr. Jones to take over.

STATEMENT OF HALBERT M. JONES, PRESIDENT, WAVERLY MILLS, LAURINBURG, N.C., REPRESENTING THE AMERICAN TEXTILE MANUFACTURERS INSTITUTE

Mr. JONES. Mr. Chairman and gentlemen of the committee, let me first of all thank you for the privilege of appearing with Mr. Ruffin before this committee to testify in support of legislation which is designed to abolish and remove the inequity of two-price cotton and more importantly to enable cotton to again expand its recently contracting markets and regain its dynamic position in our economy.

I am Halbert M. Jones, as Mr. Ruffin has mentioned, also a past president of the American Textile Manufacturers Institute, Inc., and president of Waverly Mills, Inc., of Laurinburg, N.C. This company is a medium-sized spinner of yarns which are sold and consumed by most segments of the textile industry. While my present responsibility lies in the textile manufacturing area, I have, since childhood, been closely associated with all branches of the cotton industry.

Senator EASTLAND. Mr. Jones, of course, you are familiar with some questions that I wished to ask you.

Mr. JONES. I have some knowledge of that.

Senator EASTLAND. Would it be all right to put the questions and the answers in the record at the conclusion of your testimony to save some time?

Mr. JONES. I think the answers are as factual as I know how to make them.

Senator EASTLAND. I say, would it be all right to put them in the record to save some time? I will offer them for the record.

The CHAIRMAN. At the conclusion of his remarks.

Senator EASTLAND. Yes.

The CHAIRMAN. Without objection, so ordered.

Mr. JONES. As a child in a small country town in eastern North Carolina I played and worked on cotton farms. One of my earliest memories is having my sheet full of newly picked cotton weighed at the end of a back-breaking day only to find that never before, to paraphrase Mr. Churchill, never before in the history of man had so much weighed so little. My family continues to be interested in cotton production, ginning, cottonseed oil mills, warehousing and cotton merchandising. I, therefore, have had a long concern for cotton, born of my own heritage and a loyalty to it as one of the really miracle fibers.

It is, therefore, with genuine personal anguish that I have observed cotton put increasingly in a noncompetitive situation resulting in declining markets and consumption. It is my purpose to present to this committee information to support the following points:

1. Legislation as proposed in H.R. 6196 provides no subsidy to the textile industry. The Congress many years ago determined that as a matter of national policy it was necessary that the cotton agriculture of this country be subsidized by support prices or otherwise. H.R. 6196 deals with how much the subsidy for the cotton producers shall be, for how long and how it would be financed.

The provisions of H.R. 6196 are designed to remove the heavy penalties of our present cotton financing program which rests upon the citizens of the United States as consumers, the textile mills and all segments of the cotton trade, including the cotton producers themselves.

2. The second point which in brief I would like to emphasize, is while the textile industry is heavily burdened by the two-price cotton system the future of the textile industry is not at stake in this legislation. However, the future of cotton consumption and the cotton farmers of the United States are very definitely in the balance.

Senator EASTLAND. What you are saying is you would switch to rayon instead of cotton?

Mr. JONES. That is correct.

Senator EASTLAND. It is not your problem, it is the problem of other segments of the industry, principally the farmer.

Mr. JONES. Yes, sir.

The CHAIRMAN. Do you want to continue without interruption?

Mr. JONES. Yes, sir.

The CHAIRMAN. Because I want to ask a lot of questions.

Mr. JONES (continuing). 3. Only a complete return to a competitive one-price system for cotton can produce expanding markets for cotton in the United States. Anything less will prove to be wasteful and ineffective.

4. Time has run out for the two-price system. If this legislation is not made effective promptly, cotton will lose its present markets in the United States with increasing rapidity and with a multiplying burden for our Government.

In support of these points there are two basic facts which you should understand as the foundation from which to view this situation.

(1) According to USDA figures extending over a period of years cotton cost has averaged about 55 percent of the selling price of textile mill products. As you will readily recognize this is an unusually high raw material cost-ratio.

(2) There is a direct and specific relationship between the cost of cotton to a mill and the selling price of the mills' goods. We knew it was close, but we didn't know how close it really was until recently when an independent economic research agency was employed to examine the facts. Using official Government figures, this study showed that over a 37-year period there has been right up until now, a 95-percent direct and specific relationship between cotton costs and the selling price of cotton textile mill products.

I should like to quote briefly two or three sentences from this report:

There is a remarkably high, positive, correlation between the price of raw cotton and the wholesale price of unfinished cotton cloth. This is to say that increases or decreases in the one were almost invariably accompanied by increases or decreases of the same degree in the other. In other words, when cotton prices went up 2 percent, cloth prices went up 2 percent; when cotton prices went down 5 percent, cloth prices went down 5 percent.

As compared with almost any other industry the intimate relationship between the price of the principal raw material and the price of the finished product in the cotton textile industry, as demonstrated by the correlation above, is most unusual * * *

The textile industry is generally conceded to be the most competitive big industry in America. Unlike other big industries, the textile industry is made up of nearly 8,000 separate plants, and no single company owns, controls, or operates more than a few percentage points of total productive capacity. There is no price leadership in the industry; there are scores of manufacturers of every textile item, and sales are made on competitive margins of one-fourth or one-eighth cents per yard. Profits for a number of years have averaged from 2 to 2½ percent net on sales, as contrasted with about double that figure for manufacturing industry generally.

In order to evaluate cotton's competitive standing as a raw material for textile manufacturers, let's look briefly at what Government policy has done to this 55-percent cost factor which we have in the textile business for raw cotton.

(a) Since the 1930's the price of raw cotton has been supported at artificial levels, much of the time substantially above the world price.

(b) Since the 1930's cotton—that is, raw cotton—has been subject to a rigid import quota under which our mills can bring in less than a day's supply of upland cotton each year.

(c) Since 1956 cotton has been subject to an export subsidy under which foreign mills buy our cotton 25 percent below the levels our mills must pay.

The net of these three policies is that insofar as our cotton raw material is concerned we are a captive customer of the U.S. Government pricing policy. But this isn't so in the case of manmade fibers.

We have a choice of buying them on a highly competitive market here at home, or importing them from a variety of foreign sources. Although these fibers are now on an allocated basis due to sharply increasing demand, vast new production capacity is taking place.

As this production becomes available, and unless cotton becomes competitive, the result is bound to be steadily eroding per capita cotton consumption.

None of these three legislative actions were taken with the intention of hurting the textile industry; on the contrary, all of them were enacted to help the cotton farmer, and I do not need to remind the committee that the textile industry has not in the past and does not now oppose any of these policies. In fact, as some of you know, we have been one of the main elements of support for a healthy and profitable cotton-producing economy. But the effect of this combination of Government-imposed policies is now crushing cotton's competitive position as a textile fiber and is forcing our mills to cast their interest and their plans for the future in other directions.

The effect of this two-price system is twofold. The two-price system and its differential of 8½ cents a pound have been major factors which have increased imports from the equivalent of about 181,000 bales in 1955, the last year before the two-price system was initiated, to nearly 650,000 bales in 1963, and, secondly, in the domestic market cotton, largely because of its high price, is rapidly losing its position to manmade fibers and a host of other competing materials such as plastics, paper, and jute.

We have some information in this area which you, I think, are familiar with. Mr. May, do you have the charts that will indicate what I would like to show?

(The charts and accompanying table are as follows:)

Cotton consumption decline versus national growth

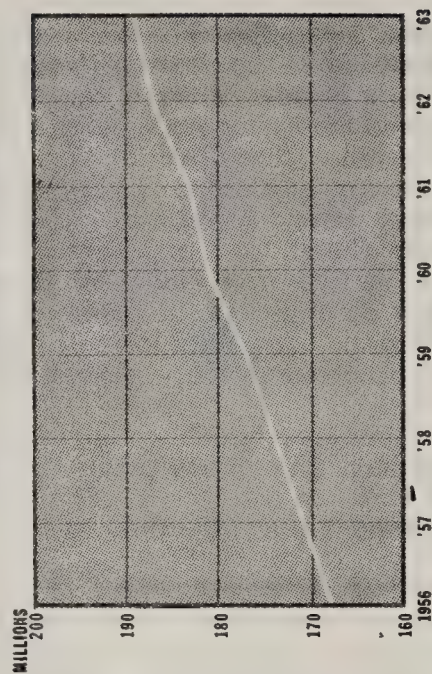
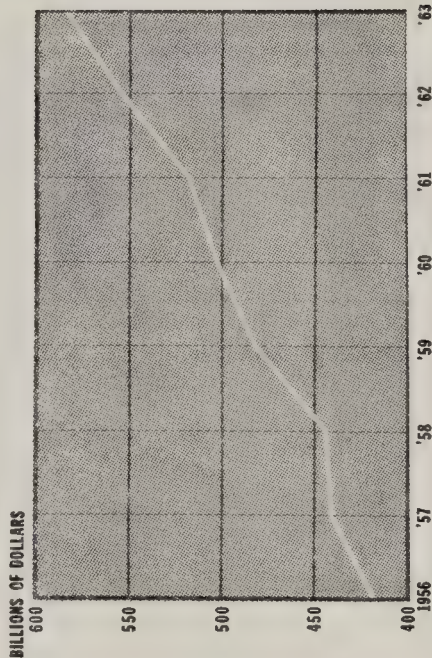
Year	Gross national product	U.S. population	Domestic fiber consumption	
			Cotton	Manmade
	Billions	Millions	Thousand bales	Thousand bales
1956-----	\$419.2	168	8,783	3,426
1957-----	442.8	171	8,079	3,551
1958-----	444.5	174	7,769	3,514
1959-----	482.7	177	8,905	4,170
1960-----	502.6	181	8,818	3,722
1961-----	518.2	183	8,434	4,099
1962-----	554.9	187	8,915	4,819
1963-----	585.0	189	8,410	1 5,094
Percent change, 1956-63-----	+40	+13	-4	+49

¹ Estimate based on available data.

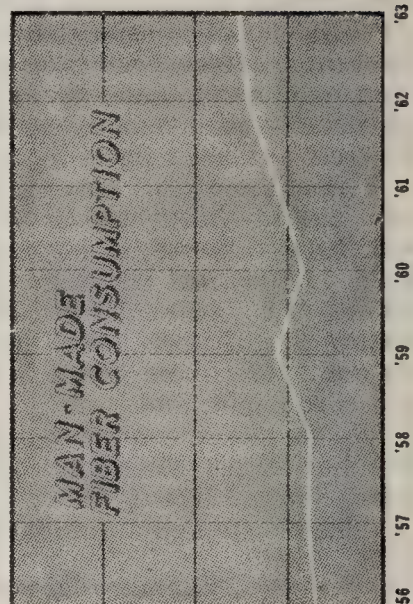
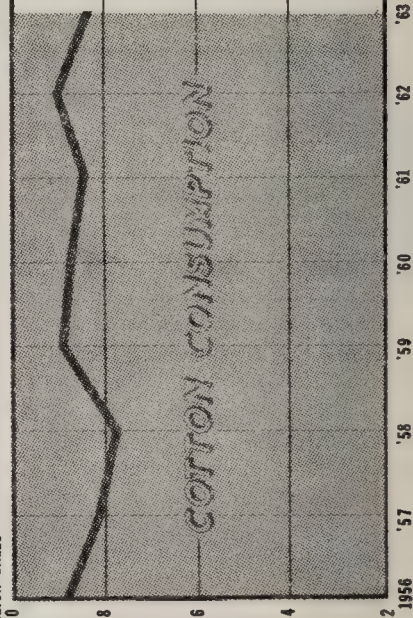
Sources: U.S. Department of Commerce, U.S. Department of Agriculture.

COTTON CONSUMPTION VS. NATIONAL GROWTH

GROSS NATIONAL PRODUCT



MILLION BALES



Mr. JONES: You will note that the first chart on the left shows the increase in the gross national product since 1956 when the two-price system was first put into effect.

Our gross national product has increased about 40 percent in that period of time.

The second chart is the chart of U.S. population, showing an increase over the same period of time from 168 to approximately 189 million, an increase of 13 percent in population. During the same period of time, cotton consumption in the United States has actually declined as indicated by the chart on the left.

Beginning in 1956 with 8,783,000 bales consumed domestically, in 1963—that is the calendar year—we consumed 8,410,000 bales, a decline of 4 percent.

The last chart, showing the consumption of manmade fibers over that period of time that we have had a two-price system the man-made fibers have gone up from the equivalent of 3,426,000 to 5.9 million, increase of 49 percent.

I can make these figures a little more pertinent by referring to my own situation.

Our mill is a relatively small mill. In 1950 we were almost a hundred percent on cotton. We used only 3 percent manmade fibers.

In 1954–55, just prior to the two-price cotton system, cotton accounted for 71.80 percent of the fibers which we consumed.

In 1960, this had declined under the two-price system to 55.68 percent of fibers consumed. For the fiscal year which will end March 31, 1964, cotton this year will have declined to less than 10 percent of the fibers consumed. We consumed this past year more fibers than ever in our history, and cotton accounts now for less than 10 percent of the fibers consumed.

The CHAIRMAN. What do you make?

Mr. JONES. We make yarns which are sold to all segments of the textile industry. This shift in fiber use has been largely a matter of price. If I were to judge what weight the factors involved have I should say that 85 percent of it is the result of price, 10 percent is the result of qualities of other fibers, and, perhaps, 5 percent is the result of promotion of those fibers.

It isn't necessary to tell this committee the impact of this situation on the Government's cotton program. If it is extended, and it is being extended, it will result in a fantastic monetary loss for the Government.

The two-price cotton system has now been with us for 8 years. During that period the textile industry has spent hundreds of thousands of dollars; it has employed the most experienced legal talent available; scores of textile industry executives have made many trips to Washington, all seeking a solution to this Government-imposed problem. I won't review all of the details but I believe that any informed person in and out of Government, and I am sure all of you here at this committee, knows and will agree that every conceivable recourse has been exhausted and we now have a situation that necessitates immediate corrective action by the Congress or cotton will continue its rapid downslide. Obviously, something must be done to increase cotton offtake substantially, or curtail cotton production substantially. It is just that simple.

The result of all of this frustration is that the textile industry has now lost confidence, in large measure, in cotton as a textile raw material. This loss of confidence is related directly to the two-price cotton system; this system has become the symbol of Government policy that is inequitable, unfair, and, in the minds of the textile industry, demonstrative of a thorough lack of consideration for cotton's major outlet—the domestic market—and for the consuming public in the United States.

In a highly competitive business enterprise, of course, loss of confidence in a product means a curtailment in the application of all the dynamics of our business system—research emphasis, market development, advertising, promoting, selling. All of the emphasis is shifted from the old product to the new.

We cannot emphasize too strongly that from the textile industry's viewpoint the total cotton situation has now deteriorated to a point where the only way to restore confidence is to eliminate the two-price system. A partial measure won't do the job. It won't stop the imports. More importantly, it will not regain the larger domestic loss which cotton has experienced nor will it permit cotton to achieve the still larger potential markets which are available if cotton is competitive in price. Most of all, it will not reestablish confidence in cotton as a raw material available at realistic and competitive prices, and that is the absolute first requirement if the present downhill trend is to be reversed and this whole giant cotton complex turned around and headed in the right direction of increased consumption, market expansion and development, acreage expansion, and a dynamic future for this wonderful fiber.

Contrary to the propaganda of those who are attempting to defeat a return to a one-price system, a reduction in the cost of cotton by 8½ cents per pound would not be a "windfall" for the textile mills. It is just the reverse. In seeking to eliminate the two-price cotton system, we do so with full knowledge that the textile industry faces a \$125 million unavoidable markdown in the value of manufactured yarn, cloth, and other products in inventory and in process.

Furthermore, any businessman knows that a profit margin is narrower on a 24-cent cost item than it is on a 32½-cent cost item. This is the initial sacrifice we face if legislation for a one-price system is enacted.

It may surprise you to know that a number of our mills today stand in firm opposition to any lowering of prices in the absence of complete inventory protection—they simply cannot afford the inventory writedowns.

But a vast majority of the industry has faced up to the facts and is willing to take such a heavy one-time loss as the price it must pay for a return to a one-price cotton system and for the salvation of the total cotton industry.

However, our industry is unwilling, if it can possibly avoid it, to take a \$75 or \$100 million loss for a piecemeal measure that will not return us to a clear-cut one-price system and that will not do the job of increasing consumption of cotton.

We cannot in good faith say to this committee or to the Congress that the Government would be justified in spending any money at all for a program to lower cotton prices unless it is going to return us to a one-price system. But we can say with complete assurance that a

one-price system will stop this whole cotton tragedy and cotton, from farming through manufacturing, will become a dynamic, growing industry instead of a deteriorating one.

We realize that there are some groups in the cotton industry, and some Members of Congress, who with complete honesty feel that something less than the complete elimination of the two-price system will solve the current dilemma.

We can only answer that this is one situation where our industry does know more about the forces of competition affecting cotton than any other group anywhere—because it is our bread and butter, and our people are on the firing line in thousands of individual selling transactions and management decisions every day.

With all the conviction we know how to express we say to this committee that based on the frontline experience of the American textile industry in moving cotton products to market, if you follow the lead of those groups and individuals who tell you that this problem can be cured by anything less than a return to a clear-cut, one-price system for American cotton you will be wasting the Government's money.

Furthermore, you will be saying to the American textile industry—the only outlet for two-thirds of the farmers' crop—that it has no alternative except to move away from cotton just as fast as it can.

On the other hand, if this Congress will squarely face the issue and enact legislation that will reinstate one-price cotton, the impact on the cotton economy of this Nation, from farmer to manufacturer and seller, will be dynamic.

With our Nation's rapidly expanding economy, with a rapidly increasing population having more money to spend, there will be a new era of confidence and resourcefulness that will remove any doubt or uncertainty as to a prosperous future for American cotton at home and abroad.

The textile industry wants no part of a subsidy for itself. We don't need it, we don't intend to take it, and we couldn't keep it if we got it. What we want and all we want, pricewise, not for the textile industry alone but also for the sake of the cotton industry and the American citizen, is the privilege for American mills employing American workers to buy American-grown cotton at the same price it is sold abroad.

Thank you, Mr. Chairman and gentlemen of the committee, for the privilege of appearing before you, and, if I may, I would like to request that Mr. Ruffin resume and conclude our presentation, Mr. Chairman.

(The questions and answers referred to follow:)

Question. The Department of Agriculture's December estimate of domestic consumption for upland cotton was 8.6 million bales. Do you think this is a realistic estimate for this marketing year?

Answer. Senator, I frankly think this is on the high side. I rather doubt that we will use that much cotton this year. We are not using it at that rate now, and I see nothing to suggest that consumption will pick up. On the other hand, it is more likely there will be a drop.

Question. It is my understanding the Department is lowering its estimate of domestic consumption of upland cotton. Although this information has been distributed, it is not for publication until February 1. It attributes the reduction to a rapid increase in the use of synthetics on cotton spindles. Would you concur in this?

Answer. Senator, as I stated in my prepared statement, the mill with which I am associated had not used any synthetics up until about 2 years ago. We had to go to synthetic fibers and we are increasing the use of synthetics. From my

own experience, I think the Department of Agriculture is exactly right. Consumption is falling off and the reason for it is the increased use of synthetics.

Question. If Congress fails to take action, to make U.S. cotton available to American mills at competitive prices, what are the chances for domestic consumption to continue around 8½ million bales?

Answer. When the Secretary of Agriculture increased the price of cotton in the face of declining prices of synthetics, he set in motion a series of decisions made by textile mill owners that has cost cotton 1¼ million bales in its markets in the last 3 years. All of those decisions were not made immediately, because it was inconceivable to many of us that the price would continue up at those high levels in the face of competition. When it became clear that there was to be no price adjustment, practically everyone in the textile industry began doing everything he could to substitute synthetics for cotton. This involves adjustments in research, promotion, engineering, merchandising, advertising, etc., and the full effect of the changes made as the result of these decisions has not been felt. In my judgment, when it is felt, we will not see consumption of cotton anywhere near 8½ million bales. I would say it would be nearer 6 to 6½ million bales.

Question. What is the limiting factor today in the consumption of rayon in the United States?

Answer. The plant capacity to produce it. Rayon plants are running at 100 percent of capacity. They are having to allocate their production since the demand greatly exceeds the supply.

Question. As soon as the rayon manufacturers decide that Congress is not going to act on cotton legislation, what do you think they will do?

Answer. There is no question but that they will expand their plant capacity.

Question. How low would you say domestic consumption might go in another 3 or 4 years if cotton does not become competitive?

Answer. As I indicated earlier, Senator, I do not think there is any question but that we will be down to 6 million bales. I think cotton will lose 2½ million bales more of its present market.

Question. How many acres do you think we would need to satisfy a 5-million-bale export market and that kind of domestic consumption?

Answer. Senator, this last year the farmers produced more than a bale to the acre. That may be an unusually high yield, but we have been producing very close to a bale per acre during the last 4 or 5 years, so this would mean that an 11 million bale domestic and export market would require only 11 million acres.

Question. How much cotton, do you think we would be consuming domestically this year if we had not lost anything to rayon and other synthetics during the past 3 years? How much cotton would we be consuming in the next several years if cotton were priced competitively?

Answer. We have a growing market in this country. We have a population explosion. Dr. M. K. Horn of the National Cotton Council says that if cotton had the same share of the fiber market that it had in the latter part of 1960, we would be consuming about 10½ million bales. I think there is no question but that we could be consuming 10½, 11, even 12 million bales over the next few years if cotton were competitively priced, and if there were confidence in the industry that it would continue to be so priced.

Mr. RUFFIN. Mr. Chairman, with your permission we will very quickly conclude our testimony, sir.

It is our understanding that during the course of these hearings you have made it clear that if cotton legislation is to meet the new crop deadline of March 1, it will be necessary to utilize H.R. 6196 as the legislative vehicle to meet this deadline. Furthermore, it is our understanding that you wish specific recommendations for any changes desired in H.R. 6196.

Here are ours:

1. We recommend that the Jones amendment be stricken and the language for which it was substituted be reinstated. To accomplish this we suggest that on page 2, line 12, all language be stricken after the word "section" through line 17. Insert in lieu of the deleted language the following:

: *Provided*, That beginning August 1, 1964, such payments shall be made to persons other than producers in an amount as will make upland cotton produced

in the United States available for domestic use at a price which is not in excess of the price at which such cotton is made available for export.

The CHAIRMAN. That language "other than producers," who would it be paid to? The bill would indicate that it is paid to somebody. Who is it?

Mr. RUFFIN. Yes, sir, we recommend that it be paid into the marketing system, sir, and later I will say that we ask that you write into your bill that it will not be paid to the mills, "the users."

The CHAIRMAN. Who will get it though? The producers won't get it?

Mr. RUFFIN. No, sir.

The CHAIRMAN. You want the handlers to get it?

Mr. RUFFIN. Yes, sir.

The CHAIRMAN. Brokers?

Mr. RUFFIN. Yes, sir. We certainly don't want it.

The CHAIRMAN. Why not?

Mr. RUFFIN. Because we know it is not a subsidy to us, sir, and we know we couldn't keep it if we got it. We could not keep any of it.

The CHAIRMAN. You talked about elimination of the Jones amendment, that would mean that you expect \$42.50 a bale differential from the present price.

Mr. RUFFIN. Yes, sir.

Senator EASTLAND. If the support price will be reduced it would be 30.

The CHAIRMAN. I understand that. I am talking for the present. If Congress had taken action a year ago the cost, or the payments to other than producers would have amounted to \$365½ million.

Mr. RUFFIN. We can come back to that, sir, if you permit us, I think the estimate we have seen is \$247 million as the cost of adoption of the Cooley bill but that it is our strong opinion, Mr. Chairman, that in the long run, in the final analysis it will cost the Government considerably less money to adopt the Cooley legislation.

The CHAIRMAN. I have heard that before.

Mr. RUFFIN. Yes, sir.

The CHAIRMAN. In much legislation we have passed before this committee.

Mr. RUFFIN. Yes, sir.

The CHAIRMAN. The point I am making is that this year, wherein the estimated amount of cotton to be used would be 8.6 million.

Mr. RUFFIN. We think that is too high.

The CHAIRMAN. Well, for the purposes of my calculations here.

Mr. RUFFIN. Yes, sir.

The CHAIRMAN. There may be a difference of 300,000 bales.

Mr. RUFFIN. Yes, sir.

The CHAIRMAN. But at \$42.50 a bale that in itself would be \$365½ million.

It is that simple though. You used, according to the reports, I have, 8.6 million bales. It would mean the Government would have had to dish out in some way \$365½ million if you had used 8.6 million bales at \$42.50 a bale.

Mr. RUFFIN. Regardless of the current abnormal situation, Mr. Chairman, we are very confident that if such a program is adopted that in the final analysis, in the long run, the U.S. Government and the taxpayers will come out at much less expense with a program like the Cooley bill, H.R. 6196.

Could I finish, sir?

The CHAIRMAN. Yes, sir.

Mr. RUFFIN. And save any questions for later.

The effect of this recommendation, that is reinstating the language that was reported by the House Agriculture Committee to the House, the effect of this recommendation is to reinstate the precise language of the bill as reported by the Agriculture Committee to the House that was stricken on the House floor by a teller vote of 125 to 122.

This language would assure a return to a one-price system, just as it existed for generations prior to the export subsidy.

2. If this committee takes seriously the charges that this would be a subsidy for the textile mills, this ghost can be laid to rest once and for all by writing into the law that the "users"—that is, the mills—shall not receive the payments-in-kind contemplated under this legislation, except for the one-time application to inventories of unopened cotton bales.

This "mill subsidy" attack is a subtle one fabricated by some of those who don't want cotton legislation to eliminate the two-price system, joined by some who are not at all familiar with the hard facts regarding cotton textile manufacturing and selling.

The producers have said they do not want the payments, and it is so written in H.R. 6196. The mills don't want them either and couldn't keep them if they got them. One way to eliminate this subject from further discussion is to write it into the bill itself and we shall be glad to supply some suggested language if the committee desires it.

As you know, Mr. Chairman, H.R. 6196 as it is currently written is applicable for a 3-year period only. The Congress would not be committing itself to the measure permanently. A review of the situation would be required in a couple of years.

Depending on what had happened the Congress would have the opportunity to continue the program as passed, revise it to correct inadequacies that might have been demonstrated, or change to some other approach. But there would have been an opportunity to demonstrate for the Congress, the Department of Agriculture, and the consuming public what this giant economic segment of our Nation—this far-reaching agricultural—industrial complex—could do under the impetus of a competitive one-price system. It will be a tragedy if we miss this opportunity to find out.

I thank you personally, and on behalf of the industry I represent, for the privilege of testifying before you.

We will be glad to receive any questions, Mr. Chairman.

The CHAIRMAN. I have a table here before me appearing in the Cotton Situation, issued by the Economic Research Service of the U.S. Department of Agriculture, indicating that since 1955, when the subsidy was put on, that is for the purpose of lower price, because the farmer gets the subsidy.

Mr. RUFFIN. Yes.

The CHAIRMAN. The per capita cotton consumption was 26.5 pounds, and in 1963, it is 22.5, indicating a loss of 4 pounds in that period of time.

In the case of the use of rayon, the table shows that rayon in 1953 was, the per capita use was, 8.4 pounds. Now it is 6.8 pounds, which would indicate a lowering of almost 2 pounds.

In the case of other noncellulose, other manmade fibers, from 1955 the per capita poundage was in that year 2.6 pounds, and now it is 5.8 pounds, or a gain of 3 pounds.

Now, does that correspond to the losses of your mill, sir?

Mr. JONES. Mine has been to a much higher degree than that, of course.

The CHAIRMAN. I just wanted to ask why.

Mr. JONES. Essentially, price. Many of the uses to which we put our yarn.

The CHAIRMAN. Why didn't the consumption reduce in proportion to the changes made in your own mill? I can't understand that.

Mr. JONES. Well; in the case of rayon, there are two basic things you are dealing with, one is the filament, the other is spun rayon. The spun fiber competes most directly with cotton. It is the fiber which can be used on normal processing equipment; the filament goes directly to a weaving mill.

I think the figures, if you would break down the figures you will find quite an increase in the staple consumption, which has affected greatly raw cotton consumption.

The CHAIRMAN. To what extent would the textile mills of this country not use manmade fibers at all if cotton were cheap enough?

Mr. JONES. Well, this is a big industry.

The CHAIRMAN. I say, but to what extent do you think they wouldn't use it?

Mr. JONES. That would be certainly just an estimate.

The CHAIRMAN. Don't you know they would use it all the time you have got to have it?

Mr. JONES. You would use some cotton.

The CHAIRMAN. I mean some manmade fiber.

Mr. RUFFIN. We believe today, sir, that the textile mills would be using 11 to 12 million bales rather than 8 to 8½ million bales if the price had been competitive.

Mr. JONES. Dr. Horn made a statement in 1960 that if cotton could maintain its same proportion of the total fiber market it had in 1960 by 1964 cotton consumption would be at 10½ or 11 million bales.

Senator EASTLAND. Mr. Chairman, could I ask him a question in line with what you said?

The CHAIRMAN. Yes; proceed.

Senator EASTLAND. Mr. Jones, you said cotton consumption at your mills was down to 10 percent.

Mr. JONES. Ten percent; yes, sir.

Senator EASTLAND. All right. If you got cotton at 24 cents a pound what would be your policy? Would you consume more cotton?

Mr. JONES. Well, frankly, the only reason we have kept cotton in our picture is because we think the situation is so completely absurd that it is bound to be corrected and with the correction there will be a sharp increase in consumption of cotton.

Senator EASTLAND. Take your own mills.

Mr. JONES. We have done that. We are using it, still using some cotton to keep the customers who normally use cotton, and we expect that those customers will substantially enlarge their takings.

Senator EASTLAND. Then you think you will use more cotton?

Mr. JONES. We think our cotton consumption would go up to at least 50 percent.

The CHAIRMAN. How much?

Mr. JONES. At least 50 percent.

The CHAIRMAN. What is your estimate of the additional cotton that would be used this coming year if you had a price similar to that which is paid by foreign purchasers?

Mr. JONES. Well, I think you had some figures on that, and they are as good as I could make.

The CHAIRMAN. Is that 100,000 bales?

Mr. JONES. 600,000 to 800,000 bales more of cotton.

The CHAIRMAN. 600,000 to 800,000?

Mr. JONES. That is the first year.

The CHAIRMAN. I understand that.

So that in order to get the consumption of this cotton of 600,000 bales, it would be necessary for last year, to say, if you used 8.6 million, to pay or to reduce the price at which the Government holds that cotton or at which it would be sold for, by \$365½ million, plus the \$42.50 a bale on the 600,000 bales, and don't you think it would be a mighty big price to pay for the use of only 600,000 bales?

Mr. JONES. May I comment on that without wishing to seem impertinent?

The CHAIRMAN. I wish you would, because that is something you have to get through my cranium, it is just so simple to me, just common multiplication table.

Assuming that you use 8.6 million bales this year, if you had received \$42.50 a bale for that, the prices would have been reduced—I mean the amount of reduction would have amounted to \$365½ million on the cotton that would have been purchased normally by you, by the trade.

Mr. JONES. You have already had a letter here which you have quoted this morning.

The CHAIRMAN. Yes.

Mr. JONES. If that \$365 million had been available, the American public would have benefited by \$700 million in price it paid. So we are talking—

The CHAIRMAN. In other words, you would have reduced your prices that much.

Mr. JONES. That refers I believe to the combined textile, apparel and allied products industry. The markdown in textile prices alone would account for at least \$365 million in the textile markets.

Let me just comment this way. The program which the Government has been following, and it would be improper for me to say whether there should be price support for the cotton or not since we are consumers, but the Government program which the Government has been following says that the cotton farmer must have support, but we will say he has got to be supported but we will only supply a little bit of the support. The rest of it has got to be provided by the textile industry, and by the American public.

The CHAIRMAN. No, I don't view it that way, because 95 percent of what you produce in this country is sold in a gold market, a market wherein the people are better off than any other people in the world.

Mr. JONES. They still pay for it.

The CHAIRMAN. Well, of course, they do. Certainly they do.

Mr. JONES. And pay twice as much for it.

The CHAIRMAN. I would rather have them pay that way than have it done the way you suggest.

Mr. JONES. What I am suggesting is, if the Government is going to take the responsibility for the principle of price support it should also take the fiscal responsibility for it.

Doing it otherwise is the most wasteful thing you could do. First of all, you put your industry in a completely noncompetitive position.

The CHAIRMAN. Let me ask you this: You indicated a moment ago that in 1955 the amount of textile goods that came from abroad aggregated about 151, or what was it, 91,000 bales?

Mr. JONES. Let me see the figures here. 181,000 in 1955.

The CHAIRMAN. 181,000.

Mr. JONES. That is right.

The CHAIRMAN. And in 1963 it amounted to 645,000. How much would you evaluate the cost of the cotton in the imported goods? In other words, what part did cotton play in these goods insofar as cost is concerned?

Mr. JONES. Well, maybe I can answer it in this way. I would judge that 60 to 70 percent of the imports came in in large degree because of the difference in cotton costs.

The CHAIRMAN. Well now, what about labor?

Mr. JONES. Labor had a good deal to do with it.

The CHAIRMAN. Did it have more to do with it than the price in cotton?

Mr. JONES. Not in total.

The CHAIRMAN. Take Japan, you have got people in Japan who pay about a fifth of what you pay.

Mr. JONES. Let me illustrate from the business I know. In our business the percentage of raw material is about 60 to 65 percent of our total finished price. The United States imported last year something like 20, 22 million pounds of cotton yarn. All of that came in—

The CHAIRMAN. Where did you get that from?

Mr. JONES. Cotton yarns?

The CHAIRMAN. Yes.

Mr. JONES. It is available, the regular figures.

The CHAIRMAN. Korea?

Mr. JONES. From the countries—you mean the countries?

The CHAIRMAN. Countries?

Mr. JONES. Portugal was the largest one.

The CHAIRMAN. Portugal?

Mr. JONES. That was the largest shipper, Portugal. Greece, Hong Kong, Egypt.

The CHAIRMAN. That was some of that?

Mr. JONES. Taiwan.

The CHAIRMAN. In other words, we gave it to Taiwan, and you bought it back from them and you are now selling it back to the American people.

Mr. JONES. We didn't buy it back at all.

The CHAIRMAN. Yes, you did; why didn't you? You bought it in yarn.

Mr. JONES. You mean the industry as such?

The CHAIRMAN. Sure, that is what I am talking about.

Mr. JONES. That is right.

The CHAIRMAN. Certainly. In other words, we gave a lot of cotton to Korea, we build their mills out there.

Mr. JONES. We are on the same side on this one.

The CHAIRMAN. Certainly we are. That is the trouble. A good deal of your trouble is that.

Mr. JONES. That is the trouble.

The CHAIRMAN. If you had the same market to sell in as Japan has in China, if she sells there or in her own country, I don't believe I would argue with you. But 95 percent of the goods you produce are sold in the best market in the world by the standard of living which is unequaled in any part of the world.

Mr. JONES. That is correct, sir. Thank goodness.

The CHAIRMAN. Yes, of course. Otherwise, you would lose your pants overnight if you had to sell them to Japan or to any other country.

Mr. JONES. We would be out of business.

The CHAIRMAN. Of course, you would.

Mr. RUFFIN. Mr. Chairman, excuse me, sir, it still holds that the principal reason that these heavy goods, the yarns and the gray goods come in, the largest contributing factor to their coming in, is this difference in the price of cotton.

The CHAIRMAN. I would like to believe that.

Mr. RUFFIN. Yes, sir; that is correct.

Mr. JONES. That is correct.

The CHAIRMAN. I say, I would like to believe it but I don't.

Mr. JONES. That is correct.

Mr. JACKSON. Senator, may I comment here?

The CHAIRMAN. You have your own people, all of you are smart people, you know more about the textile industry in 1 second than I know in my lifetime, I know that, but I am just using commonsense and the little knowledge I gathered from traveling abroad about the way that the amount of money that Japan and others pay their people to buy the stuff that is sent here.

Take a shirt. I saw some shirts for sale that looked just like the one I have on, but it sold for about 50 percent of what I had to pay. Well, certainly the difference in the price of that cotton didn't do that. Wouldn't you agree to that?

Mr. JONES. Well, let me——

The CHAIRMAN. Because in the cotton you have got in this shirt you have about a pound of cotton, and the difference in the cost of a shirt manufactured in Japan and here insofar as cotton is concerned would be about 6 cents and yet the difference was over two and a half dollars.

Senator EASTLAND. That would be true in a shirt, and of course, in a dress that cost a thousand dollars, but what about heavy goods?

The CHAIRMAN. Well, they bring that argument in all the time about heavy goods.

Senator EASTLAND. But is it valid?

The CHAIRMAN. Let's find out how much cotton is used in heavy goods that you speak of and what is it used for.

We would like to have that in the record, if you have it.

Mr. JONES. I could cite the factors on imports for you and the relationship. About 50 percent of the imports are in yarns and fabrics where cotton is the major cost component by far.

The CHAIRMAN. But most of it, a good deal of it though you have got a mixture of manmade fibers.

Mr. JONES. I am talking about in the raw cotton; manmade fiber imports are less than 20 percent of the cotton textile imports. That doesn't mean they are unimportant; they are still very important, but relatively cotton is being hit much harder right at the moment.

The CHAIRMAN. Let me ask you this: You manufacture in your mills, when I say your mills, I mean the country's textile mills, the equal of about 500,000 bales of cotton in textile goods that you sell abroad. Is that right?

Mr. JONES. I don't know what the exact figure is, but somewhere in that area.

The CHAIRMAN. But that is what the record shows.

Mr. JONES. I don't have the figure here.

The CHAIRMAN. How much less do you get for that cotton, for the cotton material than you would in the United States?

Mr. JONES. I am not competent to give you the figure on that.

The CHAIRMAN. I wish you would look it up and put it in the record, if you can.

Mr. JONES. Pricewise, there is, as you know, those goods carry the same subsidy.

The CHAIRMAN. I understand that. I understand that. They carry the same subsidy but I would like to find out how much per yard you get in the United States for the same kind of cotton that you sell here and you sell abroad, with the differential in subsidy.

Mr. JONES. I hope we can supply that information for you. It would be very difficult to get.

The CHAIRMAN. I wish you would, I would be curious to find it out. (The information is as follows:)

With respect to sales of U.S. textiles in the domestic and foreign markets, it is quite apparent that U.S. textile exports are losing out abroad. In 1956, when the two-price cotton system was initiated, manufactured cotton textile exports were 530,000 equivalent cotton bales. By 1963, these exports had dropped to 426,000 equivalent bales.

When the raw cotton export subsidy went into effect in 1956, a corresponding textile export equalization fee was set up. This export equalization fee has provided an offset to the raw cotton export subsidy on the cotton content of exported cotton textiles.

Notwithstanding the export equalization fee, the bulk of American cotton textile exports must compete in world markets with cloth of comparable quality and specifications produced by foreign mills, many with substantially lower labor costs. Hence a steady erosion is occurring in traditional American markets throughout the world and, at the same time, erosion of the American domestic market is occurring as cotton textile imports from many foreign sources displace American-made textiles.

No statistics are available to measure accurately the price disparity between the many constructions and types of cotton cloth for domestic use and export. The rising proportion of American cotton textile consumption supplied from abroad over the years since 1956, however, is in itself sufficient proof that American cotton in manufactured form is being priced out of even its protected home market because of the iniquitous two-price system.

Senator EASTLAND. Can I ask a question here?

The CHAIRMAN. Yes.

Senator EASTLAND. What you are shooting at is not a 600,000 increased bale consumption domestically but 3 or 4 million, is that correct?

Mr. JONES. Without it we are going to see this decline to 5½ to 6 million as against 11 or 12.

Senator EASTLAND. What would you expect if you get it——

Mr. JONES. We would expect within a 4- or 5-year period to have an 11 to 12 million bale consumption, and that would compare with a 6 million bale consumption if the two-price system is continued. We are talking about a 6 million bale difference.

Senator EASTLAND. I think the record ought to show, the statement has been made about the export subsidy, that the textile industry supported that.

The CHAIRMAN. Senator Eastland, I heard the same argument made when we had the 1958 bill up here for consideration. We passed the bill in 1958, as we know the purpose of it was to increase acreage and a lower price so as to compete more in world markets.

Senator EASTLAND. We haven't had the proper administration of that bill.

The CHAIRMAN. You had 2 or 3 years of it, 2 years of it and it had a very salutary effect but it did not appreciably increase the use of cotton locally on a per capita basis.

The record shows that, maybe a pound or half a pound.

Senator EASTLAND. I want the record to show that when we passed the export subsidy we had the support of the textile industry.

Mr. JONES. Very strongly.

The CHAIRMAN. If you would put in the record for us, I would appreciate it very much, take cloth of whatever material you manufacture for abroad, how much you get for that material abroad in contrast to what you sell it for in the United States.

Mr. JONES. You understand that would just have to be isolated information because there is no market information available for that sort of thing. You would just have to take a given construction and compare them at prices at which they have been sold.

(The statement requested above is on p. 533.)

Mr. JACKSON. Senator, may I comment?

The CHAIRMAN. Will you identify yourself?

STATEMENT OF ROBERT C. JACKSON, EXECUTIVE VICE PRESIDENT, AMERICAN TEXTILE MANUFACTURERS INSTITUTE

Mr. JACKSON. Yes, sir. Robert Jackson.

Senator, contrary to the practice of a great many foreign industries, we make, we manufacture, nothing in this country specifically for export.

The CHAIRMAN. I understand.

Mr. JACKSON. Everything in the way of cotton textile products that we export are goods that were made for the American market, and incidentally, the great portion of our exports go to Canada where they read our ads, our style branded name goods have appeal to them, they like to buy a type of fabric that they read about in the ads and that the, hear advertised over the radio.

Our sales abroad are almost completely limited to style goods in the specialty goods.

The CHAIRMAN. Made-up goods?

Mr. JACKSON. No, sir, not made-up goods, but styled fabrics.

The CHAIRMAN. Prints?

Mr. JACKSON. Prints, styled fabrics we call them. There are 6,000 to 8,000 new designs on fabric that come into the picture every year.

The CHAIRMAN. Well, it would be interesting to have for the record the difference that you obtain for these printed materials abroad in contrast to what you sell it for here.

Mr. JACKSON. Actually——

The CHAIRMAN. And that I would follow by asking how much cotton is involved there, material is involved? It would seem to me that when you speak of Japan shipping in here at such a low cost, as I have tried to indicate a while ago, and I saw a good deal of the materials on sale in various stores, as a matter of fact, I spent a couple of days doing that, and I noticed little blouses for children at less than half price of what it was costing in this country.

But I wouldn't attribute this difference in cost to the cotton that is in there. I attribute it to the labor more than anything else.

Mr. JACKSON. Let me comment, if I may, on these imports. Senator, generally speaking, our imports are broken into four categories of cotton goods. One is what we call made-up stuff, that is apparel items obviously here the primary cost advantage is in labor, not in cotton, and a reduction of eight and a half cents a pound would do very little to stop those imports. It would improve the price structure, make it a little more competitive, but it wouldn't stop it.

The second category is in finished cloth, that is cloth that has been manufactured, bleached, and dyed or printed. It is finished cloth.

Now there, too, the labor cost is a predominant factor, and in these imports a reduction in cotton costs wouldn't stop the imports. It would firm up the price structure.

But then you move to the really heavy volume of imports which is gray cloth. That is cloth that has been woven, it is unbleached, unfinished, it is brought over here to be finished in this country, and it is the type of cloth that sells in the range of 14, 15, 16 cents a yard landed in this country.

The CHAIRMAN. From?

Mr. JACKSON. Japan, Hong Kong, Korea, Formosa, from a number of countries.

Now their cotton cost is by far the most important element of cost and the margin by which they are undercutting our manufacturers is almost identical to the cotton cost advantage per yard that they have in that fabric.

This is fabric that weighs, say 3 yards to the pound. So it means if they have an 8½-cent cotton cost advantage, by the time it is cleaned it becomes about a 9½-cent cost advantage. That means that in each yard they have about a 3-cent cost advantage strictly attributable to the cotton costs.

Now our mills——

The CHAIRMAN. On what?

Mr. JACKSON. About 3 cents per yard. Let me state that over. A pound of clean cotton will make about 3 yards of heavy cloth of the type that is coming in.

If they have about a 9-cent cotton cost advantage, then it means that 3 cents per yard is attributable specifically to the cotton cost advantage; you follow me?

The CHAIRMAN. Yes.

Mr. JACKSON. Now this is cloth on which our manufacturers have a profit margin of a half a cent or three-quarters of a cent if they are doing well. I mean, that is a matter of record. They are undercutting us on bringing that stuff into the country about 2 or 2½ cents a yard, you see, and that is strictly a cotton cost advantage, and they can't reduce it very much below that by the time they land it here. I mean, there isn't any rhyme or reason why they should be landing that sort of cloth in this country.

Now then you move to the fourth category of imports, and it is yarn, and there an even higher portion of the cost is cotton, and if you examine the prices of imported yarn offerings versus serious domestic offerings, you will find that the range of the difference is very closely related to the 8½ cents a pound difference in the cotton costs.

What we are saying is if we could buy cotton at the same price they could, on yarn, on gray cloth, and this accounts for a very important portion of total imports, they simply couldn't enter this market.

The CHAIRMAN. Do they use a special kind of cotton or any kind of cotton?

Mr. JACKSON. They use the same ranges of cotton that we do because they have to meet the same quality specifications if they are going to sell in this market.

The CHAIRMAN. Would you know how much the labor differential is?

Mr. JACKSON. Yes, sir; we have a lot of figures on it. We have even got breakdowns on the fabric constructions as to how much labor is in a particular piece of fabric, how much cotton there is.

The CHAIRMAN. I placed in the record sometime this morning I think it was, figures to indicate how cotton usage has decreased in Western Europe and I also put in the record how cotton usage has decreased on a per capita basis in our own country.

Now, in this table that I placed in the record, take in the case of Belgium since we have had this lower price, world price, in 1955, 65 percent of the total fiber used was cotton in Belgium, and today it is down to 47 percent, even with low cotton prices.

Now, in the case of manmade fabrics in 1955 it was 13½ percent. Today it is 26.1 percent. Take in the case of France, in 1955 the cotton used was 55.6 percent. Now, it is 48.3 percent.

In the case of manmade fibers it was 20 percent, 20.4 percent in 1955 and now it is 29 percent. The same holds true for Germany, even worse.

In Germany the cotton used was 50.1 percent of all fibers. Now, it is 47.3 percent. In manmade fabrics, 34.9 percent. Now, it is 42 percent. And the same thing goes through, and it is already in the record, and I find that even with cheap cotton in those countries, much cheaper than you are paying for it here, you have got almost the same proportion of the use of manmade fabrics, as we have here in our own country; why is that?

Mr. JACKSON. Well, I think I can answer that at least partially.

I think there is a very fundamental difference between the situation of the textile industry in the United States versus the textile industry of these European countries. We are the largest producers of raw cotton in the world. We have the best raw cotton that is produced overall. We have the greatest range of selection of cotton fiber. Countries that didn't produce any cotton for many, many years have

been under great pressures from their own governments and from their own industries to utilize manmade fibers so they won't have to import raw cotton as a drain on their dollar exchange.

Now, this is a well-documented story that goes back over a long period of time. The same thing has been true in Japan. All of these countries have had great pressures to utilize to the maximum extent possible manmade fibers because they can make those in their own countries. They have to import cotton and use foreign exchange to do it. That is factor No. 1.

Factor No. 2 is they have access to manmade fibers at an even lower rate generally than we do in this country, because generally speaking the manmade fibers are cheaper.

The CHAIRMAN. Cheaper labor?

Mr. JACKSON. Yes, sir; cheaper in Europe and in Japan than they are in this country. So, I think when you add those two factors together you give us a pretty clear picture where even what we would consider to be competitive cotton prices the pressures are still great to utilize the manmades over there.

The CHAIRMAN. Well, to round up the picture in Italy in 1955, the percentage of cotton used was 56.8, now it is 46 percent. Manmade fabrics 25 to 35 percent. They can get cotton very cheaply in some of their possessions or former colonies or could get it in the past.

In the case of United Kingdom, the percentage of cotton used was 46.8; now it is 30 percent, a greater decrease than in the United States, and in the case of manmade fabrics it increased from 23.8 to 41.6 percent, and they are getting all that cheap cotton that you are talking about now.

So, with all of that we are going down——

Mr. JACKSON. Of course, they are.

The CHAIRMAN. And it is my feeling and belief that irrespective of what cotton sells for you are going to still use plenty of cotton and I hope you continue to use it because you have got a good market in which to sell it compared to these other people.

Mr. JACKSON. We have got to face some cold, hard facts, Senator. Last night I met in New York with 375 heads and top officials of New York cotton goods selling houses. As you know, this cotton production is an industry that is spread from Maine to Texas and that is where the mills are, are sold entirely, that entire product is sold, through about four square blocks in the wholesale market. It is terrifically competitive.

The CHAIRMAN. That may be our trouble. Those sharks get after you people in the country; that may be the trouble. The same as we are getting complaints now about beef prices.

Mr. JACKSON. Except we own the selling places, you see, so it is our own people.

Mr. CHAIRMAN. We are getting complaints now about the beef, the price of beef going down, and it seems that those who control the sale of that beef are the big stores, A. & P., and Safeway here and all of these people, and there is a good deal of complaint even from the suppliers of that beef, and also from the farmers.

Mr. RUFFIN. But we own those selling houses.

Mr. JACKSON. We do our own selling.

Mr. RUFFIN. They work for us, sir.

Mr. JACKSON. We have what is acknowledged all over the world as the most competitive method of selling textiles in the world.

The CHAIRMAN. And the best market.

Mr. JACKSON. Yes, sir; and the best market but it doesn't have to be cotton and that is the point. Senator, we just have to face the cold facts that these people are in the market, on the frontlines selling cotton products, and they aren't sold unless these people sell them. They say that they see nothing in the picture under the present system except for cotton offtake to continue to decline and for the mills to continue to shift away from cotton.

If you will permit me to say it, I think we are falling into a really serious line of thinking when we start talking about trying to hold 8 million bales of cotton consumption in this country and 5 million bales of export.

When we consider the tremendously increasing population of this country and the world, when we consider the tremendous increase in the economic status of the people in Europe and elsewhere, when we consider our own enormous increase in the U.S. gross national product, when we consider we have got the most efficient and the biggest cotton producing economy in the world and the biggest and most efficient cotton textile industry in the world we ought to be ashamed of ourselves for sitting around and talking about consumption of 8 million bales in this country and 5 million bales export. We ought to be thinking of a minimum of 10, 11, or 12 million bales minimum domestic consumption and 7 or 8 million exports, even under present circumstances if we are going to just maintain cotton's reasonable share of the market and that is the thing that is at stake here.

We aren't going to maintain 8 million bales for another period of 2 or 3 years if this current trend continues. When all of this productive capacity of other fibers comes into play, as it is, if nothing is done we are going to look at 8 million bales as an unhealthy situation in this country.

This is not necessary, Senator. The domestic industry wants to make and sell cotton goods and it will if given competitive incentive to do it. As it stands now confidence is lost. I know it is lost. I know and live with these people who are making and selling cotton textiles every month, and as it now stands confidence has deteriorated to a point where unless it is restored and they can start reemphasizing cotton and applying all the dynamics of our business system to it, market development, research, promotion, advertising, they will continue to move away from cotton as fast as they can.

They are spending hundreds of millions of dollars every year in the selling and promoting and advertising of textile products and cotton is losing its share of the market. We have got to get the trend reversed and headed in the right direction and I think now we have an opportunity to do it like we have never had before and if you and your committee and this Senate and Congress will give the required leadership, I think, 2 years from now you can look back with pride on what you have done like you have never had the opportunity to do before.

The CHAIRMAN. Any further questions?

Mr. RUFFIN. Mr. Chairman, may I just make one point? You referred to \$42½ a bale for eight and a half million bales. I would like to make the point, and I believe the grower representatives present

will substantiate, that CCC cotton will never be sold except at the world price.

It is in the Government hands, you can't get it out, you can't do anything with it except at world price.

The CHAIRMAN. We are conscious of that.

Mr. RUFFIN. Yes.

The CHAIRMAN. And that applies not only to cotton but to wheat.

Mr. RUFFIN. Yes, sir.

The CHAIRMAN. And to everything else.

Mr. RUFFIN. Cotton, we think is—excuse me.

The CHAIRMAN. And once we start something like that there is no telling what it is going to cost the Government, and I know it requires a lot of deep study.

Mr. RUFFIN. But you have cotton now which could be used for payment-in-kind which you will never sell at 12½ cents.

The CHAIRMAN. We might rig up something by reducing it to 30.1 instead of 30 cents.

Mr. RUFFIN. We think cotton is like a drowning man in 9 feet of water and you bring him up 8½ feet, his head is still underwater and he is going to keep on drowning until you get his head above water and fully competitive.

The CHAIRMAN. Yes.

Mr. JACKSON. One final point if I may.

The CHAIRMAN. I wanted to ask one more question. I want to, of course, encourage the use of more cotton in the United States, and however, I am speaking for myself now, and I was thinking of making it possible for cotton to be sold to you that is over and above your normal purchases of domestic cotton, of making it even lower than the world price in order to get you to use more of it, and that, I believe, would make sense. That, I believe, we might be able to sell that to the Senate.

Mr. RUFFIN. We don't know how we would ever be able to merchandise on that basis, Senator. Our customer would say, "You give us that 22- or 23-cent cotton. We want our goods out of that, not 32-cent cotton."

The CHAIRMAN. But you could average it out, couldn't you?

Mr. RUFFIN. No, sir, we don't see how it could be practicable at all.

The CHAIRMAN. It would lower your costs.

Mr. JONES. Mr. Chairman, I think our situation would illustrate how difficult this would be to work. Take our situation using 10 percent of cotton versus a mill using a hundred percent. That mill couldn't really—

The CHAIRMAN. But you don't make the goods. You make the yarn from which the goods are made so you are in a different category.

Mr. JONES. But it goes into every kind of goods you can think of, what we make, everything.

Mr. JACKSON. It all starts with the spinning of the yarn.

Mr. JONES. It all starts with the spinning operation we have.

The CHAIRMAN. I understand that. You as American, you have the ingenuity, of course, and, of course, you are going to use the product or the material that will bring you the most profit.

Mr. JONES. Everybody is going to do that.

The CHAIRMAN. Sure.

Mr. JONES. What I am saying is, we are using 10 percent, let's say we use 3,500 bales of cotton. Here is a mill using a hundred percent, they are using 35,000 bales of cotton. They can't increase their consumption any more without adding to their plant. We can increase our consumption by 31,500 bales of cotton which, if we got it at the price you are talking about, whatever they are——

The CHAIRMAN. According to all the testimony that I have heard here, every factory—every user of cotton doesn't use a hundred-percent cotton.

Mr. JONES. Not every user. There are some hundred-percent ones.

The CHAIRMAN. Are there many using 100?

Mr. JACKSON. Oh, yes.

The CHAIRMAN. You mean the ones who make the yarn?

Mr. JONES. Oh, yes. And the gray fabric.

Mr. JACKSON. Gray fabric, too.

The CHAIRMAN. You spoke in your opening statement that quite a few textile mills have closed.

Mr. RUFFIN. Yes, sir.

The CHAIRMAN. You are speaking of the Northeast, of course?

Mr. RUFFIN. Well, in the South, too, sir.

The CHAIRMAN. Where. Are many closed in the South?

Mr. RUFFIN. Yes, sir.

The CHAIRMAN. Why?

Mr. RUFFIN. Well, they couldn't stand up, we think this 8½-cent cotton subsidy had a great deal to do with it.

The CHAIRMAN. Did any close before 1955?

Mr. JACKSON. Yes, sir.

The CHAIRMAN. Of course, they did. Certainly they did. So don't blame it all on 8½ cents.

Mr. RUFFIN. No, sir, we don't blame it all on it. We say it is a very large contributing factor.

Mr. JACKSON. Senator, several have closed within the past 2 months that were making a type of construction that has been the main target of these great imports and it is directly attributable to the import situation.

The CHAIRMAN. Are there any further questions?

If there is no objection, the committee will stand in recess until 1:30.

(Whereupon, at 12:30 p.m., the committee recessed to reconvene at 1:30 p.m. the same day.)

AFTERNOON SESSION

The CHAIRMAN. The committee will come to order.

Mr. Rhodes, will you have a seat, sir?

Will you identify yourself for the record, Mr. Rhodes, please?

STATEMENT OF F. MARION RHODES, PRESIDENT, NEW YORK COTTON EXCHANGE

Mr. RHODES. My name is F. Marion Rhodes. I am president of the New York Cotton Exchange located in New York City. I am also interested in the production and ginning of cotton out in south-east Missouri. I spent over 25 years in the Department of Agri-

culture. During a large part of that time I was administering the cotton programs of the Department of Agriculture.

The membership of the exchange includes representatives of all major segments of the industry such as producers, merchants, and textile manufacturers. The exchange is vitally interested in the well-being of the entire cotton economy since we believe that no one segment can prosper unless the entire industry is healthy.

The appalling deterioration of the American cotton industry is common knowledge. This condition is largely due to the high price of cotton, which in turn promoted the continued rapid increase in manmade fiber consumption. Carryover of cotton by August 1, 1964, mostly in Government loan and inventory stocks, will be approaching the all-time peak of 14.5 million bales of August 1, 1956. Cotton production and consumption outside the United States is near record levels but the U.S. share of the world trade in cotton continues to decrease. Our fair share today of the foreign free world market is about 8 million bales. Cotton's share of the domestic fiber market continues to decline and has reached an all-time low of less than 57 percent.

I know of no responsible cotton organization which does not admit that new legislation is imperative if cotton is to continue as a major crop in the United States.

If Congress does not act now and pass legislation which permits cotton to move through normal channels of trade into domestic consumption and export they will very shortly be forced to materially reduce the 16 million acre minimum allotment provision in current legislation. The taxpaying public will not support forever a program that continues to pile up cotton in warehouses.

Since it is clear that legislation is not only necessary but that it is inevitable, I would like to move immediately into a discussion of the essential elements of a sound and workable cotton program. For a program to be successful, as a bare minimum it must provide for three things:

1. A one-price system: By this I mean a program which makes cotton available to the U.S. textile mills at the same equivalent price paid by foreign mills.

A partial removal of the differential in the cost of raw cotton between domestic and foreign mills will not solve the problem. It will merely be a waste of the taxpayers' money. Our domestic mills are being forced to convert to the use of manmade fibers at an increasingly alarming rate. Neither the cotton farmers nor the Nation can afford to let this situation continue.

2. A protective price-support loan below the world market price of cotton: Cotton cannot become competitive in price with foreign-grown cotton and manmade fibers as long as the Government continues its policy of making loans to producers at a rate above the market price of cotton. The annual movement of 6 to 8 million bales of cotton into the CCC loan and/or inventory and later resale is an uneconomic use of resources. The surplus cotton in the Government's hands will be in the neighborhood of 11 million bales by the end of this season and is the direct result of above-market loans.

3. Equalization payments directly to producers or to the "first buyer" of cotton from the producers: The only way the Government can increase the income of cotton producers without materially dis-

rupting normal marketing procedures is to make PIK payments to them directly and allow them to sell their cotton in an open market. It would appear to be immaterial whether the payment is based on that portion of a producer's crop produced for domestic consumption as outlined in S. 1190 or whether a smaller payment is paid on the producer's entire production. This type program will be much less expensive than trying to make the market pay the farmer what the Government thinks he should receive.

I recognize that many producers are opposed to direct payments because they have been led to believe Congress will put a limitation on the amount of assistance a producer may earn under the program.

Even in case Congress accepts this argument they can still attain a one-price competitive cotton program, with a minimum disruption of the market, by providing the payment shall be made to the "first buyer" of cotton from the producer. This question of limitations has been discussed so much it has been blown completely out of perspective and frequently is used to cloud the real issue under discussion.

The Cooley bill, H.R. 6196, as passed by the House of Representatives during the last session of Congress, does not meet the minimum essential requirements set out above. It was sold to the Members of the House as assuring a one-price system. As originally written, it would have made cotton available to domestic mills at the same price it was sold to foreign mills but it would not necessarily have provided a one-price system. As amended and passed by the House, and I am referring to the Jones amendment, it provides for at least three prices for cotton.

(a) A farm price for cotton substantially higher than the world price, which results from above-market loans.

(b) A domestic mill price.

(c) An export price.

Administration of this proposal would involve the payment of at least three subsidies, all at different rates:

(a) An export subsidy at a rate that makes U.S. cotton competitive pricewise with cotton being sold in foreign producing countries.

(b) A subsidy to our domestic mills in such amount as the Secretary determines will eliminate inequities due to the differences in the cost of raw cotton between domestic and foreign users of cotton. (The Secretary of Agriculture has already made it clear that he would fix the mill subsidy rate approximately 3 cents per pound less than the export subsidy rate.)

(c) A subsidy on textile and textile products exported from the United States in an amount equal to the difference between the rates of the export subsidy and the domestic mill subsidy.

It should be clear that under this proposal the inequity being suffered by our domestic mills would not be eliminated and that they would be forced to continue to convert to the use of manmade fibers as rapidly as possible. Such conversion would be limited only by the ability of the manufacturers of manmade fibers to increase their production.

The only logical way to stop the deterioration and start rebuilding the American cotton industry is to separate programs designed to assist cotton producers from the market. Cotton should be left free to move in a free market and producers should receive directly all or

part of the difference between the average market price and predetermined fair price. A program of this type would eliminate all three export subsidies outlined above and would take the Government almost completely out of the cotton business.

Another great advantage of a program of this type is that all the taxpayers' money spent under the program would actually go into the hands of the producer, the party the program is designed to help.

Although H.R. 6196 provides for PIK payments to maintain the income of cotton producers, it does not specify who shall receive these payments and how the program will be administered.

As I previously stated, it is generally recognized that the simplest and most direct method would be to make the payments directly to the producer as outlined in S. 1190. We cannot, however, overlook the fact that some large producers object to direct payments because they fear Congress may place a limit on the amount of money any one producer may receive under the program.

In view of the fact that large cotton producers oppose direct payments, it has been suggested the PIK certificates be issued to the "first buyer" of cotton from the producers. This type operation would allow cotton to move into the channels of trade at market prices and one-price system would be in effect after the first sale of such cotton.

I would also like to comment briefly on the huge surplus of cotton in the carryover, most of which is in CCC loan and inventory stocks. Surely everyone recognizes this situation cannot be allowed to continue.

Apparently, USDA officials take the position that it can be corrected only by a reduction in the minimum national cotton acreage allotment now provided by law, or by the reinstitution of a diversion program similar to the soil-bank program operated in prior years.

Both of these approaches to the problem would be detrimental to the general economy of the Nation and particularly to the economy of the cotton industry. These approaches are just the opposite of our goal. We should be looking forward to an expanding, healthy, and vibrant cotton industry under which both domestic consumption and exports would increase and acreage could be expanded once carryover stocks have been reduced to reasonable levels.

The best way to accomplish this goal is by the passage of sound legislation which will let the market seek its own level and let cotton move into consuming establishments throughout the world or in the hands of the cotton trade, not into CCC inventory stocks.

The CHAIRMAN. Well, according to your plan would you permit cotton to be planted in any quantity?

Mr. RHODES. No. I do not think that it would be desirable to completely eliminate acreage allotments. In my opinion, the first year or two you would likely get an excessive amount of cotton produced. I think in a period of years you would eventually get to the place that you would not need acreage allotments.

The CHAIRMAN. Well, to what extent would you limit cotton production under your plan? I presume that it is your plan, the so-called Talmadge plan?

Mr. RHODES. Well, not necessarily, I am not advocating a plan. I am advocating principles. I think that certainly the loan price has got to be put down below the world market level so that the markets can operate. That is in the Talmadge bill, of course.

The CHAIRMAN. If you fixed the loan price of cotton at 50 percent of parity, that would mean 20-cent cotton. Don't you think the world price would fall below that?

Mr. RHODES. No, sir; I do not.

The CHAIRMAN. You don't?

Mr. RHODES. No, sir. I think if you put the loan at 50 percent of parity, you would have a loan at 50 percent of parity, but the world market price would be somewhat above that, in my opinion, and rather substantially above.

The CHAIRMAN. I hope you know what you are talking about. Proceed.

Mr. RHODES. I have deliberately refrained from discussing in detail the merits and weaknesses of specific bills before this committee.

H.R. 6196, as passed by the House Committee on Agriculture, if properly administered, would have resulted in a one-price system. However, the Jones amendment added on the House floor changes the proposal to a three-price program, since the Secretary of Agriculture has already made it clear that he intends to make a 3-cent differential.

Although, H.R. 6196 as passed by the House makes modest reductions in the basic level of cotton price supports, it certainly does not provide for a discontinuation of the above-market loan policy, which has been an integral part of Federal cotton programs in recent years and is largely responsible for the losses U.S. cotton has suffered in the textile markets of the world.

In our opinion, H.R. 6196 could easily be amended to provide the three essential provisions outlined above. These provisions are already important features of the Talmadge-Humphrey bill. I recognize, however, that the Talmadge-Humphrey bill contains other features which may not be absolutely essential and which are highly controversial. That is the reason I have not advocated the bill in toto.

Time is of the essence. The patient is in critical condition. Any attempt to patch up existing legislation will not be effective. The Government's attempt to make the cotton market pay the cotton farmer what the Government thinks the farmer should get for his cotton will only succeed in destroying the cotton industry in the United States.

I appreciate, Mr. Chairman, the opportunity to express the views of the cotton exchange before your committee on this very important matter.

The CHAIRMAN. Thank you very much, sir.

Are there any questions?

As I understand your testimony, I don't profess a desire for us to enact any of the pending bills.

Mr. RHODES. My view is that a combination of the two bills would be the most desirable. I think that——

The CHAIRMAN. That is you, as a representative of the cotton exchange, desire——

Mr. RHODES. A free market.

The CHAIRMAN. A free market.

Mr. RHODES. Let cotton move into channels of trade, into the textile mills and to the merchants rather than into Government hands and then resell it each year.

The CHAIRMAN. In other words, you want it to bring whatever the price the market——

Mr. RHODES. Let the producer sell in the market and then make a payment to the producer in whatever amount the Congress decides he should receive over and above the amount that he receives in the open marketplace.

The CHAIRMAN. Well, if such were the case, what effort would be put forth by the farmer to get the best price he can on the market, if he knows in advance that the Government may pay him the difference between whatever he obtains on the market and this fixed support price that you have referred to.

Mr. RHODES. He would make far more effort than he does today. Today it is not necessary for him to make much effort because his crop is going to go into the loan on a green card class anyway. Under the proposal we are making, the payment would be based on the difference between some predetermined level that you wanted to get to and the average price cotton is sold for throughout the United States.

The CHAIRMAN. That is right.

Mr. RHODES. Now, that means that the individual farmer might get 1, 2, 3, 4, or 5 cents above the average price, but that would not affect what he receives as a payment. The payment would be based on the average price of all cotton sold in the United States during the preceding week, and if he himself produced extra good quality cotton and did a good job of harvesting it and marketing it, and thereby increased his income by 3 cents a pound, why he would end up with 3 cents more than he otherwise would have received.

Just like the wool program does and the sugar program where you do have an incentive to grow the type of a commodity that the country can use and needs.

The CHAIRMAN. But the point is, though, that if the farmer is assured of the difference between what his cotton sells for——

Mr. RHODES. That isn't what I meant to say, Senator. He is assured the difference between what the average price of cotton was in the United States during the preceding week and the predetermined support level.

The CHAIRMAN. I understand. But, of course, the quality of the cotton he produces will give him more money.

Mr. RHODES. Oh, yes; it would.

The CHAIRMAN. It would give it to him at any rate. In other words, if I produce $\frac{3}{8}$ -Middling, or an inch and a quarter, I will get much more of a price for that, a higher price than a farmer who produces a $\frac{1}{8}$ -Middling. That is because the market would be higher.

Mr. RHODES. It would be lower; the market would be lower on the $\frac{3}{8}$ than——

The CHAIRMAN. I know. But I say the market would be higher on the better quality of cotton.

Mr. RHODES. Right.

The CHAIRMAN. And if the market is fixed, which is more or less the case, there is very little that the farmer can do about it, he has it and he has got to let it go; particularly would that be true if he knew in advance that his Government would pay him the difference between whatever he lacks and the fixed——

Mr. RHODES. Let me repeat, I am not advocating the Government paying the difference between what he got and some predetermined price. I am advocating the payment be based on the difference between the average market price quoted in the 15 spot markets in the United States for this specific grade of cotton during the preceding weeks and the predetermined price support level.

The CHAIRMAN. But he would naturally get that now.

Mr. RHODES. And whatever price you wanted him to get.

The CHAIRMAN. He would naturally get that.

Mr. RHODES. No; he might not. If he had a poor crop, seven-eighths-inch wasty cotton he might get several cents less. If he had a good grade Middling cotton it might be several cents more.

The CHAIRMAN. But it would be due to the cotton that he would get more money.

Mr. RHODES. That is right, and therefore he would have an incentive to do the best job he could and he would thereby increase his total income.

The CHAIRMAN. But the payment would be based on the quality of cotton he produces and sells.

Mr. RHODES. It has got to be, otherwise you would not have a fair arrangement. The 15 spot markets of this country quote 532 different qualities of cotton today so there would be no problem in getting the market quotations. The Memphis office of the Department of Agriculture publishes them every afternoon.

The CHAIRMAN. Well, I still insist that if he is paid on a quality of cotton that he produces, and they get the average of that price through the 15 markets, he would be paid the difference between the cost, the sale price of that cotton, and whatever the fixed price made by the Government.

Mr. RHODES. That is right.

The CHAIRMAN. So there would be little or no incentive to sell his cotton for any more.

Mr. RHODES. On the contrary I think there would be far more incentive than there is now because if he produces an extra quality cotton he would get an extra price in the market and he would still get the difference between the average of the country and the predetermined price.

The CHAIRMAN. You would be surprised at the large——

Mr. RHODES. Whereas now his crop goes in the loan, the man with the highest quality of a given grade and staple will receive the same support price as the man who produces the poorest quality of given grade and staple.

The CHAIRMAN. You would be surprised at the numbers of producers of cotton who do produce good cotton who sell it and it never goes into the loan, and I think the same principle would follow.

Mr. RHODES. Of course, a lot of cotton will not go in the loan this year but it looks like we will get 8 million bales in the loan out of a crop of 15 million bales and last year I think you had between 6 and 7 million bales go in the CCC loan.

So, you have roughly half of it going in the loan each year.

The CHAIRMAN. Are there any further questions?

Thank you very much.

Mr. RHODES. Thank you, sir.

The CHAIRMAN. All right.

Mr. Miller, will you identify yourself for the record.

**STATEMENT OF RUDOLPH MILLER, SECRETARY, IMPERIAL
COUNTY GROWERS ASSOCIATION, EL CENTRO, CALIF.**

Mr. MILLER. My name is Rudolph Miller; I am from El Centro, Calif.

Mr. Chairman, I had a prepared statement but there was nothing in it that had not been said here before. I would just like to take a minute or two.

Immediately adjacent to our area is Mexico. This past season, Mexicali Valley has produced a half million bales of cotton which is about double of what they had 3 years ago. So much was always sold on the world price of cotton. This cotton has sold for the same price that we get for our cotton from 28 to 32 cents a pound. There was no difference.

The CHAIRMAN. Who bought it?

Mr. MILLER. Japan, and some to Hong Kong and Germany.

The CHAIRMAN. Between 28 and 32 cents?

Mr. MILLER. Yes, sir.

The CHAIRMAN. Who produced that cotton in Mexico—Americans or Mexicans?

Mr. MILLER. Mexicans. But it is mostly American money.

The CHAIRMAN. It is American management, I suppose.

Mr. MILLER. Yes. Mexico has just finished 272 miles of paved road to Ensenada, built a completely new harbor down there and they are hoping to expand to a million bales within 5 years.

We are sitting on this side, they come, learn our know-how and go down there and produce. We are hoping, Mr. Chairman, that in the legislation is some way that we can produce a little bit of cotton for this export without any price support, pay taxes on the income, be competitive with our neighbors to the south.

I know there are a number of areas where they could produce cotton for the export market.

The CHAIRMAN. Do you think any farmer—do you think there are many farmers in the United States who could produce cotton at world prices?

Mr. MILLER. Certain areas could.

The CHAIRMAN. Twenty-four cents a pound?

Mr. MILLER. If it is good quality they get the same prices that the Mexicans get, 28 to 30, 32.

The CHAIRMAN. Well, do you think the Mexican prices are high because of the fact of the support price in the United States?

Mr. MILLER. No; I think it is quality cotton. It is the type of cotton they are producing.

The CHAIRMAN. The type of cotton?

Mr. MILLER. Yes.

The CHAIRMAN. Well, are we to understand from what you are saying now, that the Mexicans evidently get more for their cotton than we get for ours even with the payment of this \$42 a bale subsidy to foreign buyers?

Mr. MILLER. I don't know exactly what the price is for your cotton down in your area.

The CHAIRMAN. Well, it is around, what, $8\frac{1}{2}$ averages about 32.47, is the average support price, and then the foreigners get $8\frac{1}{2}$ cents off of that, which would make it in round figures around 24 cents.

You are telling this committee that you know of your own knowledge that Mexico is selling cotton from 28 to 32 cents?

Mr. MILLER. Yes, sir.

The CHAIRMAN. Abroad?

Mr. MILLER. Yes, sir.

The CHAIRMAN. Without subsidy or anything?

Mr. MILLER. Yes, sir.

The CHAIRMAN. And you say that is due to the good quality?

Mr. MILLER. The quality; that is right.

The CHAIRMAN. Do they produce better cotton than is produced in California?

Mr. MILLER. The same.

The CHAIRMAN. The same?

Mr. MILLER. The same.

The CHAIRMAN. To what extent does California?

Mr. MILLER. In San Joaquin Valley, I think they are getting about 2 cents above, about 34 cents for their Alcala cotton.

We are producing the Delta Pine cotton in our area and the Mexicali Valley and they are getting 32 cents, run about $1\frac{1}{8}$ middling.

The CHAIRMAN. Do you sell on world markets?

Mr. MILLER. A lot of it, yes.

The CHAIRMAN. Without any subsidies?

Mr. MILLER. About 75 percent of our cotton goes in world markets; yes, sir.

Mr. CHAIRMAN. 75 percent?

Mr. MILLER. Yes, sir.

The CHAIRMAN. And do you sell it directly from the farm to the trade?

Mr. MILLER. That is right.

The CHAIRMAN. And the Government, our Government does not pay you any differential?

Mr. MILLER. No. We don't go through the loan.

The CHAIRMAN. You don't go through the loan at all?

Mr. MILLER. No.

The CHAIRMAN. You sell it direct?

Mr. MILLER. Yes.

Senator JORDAN. Mr. Chairman, could I butt in just a minute and get on the record that I—my absence is not for lack of interest in this because I am tremendously interested in this.

The CHAIRMAN. I know.

Senator JORDAN. I have a hearing of my own I can't sidestep. You just asked that question, I would like to ask, that 32.47 is for inch Middling?

Mr. MILLER. Yes.

Senator JORDAN. But the price you are talking about is $1\frac{1}{8}$ inches which carries a premium?

Mr. MILLER. Yes, sir.

Senator JORDAN. And naturally it would sell about that price in the world market because California cotton now $1\frac{1}{8}$ inches Straight Middling is selling for about 40, 40½ cents, delivered Carolinas; is that correct?

Mr. MILLER. I think so.

Senator JORDAN. 40 to 41 cents for California because that is a very high grade cotton, very strong staple, and so forth.

Mr. MILLER. That is right.

Senator JORDAN. I am sorry, I have to leave but look after these boys and treat them right because this is our crowd here now.

The CHAIRMAN. I am trying to treat everybody fairly.

Senator JORDAN. I know you will.

The CHAIRMAN. I would like to know, to add to what you are saying now—if the cotton is as good as Senator Jordan states it is, could you get more by putting it in the loan than selling it abroad?

Mr. MILLER. No.

The CHAIRMAN. You could not?

Mr. MILLER. No, we always get about 200 points above the loan.

The CHAIRMAN. You always do?

Mr. MILLER. Yes.

The CHAIRMAN. And you have no trouble in selling abroad?

Mr. MILLER. No.

The CHAIRMAN. How much of your cotton goes to Japan?

Mr. MILLER. I don't know exactly.

The CHAIRMAN. You don't know?

Mr. MILLER. I don't know exactly.

The CHAIRMAN. We will have our staff put in the record, in connection with your testimony, the actual loan value or the actual world price value of the cotton that is produced in that area.

(The information is as follows:)

1963 crop loan rate, market prices as of Jan. 31, 1964, and export subsidy for selected qualities of California cotton and for the same qualities at the average of 15 designated spot markets

[In cents per pound]

	Middling (1 inch)	Middling (1 $\frac{1}{16}$ inches)	Strict Low Middling (1 $\frac{1}{16}$ inches)	Middling (1 $\frac{3}{32}$ inches)	Strict Low Middling (1 $\frac{3}{32}$ inches)
Loan rate in California.....	31.70	33.05	31.35	33.50	31.60
Loan rate at 15-market average.....	32.72	34.07	32.37	34.52	32.62
Market price at Fresno, Calif.....	34.25	37.75	35.25	38.00	35.75
15-spot market average price.....	33.26	34.75	32.92	35.14	33.19
Export subsidy rate (for entire United States).....	8.5	8.5	8.5	8.5	8.5

The CHAIRMAN. You say that that cotton is 1 $\frac{1}{16}$?

Mr. MILLER. Yes.

The CHAIRMAN. And that is the one you speak of that sells on the world market for?

Mr. MILLER. 28 to 32 cents.

The CHAIRMAN. 28 to 32 cents and that is the kind of cotton they grow in Mexico?

Mr. MILLER. That is right.

The CHAIRMAN. Do you wish to add anything else?

Mr. MILLER. No.

The CHAIRMAN. Any further questions? Thank you.

Mr. Taylor, will you step forward, please. You may identify yourself for the record, Mr. Taylor.

STATEMENT OF A. STARKE TAYLOR, JR., TEXAS COTTON
ASSOCIATION, DALLAS, TEX.

Mr. TAYLOR. My name is A. Starke Taylor. I am here representing the Texas Cotton Association, whose membership includes representatives from many businesses who depend on cotton, either directly or indirectly, for their livelihood. In addition to those actually engaged in cotton merchandising, our membership includes merchants, bankers, compresses, steamship companies, railroads, insurance companies, and others who all together employ thousands of people.

Texas produces about one-third of the U.S. cotton crop and the economy of the State is vitally dependent on this cash crop. The acreage diversion plan recently suggested by the Secretary of Agriculture would cripple many of the businesses named above. In our opinion, many small communities would literally dry up and we cannot believe that Congress would agree to another soil bank approach. Congressional action is necessary before any real progress can be made toward getting the cotton industry on a sound and durable basis and we hope and think that such action will be more of a positive nature.

It is absolutely essential that any legislation restore a market price system for cotton. This can only be accomplished if we have a protective loan slightly below the world level. Second, in order to protect and maintain farm income, it is essential that the producer be paid an equalization fee that would make up the difference to the producer between his buying in a protected market and selling in an open market.

I would like to interject, Senator, that is not in my written testimony, if you will allow me——

The CHAIRMAN. Proceed.

Mr. TAYLOR. I heard some testimony to the effect that they did not think that the producer could get a banker to go along with him and finance his crop if he did not think he was going to get more than a 24-cent protective loan. What we are advocating is that with this 24-cent-or-less loan, the producer would have also guaranteed to him a payment in the form of a payment-in-kind or in cash. For the life of me, I cannot see why with this obligation of the U.S. Government he could not go to any bankers anywhere and get a loan that would enable him to finance his crop.

There is really no honest difference of opinion within cotton circles—in the industry or among Members of Congress conversant with the subject—of the causes of U.S. cotton's plight today. Belaboring the sources of responsibility or summarizing pertinent developments over the past few years seems unnecessary. The sole question is the timing and type of action Congress must take in the next few weeks if the U.S. cotton industry is to be preserved.

Decisions and actions, which are now irrevocable, have brought the cotton industry in the country far beyond the point where it can be saved with anything less than an immediate reduction in one step to the competitive world price under a program which is convincingly permanent. Any gradual moves in that direction are meaninglessly. To bridge the gap between the world level and the price necessary to preserve a solvent producer segment of the industry, a subsidy must

be paid for several years as cotton enters the normal channels of trade.

A program which leaves to the Secretary of Agriculture, or any other individual, the discretion to pay or not to pay such a subsidy or to decree the stage in commerce where it is to be bestowed is no solution. The permanence of the policy does not imply endless or limitless Government payments. A scale or subsidy reductions over a period of several years arouses no objection from conscientious quarters, especially if they are established by law, not as a discretionary matter of administration, and if they are based on some reasonable production-cost index.

The CHAIRMAN. Who would administer that, Mr. Taylor? In other words, we have a system here that the Secretary of Agriculture is to pursue in order to fix the price of cotton, the support for cotton, between 65 and 90 percent of parity, and it would seem to me that you would not expect Congress to say it ought to be 30 cents a pound or 25 cents a pound or 24.5 cents a pound.

Wouldn't it be necessary to have—

Mr. TAYLOR. If I may interject; you said this morning, I think, that if the program we have today had been administered right we would not be in the difficulty that we are in today. That is what I am saying. If we leave it to some individual and he does not do the job that should be done, then where are we? We have had too much history of that.

The CHAIRMAN. Well, of course, where the error was made—I do not know that you heard me say it—was when the last administration lost out, the Secretary of Agriculture gave us a parting blow in the cotton problem or program by increasing the minimum acreage fixed by law to 2 million acres, and without any rhyme or reason, and, of course, after that was fixed, there was no way to change it—

Mr. TAYLOR. Yes, sir.

The CHAIRMAN. The Secretary of Agriculture, the successor, had to accept that, and since Mr. Kennedy had said there would be no price declines on the commodities, or promised that to the people, Mr. Freeman followed through with that promise and made the price of cotton at what it was the year before, or almost what it was.

Mr. TAYLOR. I think you and I are agreeing 100 percent. I think what we do not want is for something like that to happen again.

The CHAIRMAN. Well, I am just wondering how to stop it, unless you actually fix the price in the bill, and that is something that we could not foresee. Suppose you had a drought or something like that, you would have to have somebody, someone, to administer any program, and I can see what you are saying there, but when you come to make it practical you would have to have someone to govern the ship.

Mr. TAYLOR. I think you can take a look every year. We are not implying that you have to set the rate of the PIK payment or anything else over a period of years, but I think your committee certainly is well enough aware of the problems, and if they look at it every year they can change it, set it for 1 year, maybe.

The CHAIRMAN. Well, I was very hopeful that we would pass the act of 1958 because things were in bad shape then, and the same arguments I am listening to today were advanced in 1957 and 1958 when we enacted the 1958 act, identically.

Mr. TAYLOR. Well, that approach did not work, so we have got to try something else.

The CHAIRMAN. Yes, it would have worked. We reduced our surplus from 14 million bales plus to 7.4 in 2 years.

Mr. TAYLOR. Let us say it worked for a period of a few years, but then all of a sudden something else happens to——

The CHAIRMAN. It would have worked very well if only we had continued to reduce the cost of the program by reducing the price, as was intended.

Mr. TAYLOR. But human beings, such as they are, change from time to time, and whoever—someone who was administering it today, there may be someone else administering it tomorrow. That is something we cannot control, I guess.

The CHAIRMAN. Yes; proceed.

Mr. TAYLOR. Furthermore, constructiveness requires that any new taxpayer expenditures for cotton be directed at moving current production into consumption instead of holding it off the market as does the high loan at present. By paying the farmer this subsidy direct, the taxpayer would be paying only once for the farmer's price protection. If farmers are protected, the taxpayer's total burden reduced, and the economy strengthened by what cotton can contribute, Mr. Chairman, it is hard to follow the logic of anyone objecting to such a plan.

If the loan is placed at below the world market, the cotton trade and the consumer can stock it. Further, instead of buying on a hand-to-mouth basis as has been the practice in recent years, the cotton will move to market and into consumption. Many millions of dollars in Government expenses, storage, and interest charges will be saved. The farmer will benefit from any increase in price that might result from a short crop in various parts of the world or an increase in consumption which would likely take place. It is reasonable to assume, we believe, that with the loan at the low level and the farmer and the producer receiving a subsidy on top of it and cotton moving into consumption, the market is more likely to advance and the producer should benefit by this advance.

Unshackled cotton can contribute materially to the economy of the Nation. It could very well contribute \$1 billion annually in exports for cash to our balance of payments. Cotton could continue to provide employment for millions of people all over the country, far in excess of the number being employed today. Cotton is an indispensable item in war; to continue smothering it now until its resources and talents disband of necessity into other pursuits, could affect the Nation's defense capabilities beyond today's imagination. Cotton does not need charity; it does need temporary and immediate help to unwind 30 years of legislative patchwork. The help it receives must be sound and logical. We are wedded to no single cotton proposal but favor any bill that sets the loan at or below the world level and that pays the producer direct whatever equalization fee the Congress thinks necessary. Any legislation without these two necessary details will not cure the patient, but only put off his death a little longer.

Senator EASTLAND. What support price do you favor? Where do you favor setting the support price?

Mr. TAYLOR. Senator, we do not think we are expert enough in that field to say where the support price should be.

Senator EASTLAND. You said, "At or below the world level."

Mr. TAYLOR. Yes, sir; that is right.

Senator EASTLAND. Well, the world level is 21, 22 cents, is it not?

Mr. TAYLOR. I could not say for sure. I do not know whether anyone could say for sure. I think I would say somewhere under 24 cents.

Senator EASTLAND. How do you grow it in this country on that basis?

Mr. TAYLOR. I am not advocating that you should grow it in this country at that price. I am advocating that you set the loan level at that price and give the farmer whatever Congress thinks he should have to give him the same sort of living that other people in this country have.

Senator EASTLAND. You think if we go to Production Credit Association or a bank——

Mr. TAYLOR. Yes, sir; I certainly do.

Senator EASTLAND. And say, "I have got a 21- or 22-cent support price, but I have got a promise of a check from the Government," you think that is a bankable transaction?

Mr. TAYLOR. I do not think there is anything in the United States more bankable than an obligation of the U.S. Government.

Senator EASTLAND. Is it an obligation?

Mr. TAYLOR. I would say so if you make it part of legislation.

Senator EASTLAND. You have got more sense than that.

Mr. TAYLOR. No, sir; I am not very smart, I will agree with you.

Senator EASTLAND. You have already had limitations at one time.

Mr. TAYLOR. Talking about limitations, it looks to me like with the surpluses we now have we are going to get into limitations one way or the other——

Senator EASTLAND. I say you are talking about Federal obligations, you have already had a \$50,000 limitation imposed on price supports at one time.

Mr. TAYLOR. But you are going to get limitations on acreage if we do not do something about this thing.

Senator EASTLAND. I know.

Now let us take the agricultural appropriation bill we passed last December. Suppose we had had this program last year. The farmer would not have had his payment now; he would have been overdue at the bank.

Mr. TAYLOR. Why wouldn't they have his payment now?

Senator EASTLAND. Because we did not take time to process and get it in the time after the appropriations were passed.

Mr. TAYLOR. Well, I saw a program administered called the A and B program, and if that can be administered, I believe they can administer anything.

Senator EASTLAND. I have no further questions.

Mr. TAYLOR. Senator, I thank you for your time.

The CHAIRMAN. I want to ask you one question.

Mr. TAYLOR. All right, sir.

The CHAIRMAN. Would the program you are advocating limit the farmer in any way from producing cotton?

Mr. TAYLOR. On the contrary, we think because you would have more markets for cotton that we would actually have an expansion of both production and consumption before it is over.

The CHAIRMAN. So that you would be putting no limitation on it; you would let him plant what he desired?

Mr. TAYLOR. We would not do that at first. I think, Mr. Rhodes expressed that pretty well a minute ago.

The CHAIRMAN. And you would want to rely more or less on what is commonly known before this committee as compensatory payments, the difference between—

Mr. TAYLOR. It is a matter of interpretation if you want to call it that.

The CHAIRMAN. The difference between the world price and whatever is fixed by the Government. That is along the so-called Talmadge bill?

Mr. TAYLOR. The Talmadge approach, yes, sir; that particular principle is in the Talmadge bill.

The CHAIRMAN. That proposal has been before this committee not only for cotton but other commodities for the past 27 years, and so far the committee has not acted favorably on it.

Senator EASTLAND. Would you favor that approach with acreage limitations, acreage control?

Mr. TAYLOR. I would, at least for a year or two, yes, sir; until we see how the thing was operating. I do not believe we could just turn producers loose. That is my personal opinion and, as I say, I am an amateur, and some of these people know more about it, including yourself, and you may have other ideas, but that would be my idea.

Senator EASTLAND. Well, I have sure got other ideas.

The CHAIRMAN. Any further questions? If not, we thank you very much, Mr. Taylor.

Mr. TAYLOR. Thank you.

The CHAIRMAN. Mr. Biemiller here? Let the record show that I called for Mr. Andrew F. Biemiller, director, Department of Legislation, AFL-CIO, and he did not answer.

The next witness is Mr. Sayre.

Before Mr. Sayre begins, let me say that Mr. Biemiller will be given permission to file a statement by Wednesday of next week, if he desires. That would apply, that same suggestion would apply, to any other witness who is unable to be present. He will be permitted to file a statement by Wednesday of next week.

All right, Mr. Sayre.

STATEMENT OF CHARLES R. SAYRE, PRESIDENT AND GENERAL MANAGER, STAPLE COTTON COOPERATIVE ASSOCIATION AND THE STAPLE COTTON DISCOUNT CORP., GREENWOOD, MISS.

Mr. SAYRE. My name is Charles R. Sayre. I am president and general manager of the Staple Cotton Cooperative Association and the Staple Cotton Discount Corp., Greenwood, Miss.

Mr. Chairman and members of the committee, we all know the cotton situation has changed significantly since I appeared last before this committee, May 27, 1963. I appreciate greatly this opportunity to review the implications of these changes and of pending legislation upon the more than 2,300 cotton farmers served by my firms in the delta areas of Mississippi, Louisiana, and Arkansas.

A new record yield—524 pounds per acre—from 1963 crop and continuing market losses will apparently result in an increase in the

accumulated stocks of 1.8 million bales in 12 months. The buildup in Government costs will continue unless substantial changes are made in legislative and administrative programs as applied to cotton.

Fundamentally, the market offtake of cotton must be increased now and maintained at a higher level in the future. This will require changes in the market relationships between U.S. cotton and other fibers at home and among U.S. cotton, other cottons, and other fibers abroad. This will require, too, that the U.S. structure of cotton prices must be permitted to move up and down in relation to world prices as market influences would prompt bidding by large numbers of sellers and buyers.

These fundamental objectives can be achieved. They can be achieved without reducing grower prices and production volumes to "starve out" levels. They can be achieved without excessive costs to the Government when viewed over a period of 5 to 8 years.

I should like to use H.R. 6196, as it was approved by the House of Representatives last month, for reference points.

In section 348, and I quote in part:

* * * to maintain and expand domestic consumption of upland cotton produced in the United States * * * the Commodity Credit Corporation * * * is authorized and directed * * * to make payments through the issuance of payment-in-kind certificates to persons other than producers.

The stated purpose is to eliminate the inequities due to differences in the cost of raw cotton between domestic and foreign users of such cotton.

H.R. 6196 authorized the Secretary of Agriculture to determine the size of the payment to eliminate the inequities. This should be modified to specify that the size of the payment in channels of trade should be the same as the size of the payment-in-kind export subsidy. In that way domestic mills would be enabled to buy raw cotton at the same price as foreign mills.

Anything less than full equalization will not ward off future increases in textile imports—raw fibers, yarns, cloth, and garments.

Anything less than full equalization will not regain higher levels of use by U.S. manufacturers in competition with manmade fibers. Increased domestic consumption is the main key to the stabilization of cotton production in this country at a desirable income level, that is, economic level—considering growers, ginneries, warehouse operators, marketers, and the general economy.

It is a basic economic fact that any manufacturing firm will use the raw material that is cheaper—considering quality and waste factors—and the one that will yield the largest net profits in the consumer outlets which they serve. The decision as to which fiber to use is made by mill management at the inbound mill door. These decisions cannot and they will not continue to favor cotton unless cotton can be made an equal-cost raw material promptly.

Placing cotton on an equal-cost basis through domestic payments-in-kind would be a time-buying investment. Accumulated Government stocks would be used to buy the time needed for the host of cost-cutting steps already taken by cotton farmers to go far enough to make it profitable eventually to produce cotton in the United States at world prices. The National Cotton Council, based upon careful studies, estimates potential reductions in production costs of about 10 cents per pound relative to costs in 1961 and 1962.

Gentlemen, equal-cost textile raw materials now and the development of efficiencies to meet direct world competition profitably in the future are the essentials—the musts—if we are to have an enduring cotton and cotton textile industry in the United States.

Important changes should be made in the operations of existing export programs to help in the achievement of the above objectives. These changes can be made administratively under existing laws.

The export program, under section 203, is operated through (1) sales on a competitive bid basis by the Commodity Credit Corporation from a catalog listing of accumulated stocks; (2) an export subsidy fixed at 8.5 cents per pound upon proof of shipment of U.S. cotton abroad. In the future both the catalog sales of CCC stocks and the export subsidy should be on a competitive bid basis. Competitive bidding subsidies are used in grain export programs in a highly successful way.

The bids as to the amount of the subsidy would be guided by anticipated world prices for competitive cottons. In turn, the bids for subsidies would indicate to the sales manager and the Board of Directors of CCC the prices which they should accept for their catalog cottons to keep them in line with world prices. Allowances would have to be made in the catalog sales prices for differences in costs and gains to prospective buyers arising from technical considerations in each part of the export program.

As noted above, it is highly desirable that prices for U.S. cotton for export be kept closely in line with world price prospects. World prices have declined roughly 3 cents during the last 5 or 6 years.

Getting both parts of our export program on a competitive bid basis would:

A. Expand export market offtake.

B. Save Government costs by:

1. reducing the volume held in CCC stocks and the costs of keeping it.

2. reducing, substantially, the amount of current crop going into the CCC loan each year and the associated costs.

C. Provide flexibility reflecting world cotton prices associated with the textile cycle—U.S. cottons in some years would sell for as much as 1 cent per pound more than today.

1. Assuming equal-cost cottons at home and abroad with the value of domestic and export PIK's equal, more than \$75 million in Government costs would be saved in some years.

I would estimate the aggregate savings to the Government from changing export sales to a competitive bid basis to be in the neighborhood of \$100 million per year until July 31, 1967—the proposed termination of the domestic program under H.R. 6196.

I will admit that the estimated governmental savings of \$100 million per year is a bold estimate that should be thoroughly checked using Government budget formulas. But, there are good and defensible indications that savings from such a change would be substantial indeed.

With your permission, I should like to repeat one short section of my testimony before this committee, May 27, 1963. This was in answer to Senator Jordan's question as to how the domestic payment-

in-kind might be made workable in domestic trade channels. I quote:

* * * the payment-in-kind provision would provide PIK certificates for cotton equivalent of the difference between the loan level and the world price of cotton. A mill could establish its history of consumption, we will say, for the preceding month or the preceding quarter. They would be eligible for such PIK certificates based upon their consumption. This is a bill to increase consumption, of course. Those PIK certificates could then go to the seller, who sells them the cotton that they would be using at world prices. They would give him the PIK certificates which he would then, in turn, use to purchase more cotton from the Commodity Credit Corporation. After delay of a specified period of time they could be redeemed in cash.

May I now amplify this to say that to provide equal-cost cottons to domestic and foreign mills the ideas concerning two kinds of payment-in-kind certificates should be forgotten. There should be only one series of PIK certificates which would equalize the costs of cotton to domestic mills with world cotton prices, the latter to be reflected from competitive bids as to the amount of the export subsidy which will enable a seller of U.S. cottons to sell them in world markets.

I repeat, they, the PIK certificates, should be redeemable in cash after a specified period of time; but broad latitude should be permitted in their reflection of market values. The PIK certificate element in the marketing system must be designed in ways that spot-market prices would not be seriously depressed at country points during harvest peaks or because of big discounts in PIK certificate values. Grower incomes should not be jeopardized either by certificate discounts or lack of full access to nonrecourse loans supporting the market price of cotton at levels sufficient to protect grower incomes in the future.

Again, I should like to use H.R. 6196 for reference purposes. May I quote section 3. Section 104(d) of the Agricultural Act of 1949, page 3:

(d) In establishing the level of price support to cooperators for each crop of upland cotton beginning with the 1965 crop of such cotton, the Secretary, notwithstanding the provisions of section 103, shall make such reductions in the price support level as will reflect reductions in the costs of producing cotton. The level of price support for the 1964 crop of upland cotton shall be the national average support price which reflects 30 cents per pound for Middling inch. For 1965 and subsequent years, the level of price support shall be the level in effect for the preceding crop adjusted as provided in this section to reflect reductions in the costs of producing cotton: *Provided*, That the maximum level of price support shall be the national average support price which reflects for Middling inch 29½ cents per pound for the 1965 crop and 29 cents per pound for the 1966 crop.

This section of H.R. 6196 has been subjected to severe criticisms by cotton producers in many areas. I should like to propose simplifications in these market price support provisions that would make them more equitable from the standpoint of growers' incomes in the future.

The level of price support (nonrecourse loans) to cooperators for the 1964 crop shall be the national average price support which reflects 30 cents per pound for Middling inch. The level of price support (nonrecourse loans) for the cooperators of the 1965 crop shall be the national average price support which reflects 29.50 cents per pound for Middling inch.

In establishing the level of price supports to cooperators for each crop of upland cotton beginning with the 1966 crop of such cotton the Secretary shall adjust upward or downward from the 29.5 cent level of the 1965 crop in keeping with changes in the relative costs of

production, provided that the level of price support for each crop of upland cotton shall be not less than 65 percent of parity for any crop through and including the 1970 crop.

Assuming that the nonrecourse loan for the bulk of the crop is established at 30 cents per pound for 1964, growers will be giving up approximately \$12.35 per bale in loan values and income. If this is applied to a 14-million-bale crop, the reduction in loan value and grower income would be around \$175 million, depending upon quality.

I urge this committee to develop new cotton legislation centered around the main points which I have outlined. These are:

1. Equal-cost cottons to domestic mills.
2. Payment-in-kind in the channels of trade with the value of the payment-in-kind certificates reflecting bids that will keep exports moving.
3. Nonrecourse loan levels of 30 cents per pound, 1964 crop, with future adjustments up and down based upon changes in relative costs of production but not less than 65 percent of parity through the 1970 crop.

I do not oppose special provisions for a higher price support for growers with small volumes of production.

And, I commend the members of this committee and the Congress for their highly constructive views concerning an accelerated, massive research program for cotton. Great strides can be made in that direction, gentlemen, under the Agricultural Appropriations Act, which passed during the 1st session of the 88th Congress. I urge that it be further expanded to the proposed authorization for an annual investment rate of \$10 million in cotton research.

Many growers each year are voluntarily paying into the Cotton Producers Institute at the rate of \$1 per bale for research and promotion. That fund should exceed \$3 million from the 1963 crop. Eventually, the yearly pay-in should be much more.

Additionally, growers, ginnermen, warehousemen, crushers, merchants, cooperatives, and spinners are supporting the research, promotion, and legislative programs of the National Cotton Council with \$3 million annually. These in combination with Government programing—with all rifled toward market expansion, reduction in costs of production, and efficiency gains big enough to meet world competition head on—should make the future of cotton and cotton textiles an enduring one.

Much has been said pro and con about the introduction of a voluntary "paid for" production diversion program for cotton similar to that in feed grains. Since per acre inputs are so much greater in cotton production, compared with feed grain inputs per acre, the disruption of business activity in cotton producing areas would be much greater with a diversion program than the local business disruption associated with diversion in grain production.

If quick reduction in supplies becomes a necessity because of budgetary limitations, it must be recognized that the national cotton acreage allotment has been set at the legal minimum—16 million acres—for the 1964 crop. Last month growers voted overwhelmingly—94 percent—to continue cotton acreage allotments and marketing quotas. Whatever might be done affecting the 1964 crop will have to be done within the allotment framework as established and accepted.

If it becomes necessary to resort to an acreage diversion approach as a temporary emergency measure, the following considerations are proposed:

1. Make it permissive for each grower to divert not more than 25 percent of the smaller of the grower's allotment or his 1963 planted acreage.

2. Permit release for reapportionment of the remaining acreage allotment by participating growers.

3. Correlate the price support loan level and the rate of diversion payments to protect growers' net incomes at reasonable levels and induce broad participation in all growing areas.

The vastly superior economic advantages of maintaining and regaining cotton markets in the United States and elsewhere prompt a proposal that these approaches be given a full trial in 1964 and 1965. If they have not shown promising results, then acreage diversion should be considered for the 1966 crop.

Reflecting the views of the grower members and owners of the firms which I represent, I testified last May as to three major economic pitfalls for growers in our areas in S. 1190. These are:

1. Our growers do not want a large share of their income dependent upon direct Government payments.

2. They fear that limitations would again be placed upon the amount of direct Government payment that could be received by any one farm or firm.

3. Production financing would be withheld from the average grower for that portion of his production that would have to be sold in world markets.

Additionally, I am compelled to bring to the attention of the committee that under S. 1190 a different domestic allotment formula is used during each of the first 4 years. For the 1964 and 1965 crops of cotton the national domestic allotments would be apportioned to the States on the basis of the 1963 State acreage allotments. For 1966 crop the apportionment to the States would be based partly on the 1964 allotment and the State production base for 1964. The State production base is the smaller of the State domestic allotment or the production within such allotment. For 1967 the apportionment to the States would be partly on the number of bales used as a base in apportioning the 1964 national domestic allotment and partly upon the sum of the 1964 and 1965 State production bases. For 1968 and thereafter apportionment of the national domestic allotment would be based on the average of the State production bases for the 3 years immediately preceding the calendar year in which the national domestic allotment is proclaimed.

Parenthetically, in addition to my statement, if we had administrative nightmares in programs before to me this would be another one that would be extremely complicated at the local and county level.

Senator EASTLAND. About how many farmers do you finance in three States?

Mr. SAYRE. Just under 500, Senator.

Senator EASTLAND. Could you finance them under the Talmadge bill?

Mr. SAYRE. No, sir; not the average grower, not a man without high-level net worth.

Senator EASTLAND. In other words, you could not finance them with the expectation of being repaid from the proceeds of his crop?

Mr. SAYRE. No, sir. It just does not reach to meet the current levels of costs that growers are faced with; and hearing some of the preceding discussion, I must say as a finance agency manager, I would not be in a position to advance money in anticipation of Government appropriations for a payback above, say, a 20-, 21-cent loan.

Senator EASTLAND. Who would? Do you know any financial agency that would do that?

Mr. SAYRE. No. Those that I have talked with, none of them have indicated their willingness in that direction.

Senator EASTLAND. What you could do if a man put up bonds or other security, then you could finance him, but you would not look to that crop to get all your money back.

Mr. SAYER. That is correct, sir.

From the foregoing it appears that the 1963 acreage allotment converted to bales is the foundation of the apportionment procedure. By keeping production up to 75 percent of those levels, a State could keep its proportionate share of eligibility for additional price support constant. In areas where people were tending to go out of cotton that State's share of additional price support eligibility could be maintained through the release and apportionment provisions.

S. 1190 will have a cumulative and irreversible downward effect on the level of the parity price for cotton. The cotton parity formula is usually written:

$$\frac{\text{Average price received by farmers for cotton (120 months or 10 years)}}{\text{Average price received by farmers for all commodities (120 months or 10-year average)}} \times \text{Index of price paid} = \text{Parity by farmers}$$

Each year the world-level market prices of S. 1190 would be added into the above formula. It would be several cents per pound lower than the price of cotton, 10 years earlier, to be dropped from the 10-year moving average. The result would be a downward spiral in the parity price for cotton which could affect the level as much as 4 or 5 cents per pound in 10 years.

It is not possible to predict loan values in different producing areas with full accuracy under S. 1190. However, if parity is estimated at 40 cents per pound and 1963 crop loan differences are used, the approximate loan values would be those, for selected points, shown in attachment I. I shall mention only a few.

At Hayti, Mo., the 60 percent of parity loan would be 24.63 cents per pound for SLM 1½ inch—the most important grade and staple from that area or 50-percent of parity or 20.63 cents.

I am adding what the 50-percent level would be in addition to the 60-percent level, with your permission.

The CHAIRMAN. Very well.

Mr. SAYRE. At Lubbock, Tex., the loan would be 24.34 cents per pound for the main quality; 50 percent parity, 16.84 cents.

At Vienna, Ga., the loan value for SLM 1½-inch staple would be approximately 24.63 cents per pound; 50 percent parity, 20.63 cents.

At Greenwood, Miss., the loan value for SLM 1½-inch staple would be close to 24.64 cents per pound; 50 percent of parity, 20.64 cents.

Could I add one other statement, if I may?

The CHAIRMAN. Proceed.

Mr. SAYRE. When we recognize that the price level, as indicated in S. 1190, would be setting at something below world price levels, I would like to remind the committee, as I have stated earlier, that world price levels have gone down more than 3 cents in the last roughly 5 years, and it is my honest opinion that with the provisions of S. 1190 that you would see world prices go well below 20 cents a pound from their current 23½ cents a pound.

One other comment about S. 1190.

The CHAIRMAN. What would cause that?

Mr. SAYRE. The world price or the world demand for cotton, as you know, Senator, is a very inelastic one. That is one of those problems of getting rid of what we have got. If we attempted to push 2 or 3 million bales of extra production onto the world market structure in the next 2 or 3 years, over and above, say, the 5 or 6 million bale level we are out to have there under section 203, then our own action could force the prices down.

Senator AIKEN. Is our 8½-cent subsidy a factor which has had a bearing on the reduction in world cotton prices?

Mr. SAYRE. Well, it has been——

Senator AIKEN. Does our subsidy in any way have a tendency to fix the world cotton prices?

Mr. SAYRE. Yes, in this sense that we call sell, Senator Aiken, that part of the world cotton supply that is the difference between what the world produces and consumes with the little difference in stocks.

Senator AIKEN. We have the residual supply.

Mr. SAYRE. We have the residual, and if this is not handled very carefully it has a downward effect.

Senator AIKEN. It takes a real good expert to handle that problem properly.

Mr. SAYRE. That is right. That is why I would like to see it handled on a bid basis, let informed buyers and sellers bid on what they think they can export it at.

The CHAIRMAN. Mr. Sayre, under the Talmadge bill for cotton that is not produced for the domestic market there is a loan provision of 50 to 60 percent of parity.

Mr. SAYRE. Yes, sir.

The CHAIRMAN. Suppose that the Secretary of Agriculture would decide to make this loan at 50 percent of parity. What effect would that have on world prices?

Mr. SAYRE. Fifty percent of parity, the world prices are now, say, 23½ cents, and it is very difficult to see how it would not reduce it to some extent.

The CHAIRMAN. Well, as a matter of fact, wouldn't any price fixed by the Secretary have the tendency of more or less fixing the world price, even probably below?

Mr. SAYRE. Each time we——

Senator AIKEN. I was going to say when the Secretary raised the support price for cotton in this country, the world price went down.

Mr. SAYRE. Well, you have got a highly complex situation in which you have got to look at the changes in stocks commonly referred to as the textile cycle involved in this. But the most common pattern of performance is when we set our price to whatever level, then they tend to—they being the other countries selling cotton—set just enough below it to be able to move their stocks because you have encountered this, Senator, as you have traveled.

The CHAIRMAN. Yes, and as has been often stated in respect to our present program here in this country, the support price usually fixes more or less the price of cotton in this country.

Mr. SAYRE. Well, we are both the country that stabilizes the world prices and the carriers of inventory for the world.

The CHAIRMAN. But is it true or not that the support price in this country that would give our cottongrowers those funds, does not that have the effect of more or less fixing the prices at which cotton will sell domestically?

Mr. SAYRE. Within limits of the textile cycle.

The CHAIRMAN. Wouldn't the same thing apply if we set a fixed price between 50 and 60 percent of parity for cotton that is produced over and above our own domestic requirements?

Mr. SAYRE. Yes, sir.

Mr. CHAIRMAN. The same principle would apply.

Mr. SAYRE. There is no difference. It is just a different level.

The CHAIRMAN. Yes.

Senator EASTLAND. Do you think it would push the world price of cotton below 20 cents a pound?

Mr. SAYRE. I do, Senator.

Senator EASTLAND. That would mean that we would wind up with a support price of 20 cents a pound for that which moves in export.

Mr. SAYRE. Particularly if you also take into account the cumulative effect of S. 1190 on the level of parity itself, over a 10-year moving average which we currently have.

Senator EASTLAND. It will put parity down and reduce the support price.

Mr. SAYRE. Yes, sir.

Senator EASTLAND. What would you say, 4 to 5 cents a pound?

Mr. SAYRE. Ten years.

Gentlemen, you have recognized by your actions many times that farm programs should provide an economic climate in which growers could obtain reasonable levels of income through assisted interplay of market influences. In turn, this has provided the incentives, the technical progress, and the quality gains that have meant low cost fiber, low cost food for the American public. The results have, also, released vast manpower and natural resources for nonfarm uses and provided an unequaled security margin for the Nation. I am confident that you will again keep these aims in mind as you meet cotton's problems.

Thank you.

(The attachment to Mr. Sayre's statement follows:)

ATTACHMENT 1. S. 1190, APPROXIMATE LOAN VALUES, SELECTED POINTS, 1964
COTTON CROP, USING 1963 DIFFERENCES

I. From S. 1190, section 5(a): "Price support for each crop of upland cotton shall be made available to producers through loans, purchases, or other operations at such level not less than 50 per centum or more than 60 per centum of the parity price therefor as the Secretary determines appropriate * * *"

II. December 15, 1963 parity—40.14 cents per pound. For convenience, in these comparisons 40.00 cents is used.

III. Loan values based on quality differences applicable to the 1963 crop.

Selected point	For Middling Inch		Loan value for average production in particular area		
	50 percent of parity	60 percent of parity	Average production	50 percent of parity	60 percent of parity
	<i>Cents</i>	<i>Cents</i>		<i>Cents</i>	<i>Cents</i>
Charlotte, N.C.	21.81	25.81	Strict Low Middling 1½ ³ / ₂ inch	20.91	24.91
Greenville, S.C.	21.81	25.81	do.	20.91	24.91
Vienna, Ga.	21.53	25.53	do.	20.63	24.63
Huntsville, Ala.	21.33	25.33	do.	20.43	24.43
Greenwood, Miss.	20.99	24.99	Strict Low Middling 1½ ¹ / ₆ inch	20.64	24.64
Jackson, Tenn.	21.04	25.04	do.	20.69	24.69
Hayti, Mo.	20.98	24.98	do.	20.63	24.63
Blytheville, Ark.	20.98	24.98	do.	20.63	24.63
Delhi, La.	20.94	24.94	do.	20.59	24.59
Harlingen, Tex.	20.69	24.69	do.	20.34	24.34
Lubbock, Tex.	20.69	24.69	Strict Low Middling, light spotted, 1½ ¹ / ₆ inch.	16.84	20.84
			do.	16.92	20.92
Altus, Okla.	20.77	24.77	Middling 1½ ¹ / ₆ inch	21.91	25.91
Las Cruces, N. Mex.	20.56	24.56	do.	21.35	25.35
Phoenix, Ariz.	20.00	24.00	do.	21.35	25.35
Bakersfield, Calif.	20.00	24.00	do.	21.35	25.35

The CHAIRMAN. Mr. Sayre, are we to understand that you more or less lean to the Cooley bill, with the changes suggested by you in your statement?

Mr. SAYRE. Yes, sir.

The CHAIRMAN. Could you tell us to what extent would that increase domestic consumption, would the Cooley program increase domestic consumption?

Mr. SAYRE. I would like to make my answer, if I could, Mr. Chairman, in two parts.

I subscribe to this idea that the first year the increase might be 600,000 to 800,000 bales in that short 12 months. But there is one factor that needs to be kept in mind there, that any manufacturer making a shift in raw materials, as this would amount to, must work off his already on-hand inventories of other raw materials that he has got to use up, and use up the best he can. He has got his money in it. That, I think, is a factor that is holding him down the first year.

Now, I also believe that this thing of just saying that cotton price coming down 1 cent, consumption going up 100,000 bales, is much too static an idea to weigh what we would do as Government policy in terms of trying to get out cotton back in competition with our imports or manmade fiber competition.

To me, 5 or 6 cents a pound could increase the offtake a million bales. Seven or eight cents a pound, full equalization, I think, could increase the offtake for the average of the next 3 years in the neighborhood of a million and a half to 2 million bales per year.

The CHAIRMAN. Domestically?

Mr. SAYRE. Domestically, yes.

Senator EASTLAND. What would prevent an erosion of the market? Do you think there would be a continued erosion in the market?

Mr. SAYRE. Senator Eastland, I deal with mill buyers day after day throughout the year, and I am convinced that we will see domestic consumption go to 6 million bales within the next 3 years with the program we have got, and it could go even lower.

Senator AIKEN. You mean the program we have got as now administered.

Mr. SAYRE. Yes, I would accept that modification, Senator Aiken, in my answer. Yes, erosion is very rapid.

The CHAIRMAN. Well, Mr. Sayre, you are familiar with the projections made by the Department of Agriculture on the cost of the current legislation——

Mr. SAYRE. Yes, sir.

The CHAIRMAN (continuing). Under the Cooley bill and the Talmadge bill?

Mr. SAYRE. Yes, sir; both.

The CHAIRMAN. And from the figures before me the Cooley bill would cost for 1964-65, \$614 million.

Mr. SAYRE. Yes, sir.

The CHAIRMAN. For 1965-66, \$652 million; and for 1966-67, \$679 million; whereas the present program for 1964-65 would cost \$566 million, and in 1965-66, \$640 million. I am just wondering why it is that the Cooley program increases whereas the current program decreases.

Mr. SAYRE. Well, they must assume some lower level of price support in the current program.

The CHAIRMAN. Which you would advocate, I would hope.

Mr. SAYRE. I would at 30 cents for the 1964 crop if we can get it.

The CHAIRMAN. If you were to reduce the support price to 30 cents that in itself would lower the cost of the current program by probably as much as \$175 million.

Mr. SAYRE. That is right.

Let me mention one other thing or two other things on costs, if I may, sir.

The CHAIRMAN. I hope you realize this, Mr. Sayre, that for us to present to the Senate any legislation that will be different, substantially different, from our present law would be difficult to enact in time for this year's crop.

Mr. SAYRE. I realize that, sir. But due to the offering, if I may say so, the modified H.R. 6196 or your own bill, a bill——

The CHAIRMAN. I do not have any bill.

Mr. SAYRE. A bill that would cost over \$100 million less than what the current cost of the program is in the first year, then you would be providing, as I see it, the use of the accumulated inventory that we have in cotton in this country in the same way that any business would be to expand the markets, to move that inventory, to stabilize these markets for future efficiency and handling of his production capacity that he has.

The CHAIRMAN. But the amount of inventory would be reduced to such a small extent that it would hardly make a dent in the amount that we now have on hand.

Mr. SAYRE. Well, the first year——

The CHAIRMAN. As I pointed out, and I hope you were here——

Mr. SAYRE. Yes, sir.

The CHAIRMAN. When I pointed out that the same difficulty we are laboring under now in our own country is happening all over Western Europe.

Mr. SAYRE. Could I comment on that, please, Senator?

The CHAIRMAN. I wish you would.

Mr. SAYRE. I would like to comment on two important points which you made this morning. One, the increase in synthetic consumption abroad.

I think we have seen a very significant buildup of their synthetic capacity to protect their balance of payments, as was said this morning.

But in addition to that, gentlemen, it is a whole lot different for a Dutch mill, and these are what Dutch mill operators tell me, for them to have to depend on the kind of cottons they get all the way around the world compared to the very uniform reasonable quality synthetics that they get. They have got some built-in advantages in their production by using synthetics.

Then there is still another factor, and we do not want to kid ourselves, and no one is, that the high-styling people have taken hold of the synthetics and have done a terrific job. We are going to have to work to offset some of that and get it back if we possibly can. A lot is being done, but if we had our equalization in the costs of cotton to our domestic mills, the same as foreign cottons, coupled with research and promotion and high styling, I think we would make more progress in this 1-cent down, 100,000-bale increase which is the relationship that you can establish with a statistical series, but it is static. That assumes you are doing everything you are going to do in the next few years like you did them before. We have not got time to do that, gentlemen. We either move with a considerable different cost relationship to raw materials or we are out of business.

Thank you very much, Mr. Chairman.

The CHAIRMAN. Any further question? If not, we thank you very much, Mr. Sayre.

This is the last witness listed for today, and except for hearing the Department witnesses that would close the cotton hearings.

I wish to say that if any of the witnesses who desired to come here were unable to come, and want to file a statement of their own by next Wednesday, permission will be granted.

Senator AIKEN. When do you expect to have the Department witnesses?

The CHAIRMAN. Off the record.

(Discussion off the record.)

The CHAIRMAN. The committee will stand in recess subject to the call of the chairman.

(Whereupon, at 3:10 p.m., a recess was taken subject to the call of the chairman.)

(Additional statements filed for the record are as follows:)

CONCURRENT RESOLUTION OF THE SOUTH CAROLINA GENERAL ASSEMBLY

A CONCURRENT RESOLUTION MEMORIALIZING CONGRESS TO DEFEAT THE MCINTIRE AMENDMENT TO THE COOLEY COTTON BILL

Whereas the amendment attached to the Cooley cotton bill by Representative Cliff McIntire, of Maine, is causing widespread alarm among the cotton farmers in the Southeastern States of the Nation; and

Whereas the McIntire amendment would pave the way for a gradual elimination of cotton growing in the Southeastern States; and

Whereas the amendment would permit a progressive reduction of the price support ceiling for cotton; and

Whereas the legislation, as amended, would repeal the parity concept on which not only cotton but other programs have been based through the years; and

Whereas the passage of the bill with the McIntire amendment will set a pattern which will eventually intrude upon and arrest the tobacco program of the States of the Southeast; and

Whereas the progressive reduction and ultimate elimination of price support as advocated by the McIntire amendment would have far-reaching economic effects on the Southeastern States; and

Whereas the general assembly believes that the economic stability and the morale of the cotton farmers of the Southeastern States depends upon the defeat of the McIntire amendment to the Cooley cotton bill, along with any other legislation that has as its objective the lowering or eradication of the cotton price ceiling: Now, therefore, be it

Resolved by the house of representatives (the senate concurring), That Congress be memorialized to defeat the McIntire amendment to the Cooley cotton bill now before the Senate of the United States; be it further

Resolved, That copies of this resolution be forwarded to each U.S. Senator from South Carolina, each Member of the House of Representatives of Congress from South Carolina, the Senate of the United States, and the House of Representatives of the United States.

STATEMENT FILED BY W. B. CAMP, AGRICULTURE COMMITTEE, AND WALTER B. GARVER, MANAGER, AGRICULTURE DEPARTMENT, CHAMBER OF COMMERCE OF THE UNITED STATES

The national chamber commends the principal merit of S. 1190, the Talmadge-Humphrey cotton bill. That principal merit is its recognition that existing cotton programs have outlived their usefulness and proposes measures that are intended to return the cotton industry to the marketplace.

To the extent that S. 1190 will terminate the acquisition and disposal by the Federal Government of commodities, such legislation is long overdue. Many substantial producers of cotton fear that unless wholesale changes are made in Federal cotton programs the U.S. cotton industry will be destroyed.

This fear is shared by other components of the cotton industry who process, fabricate, and sell cotton and its products. We, therefore, support those provisions of the bill which will ultimately end the Government acquisition and disposal of cotton and its control over the commodity.

However, S. 1190 contains provisions to which we are opposed because they are neither in the interest of the public nor of cotton producers and the industry. We return to these points below. In their place we suggest alternatives that are in the public interest of consumers and taxpayers, and which we believe will better serve the cotton producers and industries because they will promote a strong and progressing cotton economy.

THE IMPORTANCE OF MARKETS

The principal merit of S. 1190 is that it will open up a way to return cotton and its products to the market. For too many years past cotton programs have tried to freeze by controls and subsidies a cotton economy that has changed radically in spite of the programs.

Moreover, such programs have sheltered a dramatic growth of cotton competition in many other countries. They have also added encouragement to a rapid growth of world and domestic synthetic fiber production.

Some of these developments are shown in charts 1 to 6, appended to this statement.

For example, while the U.S. production remained comparatively stable from 1949 through 1962, the world production rose by more than 50 percent, from 31 million bales in 1949 to nearly 50 million bales in 1962. In the Communist world, principally Russia and China, production rose from 4.7 million bales to 14.3 million in 1962, nearly three times the 1949 level.

In the free world countries there was also an increase of 50 percent. In 1949 its production was 24 million bales, of which the United States produced 60 percent. By 1962 the free world production had risen to 36 million bales, with the U.S. share declining to 40 percent.

When the U.S. production is subtracted from the free world total (the U.S. production was the same in 1962 as in 1949), the increase in the free world, excluding the United States, is 12 million bales, a scale considerably more than double the 1949 total of 9.5 million bales. This is an increase alone equal to more than 84 percent of the U.S. average annual production for the 14-year period.

The production of six selected free world countries (India, Pakistan, Brazil, Egypt, Mexico, and Turkey) taken together more than doubled during the period and rose by 7.2 million bales. This increase exceeded the annual net exports of the United States during the 14-year period in all but 1 or 2 years. India and Pakistan each more than doubled its production. Turkey tripled its output. The production in Mexico quadrupled.

The sheltering of the domestic cotton industry by Federal programs has also had its impact on the domestic consumption of fibers. The domestic consumption of rayon, acetates, and other synthetics amounted to 18 percent of the 1947 total fiber consumption of cotton and synthetics combined. By 1961 these manmade fibers accounted for more than one-third of the U.S. consumption.

The rise in U.S. consumption of synthetics other than rayon and acetates is even more striking. In 1947 the "other" fibers accounted for only 1 percent of the total of cotton plus "other." By 1961 they constituted more than one-third of domestic consumption.

The world production of rayon and acetate filament yarns increased from 1947 to 1960 more than threefold. Even in this country production increased by two-thirds during the period. (These relationships are indicated in charts 4, 5, and 6.)

ECONOMICS OF COTTON PRODUCTION

Under cotton programs the Federal Government through the Commodity Credit Corporation has put under loan to producers from 15 percent to as high as 62 percent of the crop during each of the last 10 years. In this period CCC has acquired from two-thirds to 97 percent of the cotton supported by loans. This means that from 11 percent in 1952 to a high of 60 percent of the total crop in 1959 has been acquired by the Federal Government.

CCC acquired more than 44 million bales in the 10 years 1952-61. This is equal to almost 3 years of average total production. The problems and complications involved in subsidizing the disposal of some of these acquisitions, and the attendant costs of such operations, need not be emphasized here.

This vast program with its tremendous and unfavorable impact was undertaken and has been continued on the basis of "protecting" an oversimplified conception of a "family enterprise."

The cotton price support and control program was never designed to be a permanent program. Mr. W. B. Camp, one of the authors of this statement, points out that he was brought in to the U.S. Department of Agriculture in the early 1930's to establish a cotton program for 2 or 3 years to cushion the blow of the depression. But the program has been perpetuated long after the emergency was over. Now it has created its own serious emergency.

Many dynamic changes in farm technology have altered cotton production. It has become a major business enterprise. Producers have adopted measures and techniques beyond the ability of governmental programs to deal effectively with the industry without also destroying it.

In tables I-A and I-B some of the characteristics of cotton production today are outlined and analyzed. The data are from USDA "Farm Costs and Returns of Commercial Farms by Type, Size, and Location," Economic Research Service, Information Bulletin 230, August 1963, tables 21-30 and 32. They are arrayed in the following tables in descending order of production per farm.

TABLE I-A.—*Characteristics of cotton-producing farms, by types, 1962*

Type and area	Cotton production		Acreage in cotton		Yield		Labor earnings ¹	
	Bales	Index	Acres	Index	Pounds	Index	Per hour	Index
Large cotton-general farms, San Joaquin Valley, Calif.	915.2	(100)	443.0	(100)	1,033	(100)	\$12.71	(100)
Large-scale cotton farms, Mississippi Delta	293.7	(32)	267.0	(60)	550	(57)	6.51	(51)
Medium-sized cotton-general farms, San Joaquin Valley, Calif.	281.0	(31)	136.0	(31)	1,033	(100)	4.60	(44)
Cotton-specialty farms, San Joaquin Valley, Calif.	262.3	(29)	127.0	(29)	1,033	(100)	6.66	(52)
Irrigated cotton farms, high plains, Texas:								
Nonirrigated	(11.2)	(1)	(27.2)	(6)	(206)	(20)		
Irrigated	(181.8)	(20)	(153.8)	(35)	(591)	(57)		
Total	(193.0)	(21)	181.0	41	533	52	5.86	(46)
Nonirrigated cotton farms, high plains, Texas	54.3	(6)	132.0	(30)	206	(20)	1.86	(15)
Cotton farms, Black Prairie, Tex.	32.7	(3)	81.0	(18)	203	(20)	.56	(4)
Cotton farms, Southern Piedmont	19.9	(2)	26.0	(6)	388	(38)	.61	(5)
Small cotton farms, Mississippi Delta	17.7	(2)	18.0	(4)	488	(47)	.58	(5)
Peanut-cotton farms, southern coastal plains	11.9	(1)	14.0	(3)	419	(41)	.98	(8)
Tobacco-cotton farms, coastal plain, North Carolina	5.1	(1/2)	8.0	(2)	331	(32)	1.88	(15)

¹ Net earnings after deducting return on capital, per hour of operator and family labor.

TABLE I-B.—*Characteristics of cotton-producing farms, by types, 1962*

Type and area	Labor effectiveness ¹		Proportion of hired labor		Total farm capital	
	Amount	Index	Percent	Index	Amount in thousands	Index
Large cotton-general farms, San Joaquin Valley, Calif.	8.20	(94)	91	(100)	\$1,028	(100)
Large-scale cotton farms, Mississippi Delta	2.72	(31)	90	(99)	218	(21)
Medium-sized cotton-general farms, San Joaquin Valley, Calif.	7.21	(81)	74	(81)	298	(29)
Cotton-specialty farms, San Joaquin Valley, Calif.	8.75	(100)	78	(86)	301	(30)
Irrigated cotton farms, high plains, Texas:						
Nonirrigated						
Irrigated						
Total	5.18	(59)	66	(72)	120	(12)
Nonirrigated cotton farms, high plains, Texas	4.05	(46)	44	(48)	63	(6)
Cotton farms, Black Prairie, Texas	2.62	(30)	27	(30)	52	(5)
Cotton farms, Southern Piedmont	1.21	(14)	51	(56)	29	(3)
Small cotton farms, Mississippi Delta	1.35	(15)	26	(29)	14	(1)
Peanut-cotton farms, southern coastal plains	1.79	(20)	26	(29)	18	(2)
Tobacco-cotton farms, coastal plain, North Carolina	1.70	(19)	63	(69)	29	(3)

¹ Dollar of cash receipts per hour of total labor used.

Source: Tables 21-30 and 32, "Farm Costs and Returns of Commercial Farms by Type, Size, and Location," USDA, Economic Research Service, Information Bulletin 230, August 1963.

Acreage in cotton ranged from 8 acres on the tobacco-cotton farms on the coastal plain of North Carolina to 443 acres on the large cotton-general farms in the San Joaquin Valley of California. Thus the range of acreage for these commercial cotton farms is from 2 percent of the maximum on up to 60 percent in the large-scale cotton farms in the Mississippi Delta, and to 100 percent for the largest farms.

The yield per acre ranges from 1,033 pounds down to only 20 percent of this top figure in three of the "commercial" areas and types of farms.

Labor earnings, that is the net earnings per hour of labor by the operator and family ranged from \$12.71 in the case of the largest producing type to 61 cents per hour or less for three areas and types. This was 5 percent or less of the maximum size group.

Effectiveness in the use of all labor used varied over an extreme range from a low of less than \$1.25 per hour in one type, to less than \$2 of cash receipts per hour of labor in four of the types, on up to more than \$8 per hour for two types. Labor effectiveness on two of the types was only 15 percent of the maximum.

The "commercial family farm" has recently been defined as one in which the operator and his family supplies one-half or more of the total labor used. In the cotton farms listed in the table the five largest and most effective types hired 72 percent or more of the labor used. It is evident that high operator labor earnings and effective use of labor require a very large proportion of hired labor.

The importance of capital in current-day cotton farming is shown in the table by the fact that satisfactory returns to family labor are dependent on large capital investments. The five types with lowest production and with lowest labor earnings to the operator and his family had less than 7 percent of the capital invested per farm shown for the largest and most profitable growers.

Producers are finding it inevitable that handpicking, for example, is something they can no longer afford, and they are turning to machine picking.

Some striking relationships are shown to hold in the cotton producing economy by these tables.

The 4 smallest types produced less than 30 bales in 1962. All four averaged less than 30 acres in cotton and had average yields of less than one bale. By contrast the 4 larger producing types averaged more than 250 bales per farm; had upward of 125 acres in cotton, with yields running close to 2 bales per acre.

The four smaller types had labor earnings of less than \$2 per hour as contrasted with \$5 to \$12 per hour for the four larger types.

Labor was used least effectively in the smaller group, producing less than \$2 of cash receipts for each hour of all labor employed, while three of the four larger types achieved an "effectiveness" of \$7 or better.

The groups at the smaller end of the scale relied mostly on operator and family labor, while the four larger producing groups hired 80 percent or more of the total labor used.

The four smaller types (producing less than 30 bales) had a total capital use per farm of less than \$30,000, while the four largest producing types used capital in excess of \$200,000.

Based on the 1963 ASCS effective allotments, the smaller farms producing less than 30 bales produced less than 17 percent of the crop but constituted 75 percent of the producers with allotments. Producers with effective allotments of 15 to 30 acres produced a cotton crop worth from \$200 to \$2,600. Producers with allotments above 200 acres produced an average crop worth from \$50,000 on up.

Our conclusion from this analysis is inescapable that policy and programs aimed at preventing major changes and adjustments on the part of small "family farm" cotton producers are, in the face of the trends working against them, not only futile but destructive to the entire cotton production economy.

FAVORABLE ASPECTS OF S. 1190

The principal advantage of S. 1190 is that it frees cotton from Government acquisition and gives the market forces, operating through the competitive price system, much greater effectiveness in guiding the production and consumption of cotton. It would also end the present two-price system for cotton, which has plagued the domestic cotton industries. Another advantage of the proposal is that it ends the attempt to control the production and marketing of cotton directly. Unfortunately, the bill provides a complex system for changing of allotment bases. We understand that this is intended only to regulate the basis of eligibility for the proposed schedule of payments.

UNFAVORABLE ASPECTS OF THE BILL

The foregoing advantages are only a feeble if encouraging "step in the right direction." Many of the provisions are so unfavorable that the national chamber must oppose the bill unless they are remedied.

The use of direct payments to offset the difference between market and target farm prices is justified if it is done on a temporary and gradually diminishing basis. However, the payments provided in S. 1190 are to all intents and effects a permanent subsidy. As such, they would have three unsound results. First,

they would be a permanently costly device driving down the market price and growing in total public cost as they did so. Second, they would on a permanent basis constitute a subsidy to competition of cotton against other competing commodities or products and would, therefore, create the same pressures for offsetting subsidies to others which are now present in the economy. Third, like virtually all "benefit" programs to farm producers, the payments or the "right" to receive them could well be capitalized by the holders. When this occurs the payments program would become a capital "gift" to the fortunate current holders and thereafter a capital cost, creating pressure to sustain it in order to avoid subsequent "capital losses".

In addition to these disadvantages, the level of payments proposed in the bill are too high for sound public policy. For all producers, including the larger and most effective, the payments would constitute a return per pound above costs and profitable operation, and certainly above the level at which efficient producers are prepared to produce and sell.

Even the minimum schedule of 50 to 60 percent of parity on the first 15 bales of production is unrealistic and dangerous. The reason is that during a transition to market prices and while farm producer adjustments are being made it is certainly possible that the market price could at times drop a little below the 60 percent of parity (currently about 24 cents) which a Secretary of Agriculture is empowered and would be expected to proclaim under the bill. Since the bill provides that this minimum support could be achieved by loans and purchases, this would put the Federal Government right back into the acquisition and disposal of cotton, with possible depressing and market-destroying effects on market prices. This could very well keep market prices from rising in response to market demand. It would also have the effect of keeping the size of the payments scheduled in the bill larger than otherwise would be necessary.

The national chamber endorses protective price supports against sudden, temporary and undue declines in farm commodity prices. But this support should be only a temporary short run cushion and should not be normally required. For this reason we urge that the base, on which minimum the price payments are to be made, be formulated in terms of a substantial portion of an average period of market prices, such as 90 percent of a 3-year market average, or 85 percent of a 4-year average, for example. We further urge that even these minimal supports be carried out also by direct payments rather than by loans and acquisition of commodity.

If the CCC is not removed from the acquisition and disposal of cotton (and other commodities), the Nation will continue to be plagued with the current problems of the impact of disposal on domestic and foreign markets. The notion that "additionality" of consumption can be achieved by disposal methods so far devised is much more fancied than can be substantiated.

In this connection, a proposal before your committee would subsidize the "additional" consumption of cotton by domestic mills over and above a historical total. We oppose this because it ties the future growth in demand and use of cotton domestically to a Federal subsidy.

ALTERNATE PROPOSALS

We endorse the principle of market determination for the price of cotton. We have endorsed the approach of using direct payments to offset the difference between average market prices and a "target" farm price. But this endorsement is only for an interim payments program which gradually and systematically is diminished each year and which is scheduled to terminate at the end of the transitional period.

As an alternative to S. 1190, we therefore suggest that payments be made in 1964 representing the difference between market prices achieved and an average of 31 cents. This assumes that the market price would average 24 cents and the payment would be 7 cents per pound. In 1965 the "target" would be 30 cents, 29 cents for 1966, etc., to 1970 when the target would be 25 cents, ending in a market price of 24 cents with no payments needed in 1971. This would give cotton producers 7 to 8 years in which to adjust their production, their farming, or their occupations to the gradual exposure to the market determined prices.

The production eligible for these payments should be limited to the 1963 production under ASCS effective allotments, or a similar recent basis.

TABLE 2.—Estimated effects of S. 1190 and chamber proposal

1963 ASCS effective allotment (acres)	(1)	(2)	(3)	(4)	(5)	(6)	(7) (A)		(7) (B)	
	Average allotment (acres)	Estimated production per acre (pounds)	Estimated production per allotment (1)×(2) (pounds)	Estimated value at 32½ cents per pound	"Domestic allotment" S. 1190 ¾×(3) (pounds)	Residual production (3)–(5) (pounds)	At 24 cents	At 12-cent payment	At 24 cents	At 10-cent payment
0.1 to 4.9.....	2.6	250	650	\$211	433	217	\$104	\$52		
5 to 10.....	6.7	300	2,010	653	1,340	670	322	161		
10.1 to 14.9.....	11.6	350	4,060	1,320	2,707	1,353	650	325		
15 to 29.9.....	20.0	400	8,000	2,600	5,333	2,667	1,280	640		
30 to 49.9.....	36.3	400	14,520	4,719	9,860	4,840	1,920	860	\$403	\$168
50 to 99.9.....	65.8	450	29,610	9,623	19,740	9,870	1,920	860	1,680	700
100 to 199.9.....	130.1	500	65,050	21,141	43,367	21,683	1,920	860	1,680	700
200 to 349.9.....	239.2	650	155,480	50,531	103,653	51,827	1,920	860	1,680	700
350 to 499.9.....	391.0	750	293,250	95,306	195,500	97,750	1,920	860	1,680	700
500 to 999.9.....	627.0	1,100	689,700	224,152	459,800	229,900	1,920	860	1,680	700
1,000-plus.....	1,783.0	1,200	2,139,600	695,370	1,426,400	713,200	1,920	860	1,680	700
1963 ASC effective allotment (acres)	(7) (C) Receipts—		(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
	At 24 cents	At 8-cent payment	Value sales per allot- ment at 24 cents (6)×24 items	Sum of payments (7) (A, B, C) items per farm	Number, 1963 effective allotments	Estimated value of sales at 24 cents (million) (8)×(10)	Estimated total payments (million) (9)×(10)	Estimated total receipts from crop and payments (million) (11)+(12)	Estimated value of 1963 allotment production (million) (4)×(10)	Estimated total receipts under chamber proposal
0.1 to 4.9.....			\$156	\$52	106,034	\$16,541	\$5,514	\$20,055	\$22,373	
5 to 10.....			483	161	114,207	55,162	18,387	73,549	74,577	\$17,231
10.1 to 14.9.....			975	325	58,866	57,394	19,131	76,525	77,703	57,389
15 to 29.9.....			1,920	640	88,545	170,006	56,640	226,646	230,217	59,749
30 to 49.9.....			3,485	1,028	48,302	168,332	49,654	217,986	219,592	177,090
50 to 99.9.....	\$1,138	\$379	7,107	1,939	46,191	328,279	89,564	417,843	427,417	175,336
100 to 199.9.....	6,808	2,269	15,612	3,829	20,949	327,056	80,214	407,270	444,450	341,929
200 to 349.9.....	21,277	7,092	37,315	8,652	6,370	237,697	55,113	292,810	422,447	340,683
350 to 499.9.....	43,320	14,400	70,380	15,960	1,627	114,508	25,967	140,475	321,882	247,652
500 to 999.9.....	106,752	35,584	165,529	37,144	1,025	169,666	38,073	207,739	321,882	119,280
1,000-plus.....	338,736	112,912	513,504	114,472	1,296	151,997	33,837	185,834	229,756	176,725
Total.....						1,796,638	472,094	2,268,132	2,432,671	1,870,904

In table 2 we present our calculations of the effects that both S. 1190 and our proposed approach would have on receipts from the allotted production and on the costs of the payments program.

Attention is called to the comparisons shown. Under S. 1190 the payments cost would be a continuing one, year after year, of about \$472 million. Under the chamber proposal the costs in 1964 would be about \$524 million but would decrease annually by \$75 million until 1971 when the transitional program will have been completed. This assumes no increase in the "domestic allotment" which is at least probable under S. 1190 but not under the chamber proposal. It also assumes no attrition in the base allotment for the chamber proposal.

Under both approaches all cotton producers would be dependent on the direct payments for a substantial portion of their gross incomes from cotton. Under S. 1190 the direct payments would amount to 21 percent in 1964 (ranging from more than 26 percent for producers under 5 acres, and exceeding 18 percent for all allotment sizes). This would continue year after year as long as S. 1190 was in effect. It would be reduced only to the extent that producers expanded production. The chamber's proposal would place producers in the position of being dependent on the direct payments for 24 percent of their cotton gross incomes in 1964. Thereafter the proportion would decline until 1971 when the payments would terminate.

For the 8 years 1964 through 1971, the payments under S. 1190 would total \$3.8 billion. Under the chamber's approach this total would be \$2.1 billion.

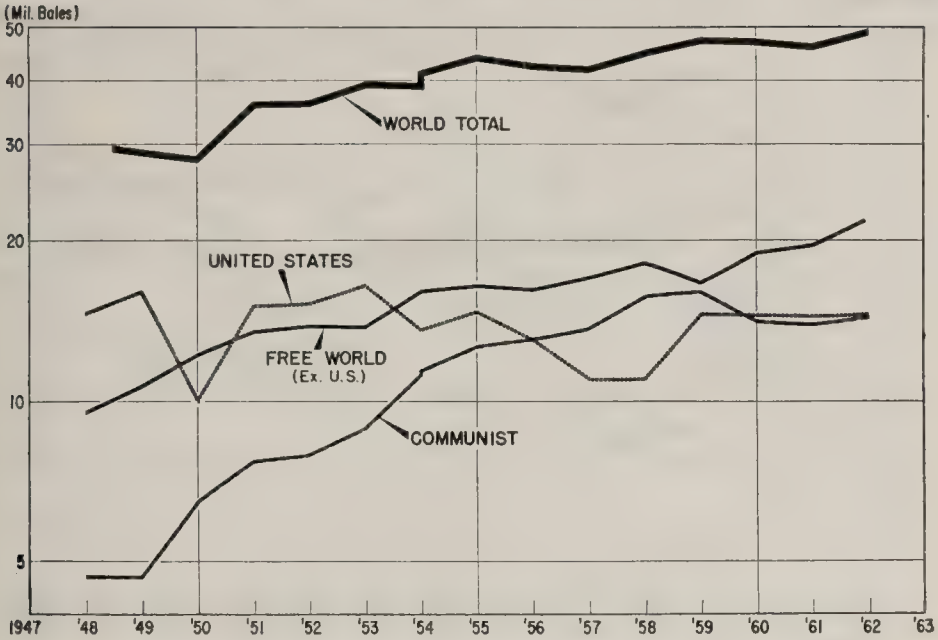
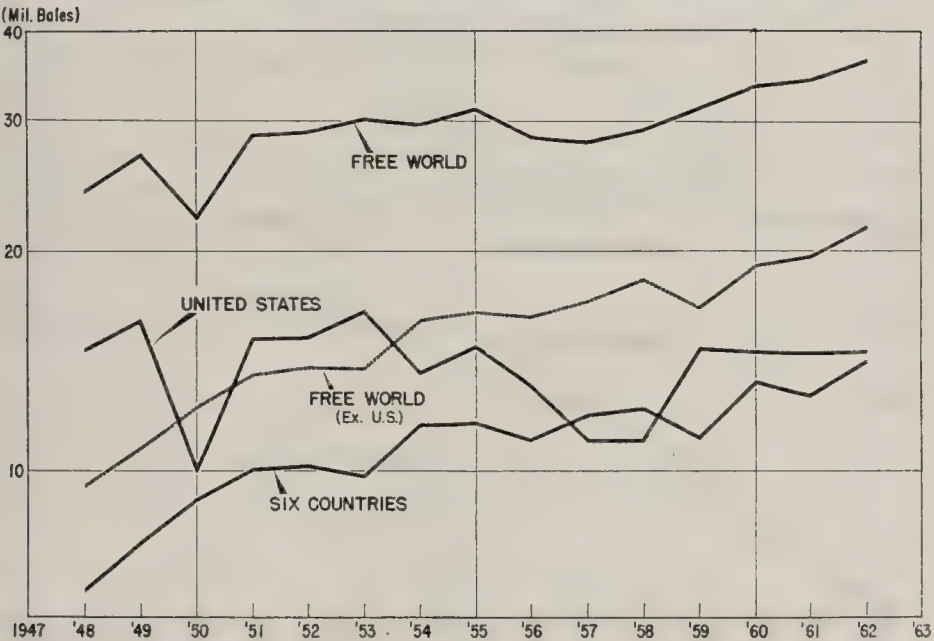
If the chamber's approach is followed, table 2 indicates that in 1970 the total receipts from cotton sales and payments, again assuming no increase in production, would be \$1,870 million. By 1971, the first year without payments, this total would be about \$1,800 million.

This is a very real challenge to all cotton producers. Bringing the total receipts up to the level indicated for S. 1190 would call for the production of an additional 3.7 million bales to be sold at 24 cents per pound. This is an annual increase of approximately 465,000 bales. It is a challenge to cotton producers to meet an expanding market at market prices and with reduced costs per pound. We believe this is a challenge cotton producers can and will meet.

There is also another alternate approach to the cotton program. If it is desired by the public or the producers to terminate the whole cotton program, it could be done by the Government purchase of all rights to allotments. This would be done on a poundage or baleage allotment basis, using the 1963 effective allotment or equivalent terminal base. These "rights" would then be terminated and the baleage allotment permanently reduced accordingly. At a price of, say, 20 cents per pound the entire 1963 effective allotment equivalent to 15 million bales could be bought back and canceled for \$1.5 billion. This would be a saving of \$600 million over the chamber proposal for the 8-year transition and a saving over the cost of S. 1190 of \$2.3 billion for the same 8-year period.

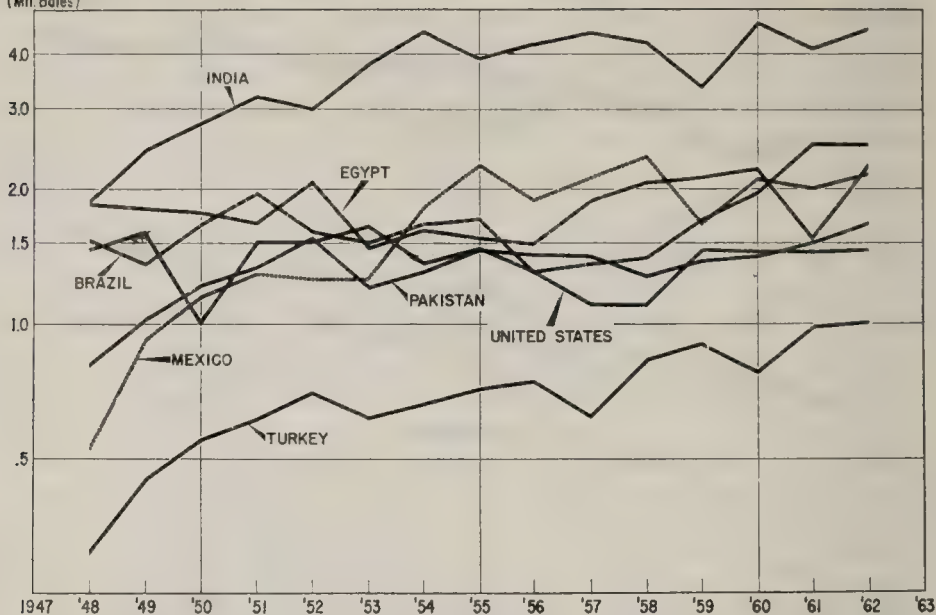
In summary, we urge the termination of acreage allotments, quotas, and of Government acquisition and disposal of cotton at a subsidized cost. We advocate a transitional price-support program of some such magnitude as we have suggested here, with the income support to be achieved by direct payments reduced gradually and specifically on a scheduled basis, and then terminated. These payments should be in the amount of the difference between a percentage of recent average market prices and the gradually declining support target suggested.

1

COTTON PRODUCTION2 **COTTON PRODUCTION-FREE WORLD**

3 COTTON PRODUCTION-SIX SELECTED COUNTRIES

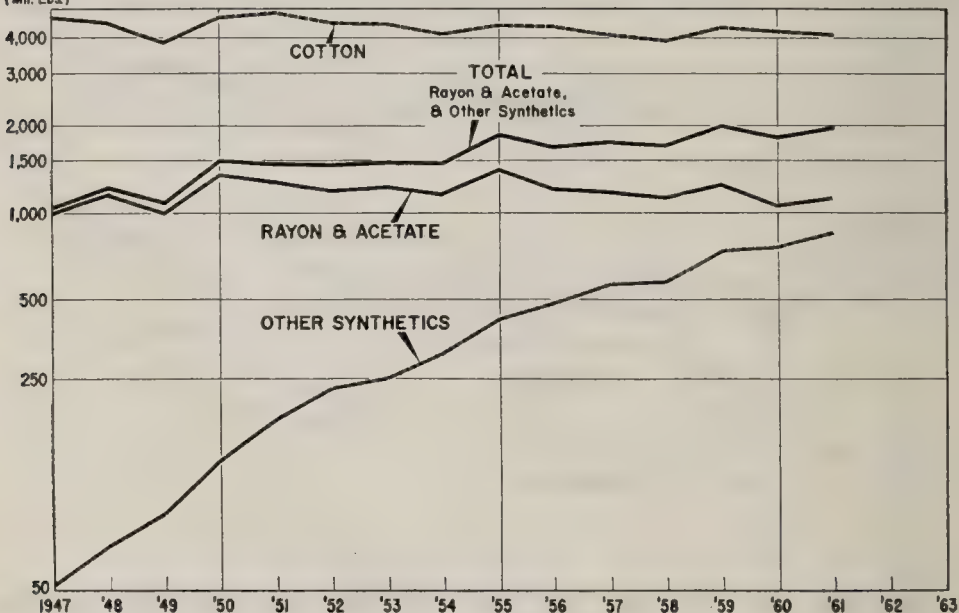
(Mil. Bales)



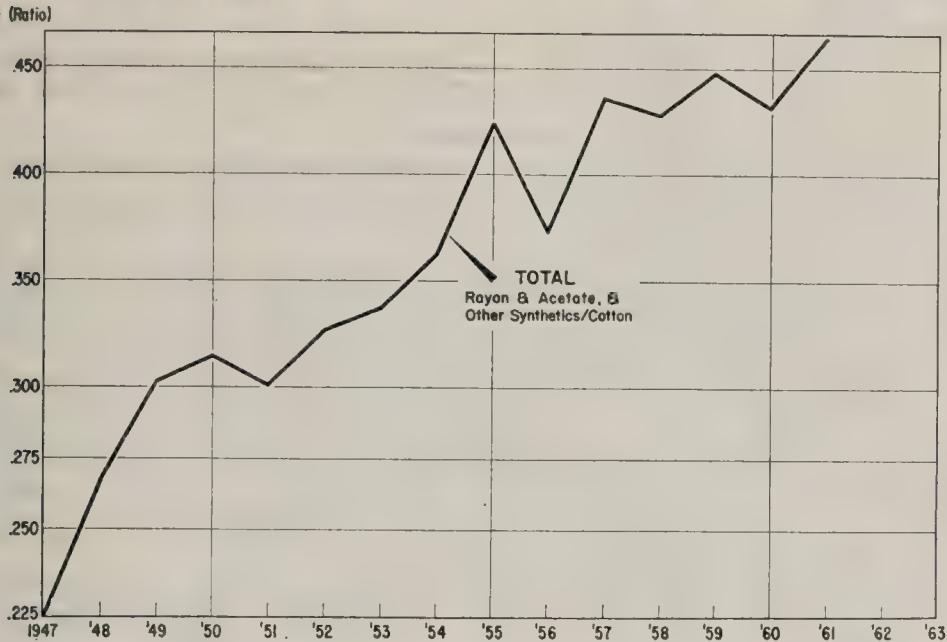
4

U.S. FIBER CONSUMPTION

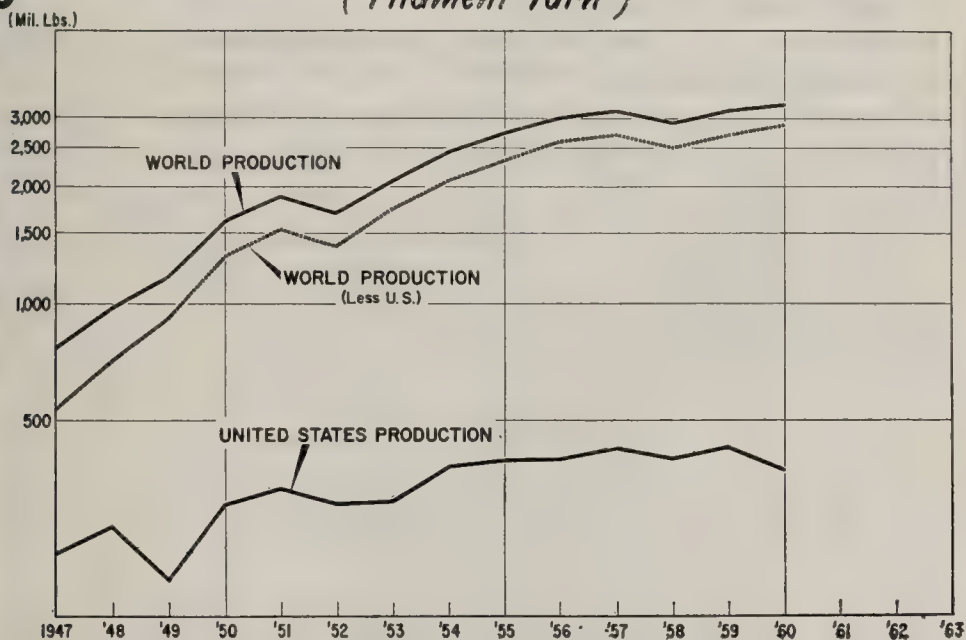
(Mil. Lbs.)



5 CONSUMPTION-RATIO OTHER FIBERS TO COTTON



6 U.S. AND WORLD PRODUCTION OF RAYON AND ACETATE (Filament Yarn)



NEW YORK, N.Y., *January 24, 1964.*

Senator ALLEN J. ELLENDER,
U.S. Senate,
Washington, D.C.

DEAR SENATOR ELLENDER: I may still come to Washington to listen to part of your committee's hearings on the Cooley bill. Meanwhile I accept your suggestion to write, as briefly as possible, my views on the Cooley bill.

Passage of this bill would be a great mistake.

It would saddle our Government with approximately a \$300 million handout to a few dozen multi-million-dollar textile mills. These mills today are enjoying a very good business and substantial net profits. There are many other needs in this country today, more worthy than theirs.

Our country is embarking on a savings program and Congress should bend its efforts to reduce expenditures. It would serve our country best by a gradual elimination of the subsidy to the cottongrower which would serve a twofold purpose by appeasing the southern textile group in giving them one-price cotton.

How can we reasonably expect foreign buyers to take our surplus cotton if they are denied the privilege of selling back 10 percent of it in manufactured form?

The Department of Commerce has just released statistics showing that textile imports in 1963 were less than 1 percent higher than the previous year. Yesterday's press release also shows a general decline in imports of textiles during November and December of last year. Controls are very rigid and disruption seems to be a forgotten word. Wall Street is advocating purchase of various textile stocks, with the promise that dividends and earnings by textile mills will be almost double if the equalization bill is passed.

I respectfully suggest that little time be wasted on the above subject, and that Congress move on to the more important bills pending. I am convinced that your committee is in good hands, and will do the best for the most.

Respectively yours,

ARTHUR A. SEIDMAN & Co.,
ARTHUR A. SEIDMAN.

MOODUS, CONN., *January 23, 1964.*

CHAIRMAN, SENATE AGRICULTURAL COMMITTEE,
Senate Office Building, Washington, D.C.

DEAR SENATOR: At one time our company manufactured cotton twines but for the past several years we have been engaged entirely in the exportation of cotton twines, cordage, and allied lines.

In the early 1950's our sales of cotton products started to decline rapidly because of competition from foreign manufacturers in the oversea markets. However, sales increased substantially when the Department of Agriculture instituted the program of equalization payments to exporters of cotton products. Since 1956 our exports of cotton products have averaged a little less than \$500,000 and we have been able to meet the severe competition from many foreign manufacturers in several countries, particularly in sales to the Western Hemisphere. However, we are still forced to operate on an extremely low margin of profit in order to keep our prices competitive. An increase of as little as 2 cents per pound may force us out of several markets where price is considered to be the most important factor.

We understand that Congress may decide to replace the present program of equalization payments to exporters with a system of subsidies to the cottongrower, the broker, or the manufacturer of cotton products. We fully expect that such action would substantially increase our net cost, as we doubt that the manufacturers would pass on to us the full amount of any subsidy received by them, either directly or indirectly. Under the circumstances, we believe that the discontinuance of the equalization payments would be disastrous to our company, especially in consideration of the fact that our sales of cotton products represent about 85 percent of our total sales.

For several years the administration in Washington has been encouraging increased exports in an effort to achieve a balance in trade. Therefore, it would seem that any action by Congress resulting in higher prices for exports would not be in line with this program. From our point of view, it would be most advantageous to exporters, including ourselves, to continue equalization payments on exports. Then, to give local manufacturers the protection they need from cheap labor competition, duties on imports of cotton products should be increased.

Unfortunately, no one from our company will be able to attend the public hearing that will soon be held by your committee on new cotton legislation so,

if possible, we would appreciate having this letter entered into the record of the public hearing for your careful consideration.

Respectfully yours,

THE UNDINE TWINE MILLS, INC.,
G. W. GILDERSLEEVE, *President*.

STATEMENT FILED BY FRED H. HUSBANDS, EXECUTIVE VICE PRESIDENT,
NATIONAL COTTONSEED PRODUCTS ASSOCIATION, MEMPHIS, TENN.

The National Cottonseed Products Association is a trade association representing the cottonseed processing industry of the United States. The association has as members 165 of the approximately 180 operating cottonseed oil mills in the Nation. It also has as members 57 refiners of cottonseed oil, 47 dealers and 38 brokers handling cottonseed products, 38 chemists and 55 (associate) members who furnish equipment, supplies, and services to those listed above.

As a byproduct of cotton production, cottonseed and the industry which processes it are completely dependent upon the future of the fiber itself. At the present time, that future is far from bright. During 1962-63, the last complete season, domestic consumption was the third lowest of the past 14 years. Domestic consumption of synthetics, on the other hand, was the highest on record. Cotton, which at one time accounted for more than 80 percent of all domestic fiber consumption now commands less than half of the U.S. fiber market and its position is still deteriorating.

A wholly objective analysis of cotton's difficulties demonstrates that they result primarily from the fact that cotton is unable, under the present price support policy, to meet its price competition. Rayon staple fiber, cotton's most direct competitor, is selling several cents per pound below cotton. The resulting loss of markets has been most severe. If allowed to continue, it will inevitably destroy cotton as a major agricultural enterprise in the United States. This, in turn, will carry down with it the processing and service industries, such as ours, and the hundreds of communities across the country that are dependent upon the production, marketing, and processing of the crop.

At the last annual meeting, the members of the National Cottonseed Products Association adopted, as its policy, a statement, as follows:

"That the association urge Congress to promptly enact legislation which will establish a sound long-range price and production program for cotton. Such a program must involve a single-price system at levels which will make cotton competitive at home and abroad and thereby encourage expanded consumption and production; it must involve the maximum use of normal trade channels and should provide the highest practicable farm income. An intensified program of farm research to assist growers to reduce production costs is essential to maintain farm income."

On the basis of the foregoing policy position, the association has supported H.R. 6196, excluding the so-called Jones amendment. It is recognized that some features of this bill are not what we regard as ideal. It is our conviction, however, that the bill will meet the desperate need of cotton to meet its price competition and will temporarily support farm income while cotton growers make the adjustments in production costs that are essential to place cotton on a sound economic basis. We know of no other piece of legislation that will accomplish these vital objectives and that has any broad support within the cotton industry.

In opposition to H.R. 6196, it has frequently been stated, by the highly respected chairman of this committee among others, that the problem of cotton can be solved within the provisions of the present law. In theory, this may be correct. We believe that the act of 1958 was pointed in the right direction. The first 2 years of its history were marked by a most encouraging improvement in cotton's competitive position and by rising consumption. Since 1961, however, the law has been administered in a manner that has sharply reduced consumption, cut acreage allotments, and brought cotton to the desperate situation it is in today. We can see no evidence indicating a change in administration in a manner that would expand markets. On the contrary, there is now being proposed a revised soil bank program which would sharply reduce production, increase the cost of cotton to the textile mills and thereby further curtail cotton's markets.

We wish to emphasize that cotton has reached the point where the need for legislative action is urgent. We hope your committee will consider this need on its merits without the complications that would be involved in legislation dealing with other crops. It is our firm conviction that H.R. 6196 offers the best opportunity for the prompt action that is necessary. We, therefore, strongly urge the

committee to approve this legislation and recommend to the Senate its early adoption.

STATEMENT FILED BY ANDREW J. BIEMILLER, DIRECTOR, DEPARTMENT OF LEGISLATION, AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS

Mr. Chairman, my name is Andrew J. Biemiller, I am the director of the AFL-CIO Department of Legislation, and I wish to present to the Senate Committee on Agriculture the views of the AFL-CIO in support of S. 1190, the Cotton Domestic Allotment Act, sponsored by Senator Talmadge and Senator Humphrey.

At the outset, I wish to make it clear that the AFL-CIO is concerned about the general welfare of the American people, about their prosperity and well-being, about their interests as consumers, and as producers. It is for this reason that we take a deep interest in the solution of the problems in cotton and textile production. The prosperity of this segment of our economy interacts with the rest of the economy and affects the welfare and prosperity of all.

As President Johnson pointed out in his January 31, 1964, message to the Congress on agriculture:

"The needs of neither the cottongrower, the cotton handler, the cotton textile mill, nor the consumer are being satisfied by the existing legislation. The cotton industry as a whole is our second largest. More than 1 million people are engaged in growing cotton—an additional 1.5 million people are employed in the production of cotton cloth and cotton products for consumers—and additional millions work in firms which supply the goods, machinery and services to the industry.

"Domestic prices are much higher than world prices. Consequently, our textile mills must pay more for cotton than their foreign competitors."

We support the Talmadge-Humphrey cotton bill, S. 1190, because we believe it will help solve the serious and dangerous problems created by the existing two-price cotton system—a system which weakens the domestic cotton industry and destroys job opportunities for American workers.

At present, raw cotton exports from the United States are subsidized by an 8½-cent-a-pound premium to make American cotton exports competitive on the world cotton market. Under the two-price cotton system, American mills must pay 8½ cents a pound more for cotton than cotton buyers overseas pay. Our domestic price is thus about 33 or 34 cents a pound. This price differential for raw cotton, plus the advantage of low-paid labor in foreign cotton mills, is causing serious problems for the American cotton textile industry. With foreign mills able to buy cotton at \$43.50 a bale less than American mills pay, the foreign mills advantage is obvious. They are able to send their cotton textile products into our markets and displace products made in the United States from American cotton.

The loss of market opportunities in the United States for domestically produced cotton textile products results in a loss of market opportunities for raw cotton produced in the United States. Thus, we have a vicious circle in which the cotton farmer suffers, the textile mill suffers, the textile worker suffers, and the Nation's economy suffers.

In spite of agreements negotiated with other textile-producing nations under the long-term arrangements reached in 1961 for voluntary import limitations, imports of cotton textiles have risen a great deal in recent years. In recent years, hundreds of American mills have shut down, throwing thousands of workers out of jobs. Jobs in the U.S. textile industry have dropped from more than 1¼ million in 1947 to less than 840,000 in 1962, and further drops have taken place since 1962.

The heart of the problem is this—the American cotton textile industry and American textile workers are in serious trouble. This trouble stems in part from the ability of foreign textile producers to buy cotton more cheaply on the world cotton market than American cotton textile producers can buy raw cotton on the American cotton market.

This situation creates intolerable inequities. In May 1961 President Kennedy directed the Department of Agriculture to find a way to eliminate "the adverse differential in raw cotton costs between domestic and foreign mills." The Department's efforts to accomplish this through an equalization fee on imports was frustrated by a Tariff Commission ruling in 1962, and the responsibility for reaching a solution to the two-price cotton system now rests on the Congress.

The position of the AFL-CIO is set forth in the resolution on "Farmers and Farm Laborers" adopted by the 1961 AFL-CIO Convention. This resolution

states " * * * we support the administration's efforts to secure congressional approval for a more flexible approach to farm income maintenance. A greater use of direct production payments, for example, would hold down the price of food and industrial raw materials and thereby encourage increased domestic consumption and a rise in export sales."

The Talmadge-Humphrey legislation is in line with this AFL-CIO policy resolution. It is also in line with a policy resolution on "International Trade" adopted by the 1963 AFL-CIO Convention, which declared: "No American industry should be subject to unfair competition from the foreign sale of raw materials, such as cotton, to users abroad at prices below the U.S. domestic price."

We believe the Talmadge-Humphrey bill offers the most desirable and the most durable solution to the problems of the cotton industry. It would allow the domestic market price of cotton to fall to the world price level and would provide direct producer payments necessary to sustain farm income on an equitable basis. Under this plan, the great majority of cotton farmers who produce less than 15 bales a year would be assured of the same return per bale as at present, but the market price would not be inflated and the Government would not be burdened with the expense of storing and selling cotton.

Adoption of the Talmadge-Humphrey legislation would reduce the domestic cost of cotton by about 25 percent. This would give a substantial boost to cotton textile production in the United States and consequently would open up more job opportunities for American workers. The Textile Workers Union of America estimates that one-price cotton would result in creation of about 35,000 new job opportunities for American textile workers. But we should bear in mind the need simply to protect the continued existence of jobs for many thousands of textile workers whose livelihood is in jeopardy as the result of the present two-price cotton system.

I want to point out that the Talmadge-Humphrey bill is in line with President Johnson's January 31, 1964, recommendations on cotton legislation. He said:

"I recommend the enactment of legislation which will (1) make cotton more competitive with other fibers and eliminate the inequity of the present two-price system under which cotton used domestically is priced substantially higher than cotton sold for export; (2) make it possible for growers who desire to do so to produce cotton at world prices, without any subsidy, on a basis which will not add to our stocks; and (3) maintain the income of cottongrowers while reducing excessive carryover stocks."

The AFL-CIO supports the Talmadge-Humphrey legislation. We believe direct payments to cotton producers are the best and simplest way to advance the welfare of growers, processors, distributors, workers, and consumers.

We believe the same approach and the same principles apply to legislation relating to production of wheat in the United States.

Enactment of the Talmadge-Humphrey one-price cotton legislation will reduce the costs to American taxpayers of cotton export subsidies; it will give a significant boost to the cotton industry; it will open up more jobs for American workers; and it will result in lower prices to consumers. For these reasons we urge favorable action on this legislation by the Senate Agriculture Committee and by the Congress.

COTTON PROGRAMS

TUESDAY, FEBRUARY 11, 1964

U.S. SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D.C.

The committee met, pursuant to call, at 3 p.m., in room 324, Old Senate Office Building, Senator Allen J. Ellender (chairman) presiding.

Present: Senators Ellender, Johnston, Eastland, Jordan of North Carolina, Neuberger, Aiken, and Young of North Dakota.

Also present: Representative Paul Jones, of Missouri.

The CHAIRMAN. You may proceed, Mr. Secretary.

STATEMENT OF HON. ORVILLE L. FREEMAN, SECRETARY OF AGRICULTURE

Secretary FREEMAN. Now, Mr. Chairman, let me turn to cotton.

We need a better cotton program.

The problems of cotton are difficult and complex. Cotton is not grown in just one section, but in many sections of the country. The practices of production in one area will not necessarily be the same as in other sections of the country. Differences in the land, the weather, transportation, farm sizes, and many other factors that go into the producing of cotton make this so.

The complex patterns of trade in cotton also contribute to our problem, not the least of which is the need to assure adequate incomes for our farmers who must compete in world markets.

There are several criteria for any cotton legislation which we must keep before us:

Is the cotton program workable?

Is it acceptable to the cottongrowers and those in the cotton industry?

Will it command support of all of those who are necessary to see that a program is adopted and cooperatively carried out?

With this very brief introduction, I would like to turn to Under Secretary Murphy and let him set forth the views of the Department on cotton legislation at this time.

The CHAIRMAN. You may proceed, Mr. Murphy.

STATEMENT OF HON. CHARLES S. MURPHY, UNDER SECRETARY OF AGRICULTURE

Mr. MURPHY. Thank you.

Mr. Chairman and members of the committee, I testified before this committee on cotton legislation——

The CHAIRMAN. Before you proceed, I want to call attention to the fact that my good friend, Congressman Paul Jones, is here in the audience, and I want the record to show that he is here.

Proceed.

Mr. MURPHY. Thank you, sir.

I testified before this committee on cotton legislation last May. Also, the committee has heard testimony from many other witnesses concerning the problems of the cotton industry and the need for new legislation. Therefore, I will not dwell at length upon those aspects of the matter.

There is one important new development I do wish to emphasize—that is the phenomenal increase in yields per acre. The average yield in 1963 was 524 pounds per acre, compared with the highest previous yield of 466 pounds in 1958. As a result, the carryover will increase about 2 million bales from the 1963 crop, although the acreage allotment was at the statutory minimum of 16 million acres. Although the acreage allotment in 1963 was 2.5 million acres less than in 1961, we produced a million bales more cotton.

It should be noted that the 2-million-bale increase in carryover will account for more than \$300 million of expenditures under the cotton program in this fiscal year—bringing the total expenditures for the program this year to nearly \$800 million.

All this means that we must readjust our thinking as to cotton legislation. We can no longer expect that lower prices alone for domestically consumed cotton would increase consumption enough for total offtake to equal the cotton that would be produced on the allotted acreage under existing law. Lower prices will help, but even “one-price cotton” would not do the whole job. Additional steps must be taken to bring the surplus under control.

Therefore, we need cotton legislation which will meet five objectives:

1. Eliminate the inequity of the two-price system under which domestic mills must pay substantially more for cotton than their foreign competitors.
2. Enable cotton to meet the price competition of synthetic fibers, thereby increasing the long-range market for cotton.
3. Reduce Government expenditures for the cotton program.
4. Reduce excessive stocks of cotton.
5. Maintain cotton producer income.

This is a very difficult combination, and the development of legislation to meet all these objectives is not easy.

H.R. 6196 as passed by the House of Representatives meets some of the objectives but not all of them. A group of cotton producers has now recommended a proposal for amending H.R. 6196 in a way which appears to us would make it achieve all these objectives. The substance of their proposal is set forth in the following excerpts from their letter that they sent to the chairman of this committee, and I quote:

The producers committee proposes specifically that H.R. 6196 be modified to include authority for a domestic allotment-choice program that would be applicable to the 1964, 1965, 1966, and 1967 crops. This would provide for a voluntary domestic acreage allotment within the present national acreage allotment. Small growers having allotments of 10 acres or less would receive special protection. The domestic acreage allotment would reflect estimated domestic consumption and would be about two-thirds of the effective farm allotments established under current legislation and under H.R. 6196.

Producers who choose to plant within this domestic allotment would receive a higher rate of price support not in excess of 15 percent above the basic support rate on the normal production of the acreage planted to cotton. The higher support would be effected through the use of accumulated Commodity Credit Corporation stocks.

Producers who plant on the basis of a domestic allotment would maintain their farm acreage history as under present law. To protect the income of small growers, the domestic allotment for small cotton farms should be established as the smaller of 10 acres or the basic allotment: thus, small producers will receive the higher support without a reduction in acres.

Continuing to quote:

The basic level of price support would be 30 cents in 1964 for Middling inch, and would be implemented as at present. In future years, the level of price support would be adjusted upward or downward from the preceding year in relation to changes in costs of production.

The producers committee urges full equalization of the costs of cotton to domestic and foreign mills at the earliest possible date.

Full equalization may have to be attained in two stages. Beginning with the date of enactment of such legislation, we suggest that the Secretary of Agriculture be authorized to make payments in kind to persons other than producers at a rate he determines. Beginning August 1 of the first crop year for which the domestic allotment choice program is in effect, such payments in kind should be in an amount that would make American cotton available to American mills at the same price that it is made available for export to foreign mills. With a basic price-support rate of 30 cents, a consumption increase or trade incentive payment in kind at a level of 6.5 cents would make an effective mill and export price of 23.5 cents per pound.

The type of program we recommend should increase the total use of cotton and reduce Commodity Credit Corporation stocks to the extent that the Secretary of Agriculture could be authorized to make a small, pilot-scale export market acreage option available to producers if the production from such acreage would not add to domestic stocks. Cotton produced on such export acreage would be sold in world markets without substitution for domestic use, and would be ineligible for price support. It would necessarily be exported without cost to the Government. It would earn needed dollars abroad. Export acreage would not count for purposes of establishing future State, county, and farm cotton allotments.

Current provisions of law applicable to cotton allotment acreage release and reapportionment would not be changed.

Marketing quotas and a grower referendum would be continued.

Now, that ends the quotation from the producers committee.

The Department of Agriculture has studied this proposal and made estimates of the results that might be achieved under H.R. 6196 if it were so amended. It appears to us that it could achieve the following with respect to the five objectives outlined above:

1. It would eliminate the inequity of the two-price system.
2. It would enable cotton to compete more effectively with other fibers, by reducing the price of cotton to domestic mills.
3. It would reduce Government expenditures. The extent of the reductions are indicated by the following estimates:

[In millions of dollars]

	Expendi- ture, fiscal 1964	Expendi- ture, fiscal 1965	Change from exist- ing law
Present law.....	790	566	-----
H.R. 6196 with Jones amendment.....	-----	614	+48
H.R. 6196 without Jones amendment.....	-----	696	+130
H.R. 6196 with producer choice plan.....	-----	406	-160

Change from existing law—which would effect the support-price program for the existing crop, and we estimate expenditures of \$566 million.

Under H.R. 6196, as it passed the House, we would estimate expenditures of \$614 million, which is assuming 3.5 cents per pound incentive payment on cotton consumed domestically.

Under H.R. 6196, with a 6.5-cent-per-pound incentive payment, we would estimate expenditures of \$696 million.

Under H.R. 6196 with the producer choice plan and with payments sufficient to achieve full equalization in price between domestically consumed and export cotton, we would estimate expenditures of \$406 million or \$160 million less than under existing law.

4. The proposal would reduce surplus cotton stocks, as indicated by the following estimates—here we have some estimates of what we might expect to happen over the next 3 years under various alternatives.

Under the present law we estimate that from this year's crop the stocks will increase another 700,000 bales, next year another 1.1 million bales, and the year following that 1.5 million bales.

Under the House bill as it passed the House, again with 3.5 cents payments, and increase of 100,000 bales this year, 500,000 bales next year, and 900,000 bales the following year.

Under the bill as it passed the House, if 6.5-cent payments were made to bring the price of domestically consumed cotton as low as the export price, we would estimate that this first year there would be a reduction of some 300,000 bales, but with next year, the buildup would start all over again with an increase of 100,000 bales in stocks, and after that go on up to an estimate of 500,000 bales in the following year.

Now, under the House bill, amended with this producer choice plan, however, we would estimate that Commodity Credit Corporation stocks would be drawn down something like 2.4 million bales the first year of operation, and 1.5 million bales a year after that.

As to the fifth, we believe that producer income would be maintained—not as well as we would like—but as well as possible under any plan which is workable and supportable. Gross receipts from cotton would fall below 1963 levels, but 1963 levels include the value of 2 million bales which went into building up already excessive stocks. We obviously cannot afford to maintain income by continuing further buildups in the surplus. Therefore, it seems to us that the best way to maintain producer income is by voluntary incentives to plant within a domestic allotment.

Although gross producer income from cotton under H.R. 6196 with the domestic allotment choice would be lower than under the bill as it passed the House, net producer income from cotton would be somewhat more. In addition, producers would receive substantial income from alternative uses of acreage which would otherwise be devoted to the production of cotton, such as production of soybeans for which additional acreage is needed. Taking all these factors into account, there would be a substantial increase in the total net income of cotton producers.

This proposal would not interfere with the operation of the release and reapportionment system. At the same time, it would accomplish the necessary reduction in surplus stocks. This makes it unnecessary, therefore, to give further consideration to an acreage diversion plan for the 1964 crop.

I would also emphasize that we cannot support what the producer group refers to as "full equalization" until the domestic allotment choice program takes effect. This is due to budget stringencies and the need for offsetting reductions in expenditures to meet the cost of the equalization payments.

We see no need for this legislation to fix the support-price level in specific terms. Also, if changes in support prices are to be made in relation to changes in costs of production, we feel that the Secretary should continue to be authorized to take other factors into account as well, and that the Congress should indicate the extent to which changes in land values should be taken into account in determining changes in costs of production. Unless the Congress gives a clear indication to the contrary, it would be our purpose to include changes in land values.

In summary, it appears to us that the best practical prospect for legislation to meet the needs of the present situation in cotton is H.R. 6196, amended as proposed by the producer group. This proposal appears to have broad support. The basic bill has already passed the House of Representatives. If amended as now proposed, it will move toward achieving the objectives we regard as essential. On that basis, we recommend the amendment of H.R. 6196 along the lines the producer group has recommended. We also strongly urge the enactment of legislation in time to apply to the 1964 cotton crop.

Thank you.

The CHAIRMAN. Since you have mentioned the producers group, I will ask that there be placed in the record at this point a letter addressed to me with their full recommendations, together with the names of those who met and formulated this plan.

(The document referred to follows:)

WASHINGTON, D.C., February 11, 1964.

HON. ALLEN J. ELLENDER,
*Chairman, Committee on Agriculture and Forestry,
U.S. Senate, Washington, D.C.*

DEAR SENATOR ELLENDER: Efforts which you and the Senate Committee on Agriculture are making to secure prompt legislation to meet cotton's problems are greatly appreciated by the Cotton Producers Legislative Committee.

This letter is submitted in keeping with your announcement that the record concerning cotton legislation would be kept open for a short period to receive views which could not be presented orally.

The CPLC is a newly formed federation of 17 cotton producer associations (list attached) from across the entire belt accounting for well over half of the annual crop.

Members of these organizations supporting the Cotton Producers Committee represent more than 8.5 million bales of production annually.

We recommend that the House-passed bill, H.R. 6196, be used to meet the acute need for legislation applicable to the 1964 crop. The CPLC favors the principles of that bill with certain modifications.

The producers committee proposes specifically that H.R. 6196 be modified to include authority for a domestic allotment choice program that would be applicable to the 1964, 1965, 1966, and 1967 crops. This would provide for a voluntary domestic acreage allotment within the present national acreage allotment. Small growers having allotments of 10 acres or less would receive special protection. The domestic acreage allotment would reflect estimated domestic consumption and would be about two-thirds of the effective farm allotments established under current legislation and under H.R. 6196.

Producers who choose to plant within this domestic allotment would receive a higher rate of price support not in excess of 15 percent above the basic support rate on the normal production of the acreage planted to cotton. The higher support would be effected through the use of accumulated Commodity Credit Corporation stocks.

Producers who plant on the basis of a domestic allotment would maintain their farm acreage history as under present law. To protect the income of small growers the domestic allotment for small cotton farms should be established as the smaller of 10 acres or the basic allotment: thus, small producers will receive the higher support without a reduction in acres.

As you will note, this proposal is similar to the choice plan provided in the Agricultural Act of 1958 which was in effect for the 1959 and 1960 crop years

except that it operates in reverse. Under our recommendation, however, there is every opportunity to reduce the surplus cotton stocks now held by the Commodity Credit Corporation.

The basic level of price support would be 30 cents in 1964 for Middling Inch, and would be implemented as at present. In future years, the level of price support would be adjusted upward or downward from the preceding year in relation to changes in costs of production.

The producers committee urges full equalization of the costs of cotton to domestic and foreign mills at the earliest possible date.

Anything less than full equalization will not ward off future increases in textile imports.

Anything less than full equalization will not stem cotton's market losses to competing fibers and restore the confidence in cotton so necessary to a high rate of consumption.

Full equalization may have to be attained in two stages. Beginning with the date of enactment of such legislation, we suggest that the Secretary of Agriculture be authorized to make payments in kind to persons other than producers at a rate he determines. Beginning August 1 of the first crop year for which the domestic allotment-choice program is in effect, such payments in kind should be in an amount that would make American cotton available to American mills at the same price that it is made available for export to foreign mills. With a basic price support rate of 30 cents, a consumption increase or trade incentive payment in kind at a level of $6\frac{1}{2}$ cents would make an effective mill and export price of $23\frac{1}{2}$ cents per pound.

The type of program we recommend should increase the total use of cotton and reduce Commodity Credit Corporation stocks to the extent that the Secretary of Agriculture could be authorized to make a small, pilot-scale export market acreage option available to producers if the production from such acreage would not add to domestic stocks. Cotton produced on such export acreage would be sold in world markets without substitution for domestic use, and would be ineligible for price support. It would, necessarily, be exported without cost to the Government. It would earn needed dollars abroad. Export acreage would not count for purposes of establishing future State, county, and farm cotton allotments.

Cottongrowers should have an opportunity, and export market choice, to find out if some can produce cotton profitably at world prices. This added choice for U.S. growers could do much to stabilize world levels of cotton production and increase U.S. export volume in the future.

Current provisions of law applicable to cotton allotment acreage release and reapportionment would not be changed.

Marketing quotas and a grower referendum would be continued.

The proposals of the Cotton Producers Legislative Committee would provide an economic climate in which growers would obtain reasonable levels of income through the market.

These proposals would provide special recognition of the income problems on small farms as in current legislation.

These proposals would expand markets for cotton producers through full elimination of the inequities of the two-price system—full equalization of costs of cotton to domestic and foreign mills.

The small-scale export market proposal would provide a third choice. It would let the grower test, if he wants to, the profitableness of production at world prices on his farm without cost to the Government and without the cotton being salable in domestic markets.

We urge your favorable consideration of these proposals and their early acceptance by the Senate Committee on Agriculture and Forestry.

The Cotton Producers Legislative Committee, with offices at 1025 Connecticut Avenue NW., room 511, Washington, D.C., would welcome the opportunity to work with you and your staff in developing sound cotton legislation.

Respectfully submitted.

C. B. RAY,
Chairman, Cotton Producers Legislative Committee.

Agricultural Council of Arkansas, West Memphis, Ark.
 Arizona Cotton Growers Association, Tempe, Ariz.
 Calcot, Ltd., Bakersfield, Calif.
 The Cotton Producers Association, Atlanta, Ga.
 Delta Council, Stoneville, Miss.
 El Paso Valley Cotton Association, El Paso, Tex.
 Growers Marketing Association, Harlingen, Tex.
 Imperial County Growers Association, El Centro, Calif.
 Louisiana Delta Council, Delhi, La.
 New Mexico Pecos Valley Cotton Farmers Association, Artesia, N. Mex.
 North Carolina Cotton Promotion Association, Inc., Raleigh, N.C.
 Plains Cotton Cooperative, Lubbock, Tex.
 South Carolina Cotton Producers, Oswego, S.C.
 Staple Cotton Cooperative Association, Greenwood, Miss.
 Tennessee Agricultural Council, Milan, Tenn.
 Western Cotton Growers Association, Fresno, Calif.
 Plains Cotton Growers, Lubbock, Tex.

The CHAIRMAN. Mr. Murphy, would you tell us in a nutshell, if you can, what provisions would you ask to be modified in the so-called Cooley bill that is now before us.

Mr. MURPHY. I can speak about that some, Senator. We have not——

The CHAIRMAN. I understand you are for——

Mr. MURPHY. We have not gone so far as to undertake to perfect within the Department a draft. The General Counsel's Office has done some preliminary work on draft amendments that would accomplish these changes.

The CHAIRMAN. You mean—what changes, that you talked about, that you told us about?

Mr. MURPHY. The changes that we talked about; yes, sir.

The principal provision would be to add the domestic allotment choice. We would also suggest——

The CHAIRMAN. You mean suggested by this committee?

Mr. MURPHY. Yes, sir.

The CHAIRMAN. Now, let us see if I understand that. The plan would be to fix a support price on all cotton——

Mr. MURPHY. Yes, sir.

The CHAIRMAN. At 30 cents.

Mr. MURPHY. Yes, sir.

The CHAIRMAN. And if a cotton planter produced cotton within his domestic allotment acres he would receive in addition to the 30 cents up to 4.5 cents as may be determined by the Secretary.

Mr. MURPHY. He would first receive his regular cotton acreage allotment as under existing law. If he produced up to that limit he would receive a support price of 30 cents a pound just as he receives 32.47 cents at the present time.

The CHAIRMAN. Yes.

Mr. MURPHY. He also would have established a smaller allotment called a domestic allotment, which is a matter——

The CHAIRMAN. That is what I mean.

Mr. MURPHY. Yes, sir. If he voluntarily chose to stay within the smaller allotment he then would get an added return through, I believe it is, a payment-in-kind certificate of not more than 4.5 cents above the support price.

The CHAIRMAN. When you say a smaller allotment, you do not mean a total allotment, you mean an allotment that you decide to be what he should plant for domestic uses.

Mr. MURPHY. Which would be his share of the domestic market; yes, sir.

The CHAIRMAN. Yes.

Senator EASTLAND. Wouldn't that be about two-thirds?

Mr. MURPHY. That would be approximately two-thirds of his regular allotment.

The CHAIRMAN. In other words, on two-thirds of his regular allotment if he kept within that two-thirds in acreage——

Mr. MURPHY. Yes, sir.

The CHAIRMAN. He would receive a premium.

Mr. MURPHY. Yes, sir.

The CHAIRMAN. Now, suppose he produced on that two-thirds acreage, on two-thirds of his allotted acreage, more than the normal production. What would he receive for that cotton?

Mr. MURPHY. He would receive——

The CHAIRMAN. 30 cents?

Mr. MURPHY. The extra payments are on just his normal production. He would receive for the actual cotton, the actual production, 30 cents.

The CHAIRMAN. 30 cents.

Mr. MURPHY. Yes, sir.

The CHAIRMAN. Now, suppose a cotton farmer would choose to plant that extra 20 percent of his acreage for sale abroad. This producer would receive only world prices for that cotton?

Mr. MURPHY. Yes, sir; only world prices.

The CHAIRMAN. World prices. And that extra planting would not be counted as a history for future——

Mr. MURPHY. Would not be counted as history for the purpose of future allotments.

The CHAIRMAN. Now, insofar as the cotton that he would plant and for which he would receive the 30 cents, you would use his present historical background in allocating to him or to her whatever the share would be?

Mr. MURPHY. Yes, sir; that is correct.

The CHAIRMAN. And under the law as it now stands this minimum would be 16 million acres, plus 250,000 or 300,000 acres for adjustments?

Mr. MURPHY. The minimum national acreage allotment would be 16 million plus this factor for adjustments for small allotments, and each producer would get his proportionate share of that just as he does under the present law.

The CHAIRMAN. Now, going back to the so-called Cooley bill, what is your position on the so-called McIntire amendment?

Mr. MURPHY. Well, the McIntire amendment is the one that fixes a mandatory level of price supports, Senator; provides that for the 1964 crop the level would be 30 cents basis Middling inch, and thereafter it would be reduced each year in relation to reductions in the cost of production. But it provides that in any case it will have to go down as low as 29.5 cents for the 1965 crop and for 1966 have to go as low as 29 cents.

I think, first, our position is from our standpoint we see no need for a mandatory provision fixing the price support at any specific level. So far as we are concerned, the present provisions of law are entirely adequate so far as fixing price support is concerned.

The CHAIRMAN. You would like to return the parity concept, I suppose?

Mr. MURPHY. Yes, sir. So our first choice would be to retain the present provisions of law.

If I might go on beyond that and make some additional comments, we think it is particularly unfortunate to have, as the McIntire amendment does, a provision that escalates only one way. If the cost of production goes down you are required to lower the support price. But if the cost of production goes up, there is no authority to raise the support price.

Beyond that we think it is—we know that it would be—administratively difficult to determine changes in the cost of production. For that reason we are quite reluctant to see any formula that would tie changes in the support price tightly and rigidly to predetermined changes. I say predetermined, because determinations have to be made by the Department of Agriculture as to what changes in the cost of production are.

We would see no objection to having changes in the cost of production considered as one factor by the Secretary to determine what the support price would be.

If I can make one further comment I would like to repeat what I said in my statement. If the Secretary is given the responsibility of making changes based on the cost of production, the question of what to do with land values is very important.

The CHAIRMAN. Let me ask you this: Under the present law what weight, if any, do you give to the lowering of production costs in fixing your parity formula?

Mr. MURPHY. My understanding is that there is no specific requirement in the present law requiring the use of cost-of-production changes in fixing the support price.

Mr. JOHN C. BAGWELL (U.S. Department of Agriculture). That is right; there is no requirement.

The CHAIRMAN. I knew that.

The next question is: Would you suggest that such a provision be placed in the law?

Mr. MURPHY. We would feel it is desirable to have that as one of the factors to be taken into account.

The CHAIRMAN. That would be something which, in a measure, would meet some of the things that are required, that are suggested in the McIntire amendment.

Mr. MURPHY. Yes, sir.

The CHAIRMAN. What is your position on the so-called Jones amendment, and, by the way, Mr. Jones is sitting around this table, and I guess he will be glad to hear your comments about his amendment, and I hope you are kind to it in his presence, at any rate.

Mr. MURPHY. In the first place, as an old legislative draftsman, Senator, it always intrigues me when we talk about repealing the Jones amendment, because the Jones amendment knocked something out of the bill; and the Jones amendment, having been agreed to, this earlier provision has just disappeared, and to repeal something that is not there gives me a little conceptual difficulty as a draftsman.

But as long as the bill provides for what they call incentive payments to eliminate the inequity of the two-price system, to more nearly bring the cost of cotton to domestic mills in line with the export

price, it seems to us, first, that the bill as it passed the House, after it had been amended by the Jones amendment, is entirely adequate. If that is the system that is to be followed, this is the form which we prefer, to leave the Secretary of Agriculture with the authority to determine the payment which is necessary and appropriate to eliminate the inequity.

As I indicated in my earlier statement, if you did have this voluntary domestic allotment plan, then we would not particularly object to requiring at that point what they call full equalization, but unless you had the choice program in effect I think we would object to the so-called full equalization.

The CHAIRMAN. Then from your explanation of the necessity for the Jones amendment, I would judge that except for the Jones amendment, the domestic mills would receive a better advantage than would the mills that use our cotton abroad?

Mr. MURPHY. We believe that the foreign mills that use our cotton incur on the average transportation costs and other related costs that are above those incurred by American mills.

The CHAIRMAN. To what extent?

Mr. MURPHY. Our preliminary work indicates that this is in the range of 2 to 4 cents a pound. This is a matter about which we have vigorous disagreement with——

The CHAIRMAN. With those who buy the cotton domestically?

Mr. MURPHY. With those who buy the cotton domestically.

The CHAIRMAN. I would assume that, but it is your view that if you were to pay the same—they call it a subsidy, but I do not—but the same payments or sell the cotton to the domestic mill under the same terms as you sell it to the foreign mill; that is, the \$42.50 a bale, then the domestic mills would doubtless get an advantage over the foreign mills.

Mr. MURPHY. We believe that they would have some competitive advantage——

The CHAIRMAN. Yes.

Mr. MURPHY. In the U.S. market insofar as the price of their raw material is concerned.

The CHAIRMAN. I am not arguing against that, you understand.

Mr. MURPHY. Yes, sir.

The CHAIRMAN. But I simply want to have for the record the fact that since they are asking for an equalization in the payment, that unless we use a formula such as the one provided in the bill by Congressman Jones, that the payments would not equalize.

Mr. MURPHY. In the U.S. market we believe that in that case the domestic mills would have some competitive advantage so far as the cost of their raw material is concerned.

The CHAIRMAN. I understand. Foreign mills have a decided competitive disadvantage insofar as labor and other things are concerned, I know that.

Mr. MURPHY. Yes.

The CHAIRMAN. Senator Eastland.

Senator EASTLAND. Have the domestic mills not historically had that advantage?

Mr. MURPHY. Yes, sir. Until recent years that was the situation.

Senator EASTLAND. And the terrific inability, because of labor and other costs, to compete with foreign mills.

Mr. MURPHY. That is true.

Senator EASTLAND. The help.

Mr. MURPHY. The labor costs are higher and they have other costs that are higher than foreign mills.

The CHAIRMAN. Mr. Murphy, are we to understand that your suggestion that we try to incorporate in the cotton bill this provision of the Cotton Producers Legislative Committee, is that more or less a substitution of the acreage diversion program that has been abandoned?

Mr. MURPHY. I would draw a sharp distinction between this——

The CHAIRMAN. I understand that.

Mr. MURPHY. And an acreage diversion program.

The CHAIRMAN. I know there is a difference, but——

Mr. MURPHY. Well, it is a substitution in the sense that it would accomplish the same kind of necessary reduction in the production of cotton.

The CHAIRMAN. Yes.

Mr. MURPHY. It is not a substitution in the sense that it would make payments on diverted acres, and thereby badly upset the operation of the release and reapportionment system?

The CHAIRMAN. Am I to understand then that the Department will not suggest, nor will it propose, an acreage diversion program for cotton?

Mr. MURPHY. Yes, sir; that is true. Since this method is available to accomplish the same kind of results that are needed, we see no reason for proposing, and do not intend to propose or recommend, a diversion program.

The CHAIRMAN. Now, as you doubtless know, in order for us to be able to enact a cotton bill before March 1, which will be effective this year, it would be necessary for us to more or less use the laws that we now have on the statute books and try to amend those.

Mr. MURPHY. Yes, sir.

The CHAIRMAN. Is not the plan that you are suggesting here quite different from what exists in the present law?

Mr. MURPHY. We do not regard it as quite different.

Well, let me start over.

The part that has passed the House, the Cooley bill, I think does include provisions that are quite different from the present law.

The suggestion that is now made for including the domestic allotment choice does not seem to me to be completely different from existing law.

The CHAIRMAN. That is what made me take the position before this committee on several occasions, and I issued several statements about it, that I doubt that we would pass the Cooley bill as sent to us.

I do not know what this committee is going to do about it, but I want to give assurances that insofar as I am concerned complete study will be given to the new proposal made, and we will try to evaluate it and make a determination as to whether we feel that we can enact it on or before March 1. You can well understand that the Senate is now faced with quite a big task with the civil rights bill, and if a fight starts on the civil rights bill, we may not be able to enact farm legislation, so that any bill that is proposed will have to be more or less noncontroversial, and get it as unanimously as we can by this committee in a presentation to the Senate.

In my judgment, that is the only way that we can expect to enact or have enacted by the Senate a cotton bill.

Mr. MURPHY. If I may comment on that, Senator, since we first heard of this proposal by this producer group, we have made——

The CHAIRMAN. That was when?

When did you hear that?

Mr. MURPHY. It was the early part of last week that we began to hear about this, and it has been an emerging development since that time.

During the course of this time we have had an opportunity to talk to a good many other people who are not members of this producer group, and I think we find rather widespread support for this. That is one of the things which has led us to feel that it perhaps is the best method of trying to get ahead with legislation, because there does seem to be rather general support to the extent that we have been able to test it out so far.

The CHAIRMAN. Am I to understand you to say that if the Cooley bill is enacted, with the Jones amendment, and with the provisions that you suggest, that have been suggested by the producers, the Cotton Producers Legislative Committee, that the cost to the taxpayers of that program will be less than it would be under the present law?

Mr. MURPHY. Yes, sir; at least for several years. If the domestic allotment plan is included, expenditures, with or without the Jones amendment, will be substantially less than under the present law.

The CHAIRMAN. There are no diversion payments?

Mr. MURPHY. No. But cost estimates include the payments on production.

Mr. AIKEN. All right.

The CHAIRMAN. Now I wonder, since this is more or less a brand-new program, I wonder if you could present any information for the record on or before the 13th, which is Thursday, at 3 o'clock, because we have set that hour at which we are permitting all statements and additional information to be filed for the record so it can be printed.

Mr. MURPHY. Yes.

The CHAIRMAN. And then have it for our use next Monday or Tuesday when we expect to meet in executive session, that is the 17th or 18th. Have that presented for the record, any additional information you have.

Mr. MURPHY. Yes, sir; we will be glad to.

The CHAIRMAN. Now I recall you saying that these payments are to be made to other than the producer.

Mr. MURPHY. Yes, sir; that is the provision now in the Cooley bill.

The CHAIRMAN. In regard to the——

Mr. MURPHY. The so-called incentive payments.

The CHAIRMAN. Incentive payments?

Mr. MURPHY. Yes, sir.

The CHAIRMAN. Now, could you be more specific in that, that is other than producer, it is quite a broad way of doing it. I wonder if we could say in that to the first purchaser. Would there be any reason why that could not be done?

Mr. MURPHY. That could be done, Senator.

The CHAIRMAN. What would be the advantage or disadvantage if, instead of stating other than the producer as you have indicated, if we should say to the first purchaser of the cotton?

Mr. MURPHY. That is a difficult question.

The CHAIRMAN. Can any of your advisers here answer if you find it too difficult to answer?

I do not want to stump you.

Mr. MURPHY. That is not what makes it difficult, Senator. It is, I would say, the extraneous considerations.

But I would like to say I think there are perhaps three places or types of places where the payments might be made, and there has been a great deal of discussion and a great deal of controversy about this matter for the last year and a half. The payments might be made to the first buyer. This is the man who first buys the cotton from the producer. They might be made to what has come to be called the last handler. This is the man who sells the cotton to the domestic mill. Or they might be made directly to the mills themselves.

The mills, generally speaking, say they do not want to get the payments, they would rather not. So between the cotton producer and the mill, you have the shippers or the merchants.

Mr. JOHNSTON. They want to charge it up to the farmers.

Mr. MURPHY. They do not want to charge it up to the mills, but the merchants say that they are quite willing to perform this function of receiving the payment and making the necessary adjustment in the price of the cotton. And so this pretty well boils that part of the controversy down to the question between the last handler and the first buyer.

This has been a matter of great controversy, and so far we in the Department have taken the position that if Congress is going to leave this determination to the Secretary of Agriculture, that we would not indicate in advance what that determination would be.

If the Congress sees fit to determine this question and provide the payment be made to the first buyer, we will be delighted. We will be delighted.

The CHAIRMAN. What would be the difference or what would be the advantage and disadvantage in having it paid by the first purchaser instead of the last handler?

Mr. MURPHY. Well, sir, the price of the cotton as it leaves the farm is going to be about the 30-cent loan level. The price of the cotton when it is finally used by the mill is going to be at about the world level, which we will say will be something like 6 cents lower.

The question involved is, How long is the cotton going to move through the marketing system at the 30-cent level before it drops down to the 24-cent level?

This is fundamentally the question that is involved, and I think, generally speaking, the producers would tend to keep this 30-cent level going just as far into the marketing system as they could.

On the other hand, the merchants and the shippers would prefer to see the drop occur as early in the marketing process as possible, and they argue very vigorously that this would tend to get the Government further out of the cotton business, and would tend to encourage our exports, would give greater freedom to the play of market prices, and by doing this would increase our exports.

The CHAIRMAN. You mean if you pay it to the last handler?

Mr. MURPHY. No, sir; if you pay it to the first buyer.

The shippers argue very strongly that if you pay it to the first buyer, that this will do a great deal to increase our cotton exports.

The CHAIRMAN. Would it not be a good idea to do that then?

Mr. MURPHY. Senator, if I answered that question, I am afraid that this would, what would you say, tip the Department's hand as to its views on the subject.

The CHAIRMAN. What difference would that make in the price of cotton?

Mr. AIKEN. The Department can tell us. We will not tell anyone.

Mr. MURPHY. No, sir; you would not need to.

I do not wish to seem facetious or nonresponsive about this, Senator, but part of the price of making any progress on this bill over in the House for many months was this very peculiar circumstance on this very question.

The CHAIRMAN. In any event, if you can furnish us or have somebody in the Department furnish us a little memorandum on the advantage and disadvantage both of selling it to the first purchaser——

Mr. MURPHY. We will be glad to.

The CHAIRMAN. Or to the last handler.

Mr. MURPHY. Yes, sir; we will be glad to.

The CHAIRMAN. And let us relieve you of the necessity of making that decision.

Mr. MURPHY. All right, sir.

Senator JORDAN. Mr. Chairman, I would like to ask one question. This is what I think is troubling the Department and a great many other people.

Is the man who now owns a bale of cotton—who is going to redeem him for this bale of cotton?

The price drops 6 cents, he is caught with a 6-cent loss there somewhere unless it is picked up. I do not care who owns the cotton.

The CHAIRMAN. Yes, but the payment would be the same, would it not?

Senator JORDAN. If the first buyer gets it, everything that has been sold ahead of that, somebody has got to pick that up.

The CHAIRMAN. But if the Government fixes let's say the differential or whatever is to be paid at \$30 a bale, or in kind, I cannot for the life of me see what difference it will make.

Mr. MURPHY. If I might comment on that, I think it is necessary here to make a distinction between the provisions that might be used during a period of transition and the provisions that would be used later on.

If you should make the payment to the first buyer, you could begin to do this only at the beginning of a marketing year for cotton, which is August 1. This would leave you with the question of what to do between the time the law is enacted and August 1. The bill at the present time and the proposal of the cotton producers group both contemplate and require that payments would be made from the time, or shortly after the time, the bill is first enacted to eliminate the inequity on cotton used, including cotton in inventory at the time the bill is passed.

So that could be accomplished by payments to the mills on cotton that is opened for use as the bales are opened. This being a transi-

tional and temporary provision, I think the mills would have no objection to that.

Senator JORDAN. If they were protected in their warehouse stock they would not have any objection to it, or even a warehouseman or a ginner who bought cotton, a few bales, he maybe owns 50, 100, 300, or 10, he would be caught in there if somebody did not get him off the limb.

Mr. MURPHY. One of the advantages, Mr. Chairman, in making the payments to the first purchaser, it seems to us, would be that if and when you go all the way to full equalization, if you made the payment at this point, it would be exactly the same payment for export cotton and cotton to be consumed domestically, you would make the payment on all of it at the same time, and then it could all move along together.

Senator EASTLAND. Mr. Chairman, could I ask a question?

The CHAIRMAN. Yes, sir. You mean along this line, sir?

Senator EASTLAND. No; not on this point.

The CHAIRMAN. I will reach you in a minute. There are only one or two more questions I would like to ask you. We have had some witnesses here to tell us that there is going to be struck from the Cooley bill the Jones amendment, which would mean a payment to the domestic mills of a sum of say \$42.50 per bale, and that the consumption would increase to 600,000 to maybe 750,000 bales of cotton.

Mr. MURPHY. Senator, I think we would say that you would get some other substantial benefits.

We have said, and I said earlier here today, that for budgetary reasons we would have to object to putting back the provision that was struck out by the Jones amendment, unless and until the choice provision went into effect.

As a part of that pattern, there is the lowering of the support price to about 30 cents. So instead of an $8\frac{1}{2}$ -cent payment, you are talking about a $6\frac{1}{2}$ -cent payment. That is still substantial, but it is not as much as $8\frac{1}{2}$ cents.

The CHAIRMAN. I know that, but it would still be over \$30 a bale.

Mr. MURPHY. Yes, sir.

I think we should also take into account the fact that there would be reductions in consumer prices. There are differences of opinion as to how much these reductions would be. Our economists tell us that the textile industry is highly competitive, and they believe that most of this saving would be passed along. And since consumers and taxpayers are to a considerable extent the same people, it does seem to me that it is fair to use these things to help offset the added cost of the program.

The CHAIRMAN. I have a few more questions, but I am going to not ask them now, except to suggest to you that you place at this point in the record the latest statement you have on the cost of these various programs that are submitted to us, and that you are suggesting.

Mr. MURPHY. We will be very glad to do that.

The CHAIRMAN. So that we can see the difference in the cost.

(The information is as follows:)

Upland cotton—Basic data for current legislation, H.R. 6196 (with and without Jones amendment), and domestic allotment-choice program

Item	Current legislation		H.R. 6196, Cooley bill		
	1963 crop, current outlook	1964 crop	With Jones amendment, 1964 crop	Without Jones amendment, 1964 crop	With domestic allotment-choice, 1964 crop
Acreage:					
Allotted..... thousands.....	16, 250	16, 200	16, 200	16, 200	16, 200
Soil bank, conservation reserve..... do.....	586	413	413	413	413
Planted..... do.....	14, 710	14, 800	14, 800	14, 800	12, 350
Harvested..... do.....	14, 113	14, 200	14, 200	14, 200	11, 850
Yield..... pound per acre harvested.....	524	480	480	480	512
Domestic allotment..... 1,000 acres.....					10, 800
Supply and utilization:					
Production..... 1,000 bales.....	15, 350	14, 200	14, 200	14, 200	12, 600
Beginning stocks (including preseason ginning)..... 1,000 bales.....	11, 000	12, 850	12, 850	12, 850	12, 850
Imports and city crop..... do.....	100	100	100	100	100
Domestic disappearance..... do.....	8, 400	8, 600	9, 200	9, 600	9, 600
Exports..... do.....	5, 200	5, 000	5, 000	5, 000	5, 000
Ending stocks..... do.....	12, 850	13, 550	12, 950	12, 550	10, 950
Free stocks (July 31)..... do.....	3, 000	3, 000	3, 000	3, 000	3, 500
CCC stocks (July 31)..... do.....	9, 850	10, 550	9, 950	9, 550	7, 450
Support price per pound (Middling 1-inch)..... cents.....	32. 47	32. 47	30. 00	30. 00	30. 00
Support price per pound (average of crop)..... do.....	31. 72	31. 72	29. 25	29. 25	29. 25
Producer payment rates or increased support..... cents.....			2. 47	2. 47	² 3. 5
Effective price domestic use (average of crop)..... do.....	32. 00	32. 00	26. 00	23. 00	23. 00
Effective price, export, per pound (A-C)..... do.....	23. 50	23. 06	23. 00	23. 00	23. 00
CCC sales price (unrestricted use) (A-C)..... do.....	36. 47	36. 47	30. 71	30. 71	23. 89
Export payment rate per pound..... do.....	8. 5	9. 0	6. 5	6. 5	0
Trade incentive rate per pound..... do.....			3. 5	6. 5	6. 5
Farm value of production ¹ million dollars.....	2, 456	2, 272	2, 157	2, 157	1, 956

¹ Including any payments made to producers on (a) increase on first 15 bales, and (b) price-support payments, shown on table on next page.

² On domestic allotment.

Upland cotton—comparison of estimated expenditures under current legislation, H.R. 6196 (with and without Jones amendment), and domestic allotment-choice program

[In millions of dollars]

Fiscal year	Current legislation		H.R. 6196, Cooley bill		
	1963-64, current outlook	1964-65	With Jones amendment, 1964-65	Without Jones amendment, 1964-65	With domestic allotment-choice, 1964-65
MAJOR ITEMS OF RECEIPTS OR EXPENDITURES					
Loans made.....	-1, 280	-1, 200	-1, 018	-959	-369
Loans repaid.....	+250	+304	+280	+280	+207
Sales proceeds.....	+542	+563	+563	+563	+403
Estimated carrying charges, interest, etc.....	-89	-94	-90	-86	-58
Subtotal, price support.....	-577	-427	-265	-202	+183
Export subsidy (100,000 bales).....	-4	-4	-3	-3	0
Cotton products.....	-17	-18	-6	0	0
Public Law 480.....	-192	-117	-117	-117	-117
Trade incentive payment.....			-161	-312	¹ -374
Increase on 1st 15 bales.....			-62	-62	
Price support payments.....					-98
Total major expenditures.....	-790	-566	-614	-696	-406
Change in CCC stocks (June 30) (from prior year).....	+1, 830, 000	+700, 000	+100, 000	-300, 000	-2, 400, 000

(Does not include the "one-time" transition expenditures that could be incurred in 1963-64 or 1964-65 under new legislation.)

¹ This payment on 9.6 domestic consumption would be only \$312,000,000, balance of payment would be on cotton that would go for export. The additional cotton for export will be purchased from CCC at reduced prices.

The CHAIRMAN. Senator Aiken?

Senator AIKEN. I have no questions.

The CHAIRMAN. Senator Johnston?

Senator JOHNSTON. I have two or three questions.

I notice you state here that in your opinion in 1963 they grew 524 pounds per acre.

Mr. MURPHY. Yes, sir.

Senator JOHNSTON. That is quite an increase over 1958, which was 466 pounds per acre. Has that not been caused by the fact that a great many of the small farms that grew about three-fourths of a bale to the acre went out of existence, while the larger farms that grow as much as $2\frac{1}{2}$ to 3 bales to the acre remained in existence?

Mr. MURPHY. It has been caused by a number of things, Senator Johnston, but I think it would be useful here to point out that in 1962 the yield was 450-some pounds to the acre. I think it was 457. So from 1962 to 1963 you had an increase that was even larger than the one between 1963 and 1958. This last increase in 1 year could not have been accounted for very largely by the shift of production from one farm to another.

Now, there are many people who think that the greatest part of it was accounted for by some unusually cold weather in the southeastern part of the country in the preceding winter that killed far more of the boll weevils than usual. Some of the Southeastern States, Alabama, for example, as I remember the yield went up over 50 percent above the yield the year before.

And so I think perhaps it was due mostly to unusual weather conditions more than any other one thing.

Senator EASTLAND. Could I ask a question right there?

Is it not unfair to take 2 years to draw a conclusion from, when the rainfall and insects can be the cause of the increased production? Would it not be fairer to take a 5-year period or a 10-year period?

Mr. MURPHY. It is better to take a longer period, Senator Eastland.

Senator EASTLAND. Yes.

Mr. MURPHY. And our people do this on the basis of what they call the trend.

For the purpose of our estimates in connection with the 1964 crop, we are not using a 524-pound yield. We are using a 480-pound yield, assuming that you had the same acreage allotment. We are using a 480-pound yield, which assumes that the yield would drop 44 pounds I guess from 1963.

Under these various alternatives, where you plant a lower acreage, we think there would be a tendency to concentrate this acreage on the higher yielding acres, and that the average would go on.

Senator EASTLAND. I think that is right.

But now in 1962 I know an area in my State that got no rain from the 28th of April until August. They made a half-bale of cotton to the acre. This year they have an ideal season and made nearly 2 bales to the acre.

You cannot compare, you cannot draw any conclusion from it except that you had better seasons one year than you had in another. But over a period of years you can draw a conclusion.

Mr. MURPHY. That is what we have undertaken to do on the basis of the trend.

Senator EASTLAND. I think you are right.

Senator JOHNSTON. The reason I am asking that question is this: Is not this system that you are setting up going to encourage the small farms that grow a small amount of cotton per acre to get out, maybe grow one-third less? But it will not encourage the big farmer that can grow cotton at 20 and 22 cents a pound. He will stay in and the other little fellow will get out. Then you will have it all going into the big farms.

That is what I am driving at.

Mr. MURPHY. No, sir; I do not think it would work just that way.

If you take the very small farmer who has an acreage allotment of 10 acres or less, I think he would be encouraged to stay in production because he would get a slightly higher price than he does at the present time.

Senator EASTLAND. How much would that be?

Mr. MURPHY. For the 1963 crop, the support price was about 32½ cents.

In the estimates we have been making, we have been using a comparable price of 33½ cents, 1 cent a pound higher. That is, while the basic support price is dropping 2½ cents, the price the small farmer would get would go up 1 cent.

Senator EASTLAND. The small farmer is not penalized?

Mr. MURPHY. No. The farmer with an allotment of 10 acres or less would be better off than he is under our current program.

In addition to that, it seems to us that there are some what you might call medium size relatively high cost cotton producers who would be better off under this new proposal because they can drop off a third of their production, and for the remaining two-thirds they would get a somewhat higher unit price than they do at the present time, and they could increase their net profit this way, although their total was lower.

Senator EASTLAND. They would get the use of the land.

Mr. MURPHY. They would get the use of this one-third for other purposes.

Senator EASTLAND. That is correct, for soybeans and crops that are needed.

Senator JORDAN. In addition to that, is it not true that he does not lose historical acreage. He still keeps it and it still stays in the county under the present law?

Mr. MURPHY. If he planted not in excess of this domestic allotment, he would preserve his history on his total allotment.

Senator JORDAN. That is what I mean.

Mr. MURPHY. Yes, sir.

Senator JORDAN. So he does not lose anything? In fact, he gains on this basis?

Senator JOHNSTON. So long as he planted any cotton, is that not true?

Mr. MURPHY. I am not sure about as long as he planted any cotton. I will have to turn to the experts on this because these cotton allotment provisions—

Mr. BAGWELL. We are thinking he could keep his full basic allotment as long as he plants as much as 75 percent of his domestic allotment.

Mr. MURPHY. This would not change the present law.

Senator JORDAN. If he turns it in, he still does not lose it?

Senator EASTLAND. He has got to plant a measurable amount once in 3 years.

Senator JORDAN. That is the same as the law is now.

Mr. MURPHY. It would be the same law as it is now.

Mr. BAGWELL. That is right, the same rules.

Senator JOHNSTON. It is true that you give here to the 10-acre farmer or less some special protection?

Mr. MURPHY. Yes.

Senator JOHNSTON. I believe at one time you used the 15 bales in some of the bills; is that not true?

Mr. MURPHY. Yes, sir.

There is a provision in the Cooley bill as it passed the House authorizing a higher support level on the first 15 bales of every farmer's crop, large as well as small.

Senator JOHNSTON. Now then, those small farmers know that under 15 acres their average is just about three-fourths of a bale. Would you object to that going up from 10 to 15 acres for the small farmers?

Mr. MURPHY. I think I would say we would not object, Senator Johnston.

This would to some extent limit the reduction in production that could be achieved under the bill, but this is certainly a matter for the judgment of the Congress.

Senator JOHNSTON. No further questions.

The CHAIRMAN. Senator Young?

Senator YOUNG. I am going to school here. No questions.

The CHAIRMAN. Senator Eastland?

Senator EASTLAND. Mr. Murphy, the way the farmer gets hurt is using his allotment. Now, we have a minimum of 16 million acres, plus 300,000 for the small farmer. If things go as they are and we do not do something to get cotton more competitive, how much will that acreage allotment have to be reduced?

Mr. MURPHY. I do not know that I could answer that with any precision, Senator.

I could only repeat that the 1963 crop on that minimum acreage allotment apparently will result in a buildup of 2 million bales in the carryover.

Now we would not expect it to be that big next year.

I think in my earlier testimony there was an indication that we would estimate that there would be a buildup of 700,000 bales in the 1964 crop under the present minimum allotment.

Senator EASTLAND. How much cotton was actually planted last year?

Mr. MURPHY. The planted acreage last year was 14,700,000 acres.

Senator EASTLAND. Is it not true that unless we do enact legislation, that this minimum allotment is going to have to be cut to around 12 million acres?

Mr. MURPHY. It would have to be cut substantially, if we are going to prevent just going on continuously building up these surpluses.

Senator EASTLAND. We cannot do that.

Mr. MURPHY. Yes. Well, 12 million acres sounds like a very low figure. I am afraid, though, that it is rather realistic.

Senator EASTLAND. I do not think the farmers of the country could stand that kind of cut, and I think it is facing us.

Now let's take the Farm Bureau bill. They provide for the support price this year of 30 cents a pound, and then they take the average for the past 3 years.

Is it not true that under that program the price to the mills would not prevent a further erosion of cotton markets, and under that program we would still have to reduce the minimum national allotment, under the Farm Bureau's proposal?

Mr. MURPHY. I think it is true the somewhat lower price to the mills would result in the use of some more cotton than would otherwise be used, not a great deal more.

Senator EASTLAND. But the point is, it would come so slow that it cannot prevent a reduction in the minimum national allotment, and that is the thing farmers cannot take.

Mr. MURPHY. I would like to get a little in on the other side of this equation, Senator, since you brought the thing up.

Senator EASTLAND. All right.

Mr. MURPHY. It is our judgment and our estimate that moderate reductions in the price of cotton will not result in substantial reductions in the production of cotton. There has been quite a feeling that if you cut the support price, that this would not only increase consumption, it also would decrease production.

We believe, for example, that a support price of 30 cents will not produce any significant cutback in production. If you took it all the way down to 23 or 24 cents, it probably would reduce production but not within any range that we are talking about.

Senator EASTLAND. I agree with you. But what you are proposing will in your judgment prevent a reduction in the minimum national allotment of 16 million acres?

Mr. MURPHY. For the foreseeable future, yes.

Senator EASTLAND. Yes. That is the point I want to make.

The CHAIRMAN. Are you through, Senator Eastland?

Senator EASTLAND. Yes.

Just one more question.

Is not the real question here that it has not increased consumption 600,000 or 800,000 bales. Of course it would do that, but it would prevent the further erosion of markets domestically.

Mr. MURPHY. It will certainly help to do that, Senator.

I think there are some other factors in addition to price that make the synthetic fibers competitive, but price is very important and it would help in that connection.

Senator EASTLAND. I have no further questions.

The CHAIRMAN. Senator Jordan?

Senator JORDAN. No questions.

The CHAIRMAN. Are there any further questions?

Mr. Murphy, I noticed in the table that you were reading from—is this it?

Mr. MURPHY. Yes, sir.

The CHAIRMAN. You state that the cost of the domestic allotment choice, which is the one we discussed a while ago, would cost for 1964-65, \$406 million.

Mr. MURPHY. Yes, sir.

The CHAIRMAN. In contrast to \$790 million for the current program?

Mr. MURPHY. The cost of the current program for the 1964 crop is estimated at \$566 million, so the \$566 million is the figure to compare with the \$406 million.

The CHAIRMAN. So that the present program, the program that you are suggesting, even giving the domestic mills——

Mr. MURPHY. Full equalization.

The CHAIRMAN (continuing). Full equalization, would cost \$406 million, in contrast to \$566 million for the present program?

Mr. MURPHY. In terms of the expenditures for fiscal year 1965; yes, sir.

The CHAIRMAN. And in the \$406 million that you have referred to, you have included there the direct payments to be made to persons other than the producer?

Mr. MURPHY. Yes, sir. That is indicated in that table.

The CHAIRMAN. And that amounts to what?

Mr. MURPHY. \$374 million.

The CHAIRMAN. That plan is certainly worthy of consideration, but I want to go back to a few questions.

Mr. MURPHY. Might I say one other thing about that figure, Senator?

As I understand it, it includes payments not only on cotton that would be consumed domestically, but also on some cotton that would be exported, so, to that extent, it would replace the current export subsidy.

The CHAIRMAN. Do you take into consideration anywhere the loss that would be sustained because of the payment of handling charges and what have you on the excess cotton that might be produced under the current bill?

Mr. MURPHY. Yes, sir.

In this same table of estimated expenditures, for example, the carrying charges and things of that kind, under the current legislation are estimated at \$94 million, and under this domestic allotment choice proposal at \$58 million, the difference being accounted for by the difference in the amount of cotton that would be involved in incurring these charges.

The CHAIRMAN. Would the program recommended by the producer group cost less than current legislation with a price support of 30 cents?

Mr. MURPHY. Yes. If the 1964 level of price support under the existing law were reduced from 32.4 to 30 cents per pound, the estimated expenditures for the 1964-65 fiscal year would be reduced from \$566 to \$452 million. This change would also reduce gross farm income for cotton from \$2,272 to \$2,094 million.

Mr. MURPHY. We have a very slightly revised version. There is no difference as I recall except in one of the headings at the top of one of the columns.

The CHAIRMAN. Will you put your most refined table in?

Mr. MURPHY. Yes, sir. I think the figures are exactly the same. I think it was just a change in the heading. Perhaps a footnote was added.

The CHAIRMAN. Now, reverting to the so-called domestic allotment choice, what percentage of the 16 million acres, which is the minimum acreage you can allot, plus 250,000 for equalization purposes, will not be planted?

Have you got that anywhere in your statement?

Mr. MURPHY. Yes, sir.

Those estimates show up in the table that you have just ordered be inserted in the record, Senator.

We would estimate first under the current legislation out of the acreage allotment of 16.2 million acres, the actual planted acreage would be 14.8 million.

The CHAIRMAN. You mean under the current law?

Mr. MURPHY. Under the current law; yes, sir.

If this program were in effect, we estimate that that 14.8 million planted acres would be reduced to 12,350,000.

The CHAIRMAN. What size farms would take advantage of this domestic allotment choice?

Are you able to tell us?

Mr. MURPHY. Yes, I am, and Mr. Frank Cooke is here and he can tell you in more detail if you would like.

But, generally speaking, we estimate that the smaller farms would participate to a considerably larger extent than the larger farms would, and these estimates were made on a breakdown bracket-by-bracket.

I think they took first the list on 10-acre allotments and then the 10- to 15-acre allotments, and so on.

The CHAIRMAN. As a matter of fact, without having studied it very carefully, I would state that the larger farms would probably plant all of their allotted acres if they were given a price support of 30 cents.

Mr. MURPHY. We think they would. Whether or not it would be profitable to participate in this program depends very largely on the cost of producing the cotton.

The CHAIRMAN. Yes.

Mr. MURPHY. And I think we would all agree that, generally speaking, the larger farms produce cotton at a lower cost than the smaller farms.

Senator EASTLAND. Yes, but they also produce soybeans.

Mr. MURPHY. That is true.

Senator EASTLAND. And it is a more profitable crop than cotton.

Mr. MURPHY. Generally speaking, it seems to us that there will be more of a tendency for larger farms to plant their full regular allotment instead of participating in the domestic allotment choice program.

Now understand I don't wish to imply there is anything wrong about this at all. There is nothing bad about it, and it seems to us that one of the advantages of this program is that it gives each farmer the choice as to which he prefers to do.

Senator EASTLAND. I think in the Mississippi Valley you are going to be surprised at the people who take and use that land to plant soybeans.

The CHAIRMAN. You are likely to give yourself other headaches. That is what Senator Eastland is indicating.

Secretary FREEMAN. Might I say something here, Senator, just for the record, as long as this has come up. We are now considering establishment of support prices for soybeans and it is quite clear that we do need more production, and that we need $2\frac{1}{2}$ to $3\frac{1}{2}$ million more acres in the production of soybeans.

The CHAIRMAN. Soybeans?

Secretary FREEMAN. Yes, sir.

The CHAIRMAN. Do you anticipate any losses by the Government on this year's crop?

Secretary FREEMAN. No, sir.

The CHAIRMAN. Last year's crop?

Secretary FREEMAN. No, sir. Soybeans have been a very minimal amount.

The CHAIRMAN. Don't we sell some of this through Public Law 480?

Secretary FREEMAN. We move very limited amounts of beans. We do move some of the oil.

The CHAIRMAN. Yes, oil.

Secretary FREEMAN. Yes, sir.

The CHAIRMAN. Of course, that is at quite a loss.

Secretary FREEMAN. Yes, the oil that moves under Public Law 480 is purchased, that is correct. But the pressure and the need which has kept soybeans moving has been climbing exports and a tremendous demand for the meal. We get into somewhat the same situation that we get into in dairying, as the Senator well knows.

The CHAIRMAN. Yes. Now going back to the domestic allotment choice, what percentage of the acreage, Mr. Murphy, will be fully planted in keeping with the allotments that you make to the producer?

Mr. MURPHY. I believe we estimate that it will be about 50 percent, will make one choice of the acreage, not in terms of numbers of producers but in terms of acreage, and 50 percent of the acreage will be under the other choice.

The CHAIRMAN. So that if your other assumption that 12,600,000 acres will be planted——

Mr. MURPHY. 12,350,000.

The CHAIRMAN. 12,350,000 will be the amount planted.

Mr. MURPHY. Yes, sir.

The CHAIRMAN. You assume that half of that would be planted in full measure by the cotton producers. That is his whole allotment?

Mr. MURPHY. Something over half. Something over half of that would be planted by producers who——

The CHAIRMAN. 7 million acres full allotment?

Mr. COOKE. The percentage that will participate in the choice program——

The CHAIRMAN. I am talking about the acreage now. I want to get your estimation of the number of acres that are allotted that will be fully planted.

Mr. COOKE. And that will not make any reduction.

The CHAIRMAN. Right.

Mr. J. FRANK COOKE (U.S. Department of Agriculture). Of the 16.2 million acres that would be about 6,335,000 acres.

The CHAIRMAN. On those 6,335,000 acres as I understand it, the producers could add to that without penalty 20 percent more acres.

Mr. MURPHY. No, sir; I don't think we can say 20 percent. The proposal contemplates that they can add something, but the details of what the something is are not spelled out in the proposal.

The CHAIRMAN. I thought you spoke of 20 percent?

Mr. MURPHY. No, sir; I did not speak of 20 percent.

The CHAIRMAN. Not over 20 percent?

Mr. MURPHY. The proposal, the kind of proposal that we have talked about from time to time would be an amount specified by the Secretary of Agriculture, not to exceed 20 percent of the allotment.

The CHAIRMAN. All right.

Mr. MURPHY. So the Secretary of Agriculture might specify 5 percent, he might specify 10 percent, or he might specify 15 percent,

and in any case, he would not be authorized to specify any amount unless he thought this amount could be grown and disposed of without resulting in a buildup in domestic stocks.

The CHAIRMAN. So that in his determination as to the number of acres to be planted over and above the allotted acres, he would have to make certain that this cotton will not increase our surplus.

Mr. MURPHY. He would have to make as certain as he could on the basis of estimates of what is going to happen in the future; yes, sir.

The CHAIRMAN. And those who produce that cotton could sell it anywhere they desire.

Senator EASTLAND. Outside of the country.

Mr. MURPHY. Yes, sir.

The CHAIRMAN. Wouldn't that to a large extent affect the sale of CCC cotton that we now have on hand? We are trying to get rid of it. If you permit more planting, isn't it self-evident that it is bound to affect sales of cotton from our present surpluses?

Mr. MURPHY. It would affect sales of CCC cotton, Senator, just as cotton that is produced under the present law affects sales of CCC cotton, just as cotton produced in Mexico or in any other foreign country.

The CHAIRMAN. I understand that. But the point is we are trying to devise a program that would tend to reduce our surpluses.

Mr. MURPHY. Yes, sir.

The CHAIRMAN. And it would seem to me that if we place in the law a provision whereby you could increase production when you have cotton running out of your ears now, it would certainly affect your capability of selling some of the surpluses that you now have on hand.

Senator EASTLAND. Could I ask a question right there?

The CHAIRMAN. I would like for you to answer that question.

Mr. MURPHY. I would like to answer it. It would, there is no question about it.

The CHAIRMAN. Of course.

Mr. MURPHY. It would affect the ability to sell cotton abroad. At the same time one of the objectives that we have I think is to try to maintain cotton producer income, and to give cotton producers a chance to grow cotton, particularly those who are willing to grow it at world market prices we feel should be given that opportunity.

Now at the present time we are growing more cotton than we can use or dispose of, and we are doing it at 32½ cents.

To the extent that we under this provision of this program grew more cotton than we could dispose of, at least it would be done at 23 or 24 cents. But in addition to that, I think I should refer again to the requirement that the Secretary must find that cotton on these acres would not build up the domestic surplus.

So unless he can make that finding, he could not in that year permit any.

Senator EASTLAND. Could I ask a question there, Mr. Chairman?

The CHAIRMAN. All right, Senator.

Senator EASTLAND. Isn't it true that foreign acreage continues to increase as new areas go into cotton? Year by year we see an increase in foreign plantings, don't we, in Mexico, Central America? I know a number of people from Louisiana and Mississippi who have moved to Central America and gone into the cotton-growing business.

Mr. MURPHY. The acreage and production of cotton in foreign countries has gone up steadily for a good many years past.

Senator EASTLAND. Wouldn't this provision now tend to dry up that expansion?

Mr. MURPHY. It would have a tendency in that direction.

Senator EASTLAND. Yes. And over a period of years it would.

Mr. MURPHY. I understand Senator Eastland was making an observation.

Senator EASTLAND. I am asking you a question.

Mr. MURPHY. If I am to respond to that——

Senator EASTLAND. If a man grows a crop this year——

Mr. MURPHY. There are many factors I believe which contribute to the growth of cotton production in foreign countries. A very important element is their competition with U.S. cotton and the price that is involved. I am not at all certain that by lowering the price of our cotton we could stop the growth of production of cotton in foreign countries. It would make a big difference, but I couldn't honestly say that I thought it would stop it.

The CHAIRMAN. Mr. Murphy, are you able to tell us how the attitude of those who propose this so-called domestic plan, domestic allotment choice, would feel if we were to strike from the proposal this provision to plan this extra 20 percent or up to 20 percent?

In other words, was that put into the proposal to sweeten up the program for some of the signers of this or those who suggested this program?

Mr. MURPHY. I think the different ones of these groups would have different feelings about this. Some of them feel the need for this very, very keenly indeed. Others I think would have some preference for it not being in there. I was not privy to the discussions that resulted in this going in, so anything I said about this would be to some extent speculative.

The CHAIRMAN. You see these producers propose a new program, and personally I would like to know what their attitude would be in the event that you would present a program of that kind with this stipulation left out of it, that is that they can plant up to 20 percent of their allotted acres for foreign sales.

Mr. MURPHY. I honestly don't know, Senator. This is not an entirely new concept. There is a provision in the bill as it passed the House, a similar provision, except that the export acres would not start until after the national allotment had reached 17 million acres.

In our past discussions as I recall, the two areas that have indicated the keenest interest in this export acres opportunity are Missouri and California.

The CHAIRMAN. I know this. That in the past the growers in California and New Mexico and Arizona were keen for this up to 20 percent.

Mr. MURPHY. I am sure they still are.

The CHAIRMAN. Yes.

Mr. MURPHY. How they would feel about the whole proposal if that were amended, I am not sure.

The CHAIRMAN. I would certainly hesitate to present a program to the Senate in the hope of passing it by March the 1st, and then be confronted with opposition from those people who propose this new program with some of it left out.

Mr. Secretary, I wonder if you could have members of your staff prepare not a bill but language to fit into a bill to carry out the suggestions as to cotton that is embodied in this suggestion here?

Secretary FREEMAN. Yes, sir; we will do that.

The CHAIRMAN. I wish you would also have your staff to cooperate to the fullest extent with our own staff here in order to make every effort to have things ready for us to consider.

Secretary FREEMAN. Yes, sir.

The CHAIRMAN. On the 18th of February.

Secretary FREEMAN. We will do that.

The CHAIRMAN. Because, when we recess here today, I hope to adjourn the committee, recess the committee, until 10 o'clock February 18.

Secretary FREEMAN. Very good, sir.

The CHAIRMAN. So that we can take up not only cotton but wheat as well.

Secretary Freeman. Very good.

Senator EASTLAND. That is a Tuesday; isn't it?

The CHAIRMAN. I would also suggest that you have your staff work on the proposed wheat legislation.

Secretary FREEMAN. Very good.

The CHAIRMAN. By way of suggestions that we can add to the Cooley bill, because as far as I know, we will probably use the Cooley bill as a vehicle to send all of our proposals to the Senate for consideration.

Secretary FREEMAN. Very good.

The CHAIRMAN. Now, Mr. Secretary, I have here a few questions that have been proposed by Senator Symington, who is not a member of this committee, and he suggested that I submit them to you for answer.

No. 1. Would it be possible under the proposed domestic allotment choice program for a producer who receives additional acreage over and above his basic allotment through the release and reapportionment program to qualify as a domestic allotment producer.

Mr. MURPHY. I am not sure that I understand the question. If the question is as I believe it to be, if a farmer receives some of the so-called export acres—

The CHAIRMAN. Let me read it to you again.

Mr. MURPHY. All right, sir.

The CHAIRMAN. Because these are specific questions, and I would like you to answer yes or no and then explain after, if you will.

Mr. MURPHY. All right, sir.

The CHAIRMAN. Would it be possible under the proposed domestic allotment choice program for a producer who receives additional acreage over and above his basic allotment through the release and reapportionment program to qualify as a domestic allotment producer?

Mr. MURPHY. Yes, sir.

The CHAIRMAN. You said yes?

Mr. MURPHY. Yes, sir.

The CHAIRMAN. No. 2. Would that mean that some producer would be in a position to request more released acreage than they want to plant for the sole purpose of establishing their domestic allotment at the level they actually desire to plant? For example, a producer has a basic allotment of 100 acres, and desires to plant

200 acres. In order to qualify the entire 200 acres as domestic allotment, he would request 200 acres of released acreage, which would make a total final allotment of 300 acres on his farm. Then he would reduce the 300 acres by one-third, or 100 acres to qualify the remaining 200 acres as domestic allotment. It appears that such a paper adjustment could be made by producers in all counties that are now returning unwanted allotments to the States. Approximately one-half of all counties in the Cotton Belt are doing so.

Mr. MURPHY. The question was could he request it. The answer I suppose is he can request it. What he requests is one thing and what he gets is something very different. I think it would not as a general rule be possible for there to be a great deal of the inflation in acreage of the kind that is implied by that question.

At the present time farmers can request, and if it is available they can get reapportioned acres for planting. The value of this voluntary program from the standpoint of the Government is to reduce expenditures. If it is going to be effective, it has got to operate just as we indicated earlier it would. You have got to allow the reapportionment of these acres, and their being sort of immobilized by letting the farmers to whom acres are reapportioned participate and cut back by one-third.

So while the answer literally is yes, it seems to me the implications are not all there.

The CHAIRMAN. The third question. By allowing producers to make paper adjustments to qualify as domestic allotment producers, thousands of producers would not be required to reduce their plantings to qualify for the high rate price support. Yes or no?

Mr. MURPHY. I think first we have the less than 10-acre people and there are thousands and thousands of them that would not be required to reduce their plantings to qualify.

The CHAIRMAN. So the answer is no?

Mr. MURPHY. I got a little bit lost in the question there. The answer is there are thousands of them who could qualify without reducing their plantings.

The CHAIRMAN. Another question. Don't you think the law should require all producers except the 10-acre producer, to plant only two-thirds of their basic allotments as a condition for receiving the high price support, and that any producer receiving released acreage and producing cotton above his basic allotment should do so at the 30-cent price level support?

Mr. MURPHY. No, sir.

The CHAIRMAN. All right. Are there any further questions? If not, the committee will stand in recess until 10 o'clock February 18, provided the Senate permits us to hold a meeting.

(Whereupon, at 4:20 p.m., the committee recessed to reconvene at 10 a.m., Tuesday, February 18, 1964.)

PRELIMINARY HEARINGS ON COTTON LEGISLATION

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HEARINGS

BEFORE THE

SUBCOMMITTEE ON COTTON

OF THE

COMMITTEE ON AGRICULTURE HOUSE OF REPRESENTATIVES

EIGHTY-EIGHTH CONGRESS

FIRST SESSION

DECEMBER 13 AND 14, 1962

Serial A

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COTTON

THURSDAY, DECEMBER 13, 1962

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON COTTON OF THE
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10 a.m., in room 1310, Longworth House Office Building, Hon. E. C. Gathings (chairman) presiding.

Present: Representatives Cooley, Gathings, Grant, Abernethy, Jones of Missouri, Hagen of California, and Beermann.

Also present: Representative Johnson of Wisconsin.

Christine S. Gallagher, clerk; Hyde H. Murray, assistant clerk; John J. Heimburger, counsel; Francis M. LeMay, consultant; and Robert Bruce, assistant counsel.

Mr. COOLEY. I want to make a brief opening statement and then turn the hearing over to the chairman of the Cotton Subcommittee, Mr. Gathings of Arkansas.

I am sure you all know that the cotton industry is facing problems which are very perplexing. The administration has indicated a great interest to try to minimize the inequity existing between our industry and that of foreign manufacturers. I don't know that the administration has any fixed recommendations to submit at this time. I am advised the administration does not have any firm plans at the moment, but we are now nearing the opening of a new Congress, and if anything is to be done about cotton and cotton problems which will be effective in 1963 it is time for us to start to work and consider the problems and all the implications involved.

Mr. Gathings has assembled as many members of his subcommittee as he can arrange to have here. All the members of the cotton subcommittee will be members of the next Congress and they will be on the cotton subcommittee so there will not be any reason for us to delay consideration of the cotton problems.

Just what will be done I have no way of knowing. We want the cotton industry, the cotton farmers, and everybody else to know and to understand that this committee is aware of the fact we do have problems which we must face up to.

With that brief statement, and knowing the vital interest all of us have in these problems, and appreciating the fact that the farmers of America are impoverished and the entire economy is in danger and that we must do something to bring about an improvement in the situation which now exists, I turn the gavel over to Mr. Gathings.

Mr. GATHINGS. Thank you, Mr. Chairman. I am grateful to you, first, for giving us this privilege of going into this problem. Without your acquiescence and consent no subcommittee can function.

I appreciate the fact that many of the members of the subcommittee came to West Memphis and met with the Under Secretary of Agriculture, Charles Murphy, when we had a look at what had been done in the Department. The Department officers and the National Advisory Committee on Cotton met on a number of occasions to try to develop a program. We are grateful to you witnesses as well as the members of the subcommittee who have made a sacrifice in order to appear here today and give attention to the cotton situation.

The first witness for this morning will be Mr. Rhea Blake, of the National Cotton Council.

Mr. Blake, will you come forward and introduce your witnesses and make whatever statements you desire to make? Mr. Blake is executive vice president of the National Cotton Council which is composed of members from all segments of the cotton industry. Mr. Blake and his associates have done superb work in the interest of cotton.

We feel the National Cotton Council can give us a picture of the situation as it exists today with respect to cotton.

I see you have Dr. Horne with you. We are proud to have you, Dr. Horne.

Proceed in your own way, Mr. Blake.

STATEMENTS OF RHEA BLAKE, EXECUTIVE VICE PRESIDENT, NATIONAL COTTON COUNCIL; AND DR. M. K. HORNE, JR., CHIEF ECONOMIST, NATIONAL COTTON COUNCIL

Mr. BLAKE. Thank you, Mr. Chairman. I am Rhea Blake, executive vice president, National Cotton Council, headquarters in Memphis, Tenn.

Mr. Chairman and members of the committee, by the time of our spring board meeting which was held last May it was evident from many sides that cotton was in the deepest sort of trouble in its markets.

Back in 1955, Dr. M. K. Horne, who appears with me this morning and will be our principal witness, had made a study of price and the influence of price on cotton markets. At this board meeting this past May there was a lot of discussion about that study, and the board requested at that time that Dr. Horne go back to the 1955 study and bring it up to date, showing the full influences that this price situation was having with regard to cotton markets here and abroad.

Dr. Horne and his associates spent practically the entire summer on that piece of work. It was presented to our board at our fall board meeting in September, and we have a somewhat condensed version which we shall present to you here this morning. We thought it would be helpful in setting the stage and laying out the facts as to what the problem is.

Dr. HORNE. Thank you. Mr. Chairman, I am M. K. Horne, Jr., chief economist of the National Cotton Council. I live at Memphis, Tenn.

I would like to submit my testimony to you gentlemen with the use of projection slides, if that is permissible. I shall step to the projector

now. I believe you can see the material very clearly from where you are.

Mr. GATHINGS. Will you present the committee copies of your slides?

Dr. HORNE. Yes, sir.

Mr. Chairman and members of the committee, I appreciate the privilege of appearing before you. As Mr. Blake has indicated, I am going to submit to you some factual information on the markets for U.S. cotton. The facts which we face today are not all pleasant by any means, but I know that you want to have these facts straight.

Table 1 presents some simple figures on domestic prices as they are commonly quoted for cotton and for some of its competitors. Notice first the column headed August 1955. This was the date of the original price study to which Mr. Blake referred. We have here two qualities of cotton, a higher quality and a lower quality. The prices given are the average quotations on the officially designated spot markets across the Cotton Belt.

We also see in table 1 the price of rayon staple, which is spun into yarn right in our cotton mills. This price in 1955 was 34 cents a pound, delivered to the mills. And we also see three of the higher-priced staple fibers which can be spun right on our cotton system; namely, nylon, Dacron and Orlon.

TABLE 1.—Domestic fiber prices

	August 1955	December 1960	November 1962
Cotton:			
M 1-1/16".....	\$0.3659	\$0.3160	\$0.3425
LM 1-1/32".....	.3146	.2697	.3068
Rayon staple.....	.34	.27	.25
Nylon staple.....	1.50	1.28	1.24
Dacron staple.....	1.60	1.41	1.14
Orlon staple.....	1.50	1.28	1.06

The next column in table 1 is for December 1960. You see that every one of these fibers went down decidedly in price between 1955 and 1960. Percentagewise, cotton had come down just about as much as its average competitor, and we were doing very well in competing for markets.

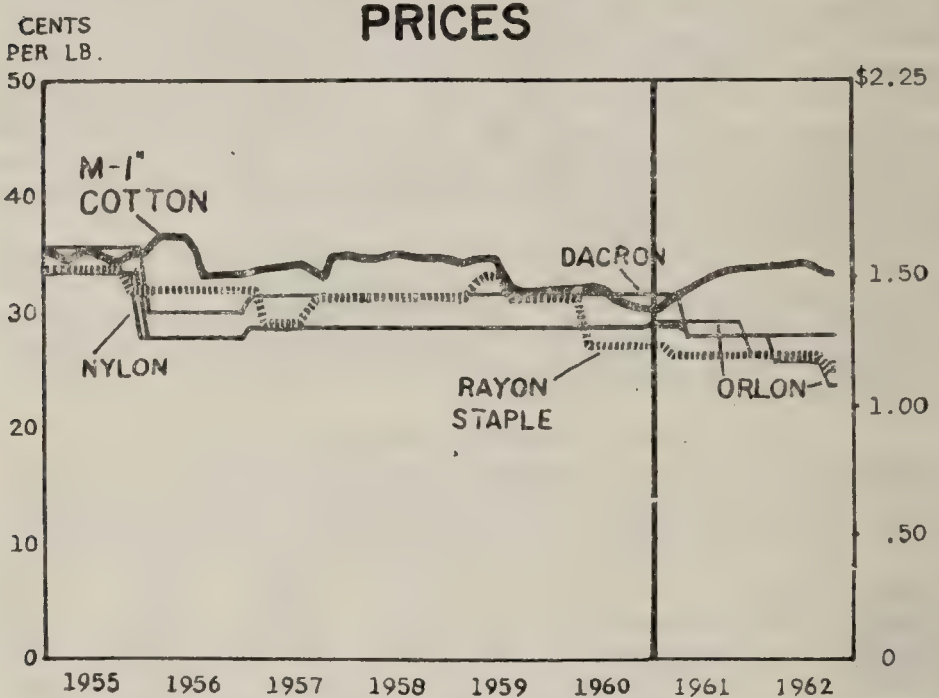
I should point out clearly that these prices were the market prices. The farmer who elected the A option in 1960 got prices that were somewhat higher than this, but at this time I am submitting to you information on what has happened to cotton in the market where it meets its competition.

Now we must go on to examine this same price picture as it stands today, and we can see this in the right-hand column of table 1. Here we have the average prices for cotton in November 1962 and the current prices of the other fibers. In the recent period from December 1960 to the present time, rayon has come down further in price, from 27 cents to 25 cents. All the manmade fibers have continued downward in price. But cotton, on the other hand, has turned upward in price just as if all this competition did not exist. Middling 1 $\frac{1}{4}$ " has risen 22 $\frac{2}{3}$ cents a pound and Low Middling is up over 3 $\frac{2}{3}$ cents.

We can get a more complete picture of these price changes if we examine chart A, which gives the record across the whole period of time from 1955 to the present.

First notice the price of rayon staple, which is represented by the wide broken line. You see the downward trend across this whole period. The price was 34 cents in 1955, 31 cents in 1958; it dropped to 27 cents in early 1960, to 26 cents in 1961, and further to 25 cents in September of this year.

CHART A



For comparison chart A gives us the price record of Middling Inch cotton, as quoted on the official spot markets. To some extent cotton followed rayon downward in price. Under the Agricultural Act of 1958 our market price had a significant decline in 1959 and gain in 1960.

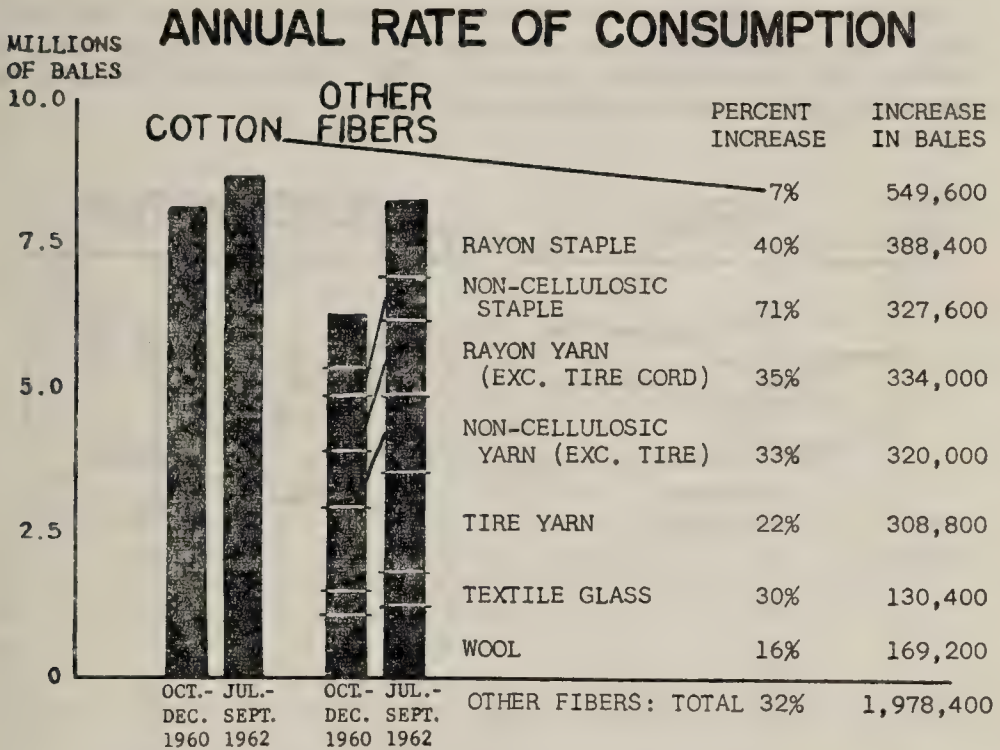
Then early in the calendar year 1961, with the announcement of the support levels for 1961-62, cotton began moving up, you see, to a much higher level. Now, for a period of almost 2 years, cotton has been decidedly higher in comparison with rayon than ever before in the history of this competition.

In spelling out the price movements of the higher priced fibers, we have had to use a different price scale, which appears on the right-hand side of chart A. Nylon, Dacron, and Orlon prices are plotted on this right-hand scale. What we can see clearly here is that these other fibers have also been trending downward in price at somewhat the same percentage rate as rayon. Dacron staple was \$1.60 in 1955, \$1.41 in 1957, \$1.24 in 1961, and now it is \$1.14.

There is a vertical line in chart A which marks the beginning of the calendar year 1961. Our attention naturally should focus on the recent period of time represented on the right-hand side of this bar. This is the period in which cotton has been in a decidedly higher price relationship to its competitors than ever before.

In the main this period since the first of 1961 has been one of general recovery in business conditions, and the textile industry has shared in this rise of activity. From the first of 1961 until sometime around the middle of the present year, the level of textile activity has been in a rising phase. Our interest has to be in determining whether cotton has received its share of this increase in the volume of textile business.

CHART B



I believe that the answer is set out rather clearly in chart B. The first two bars on the left represent cotton, and they show how the rate of mill consumption increased between the last quarter of 1960 and the third quarter of 1962. The other two bars show the increase in consumption of all other fibers between these same two quarters. What we find here is that the rising trend of the textile cycle brought an increase of about 500,000 bales in annual rate for cotton, but that over this same period our competitors gained the equivalent of about 2 million bales.

Chart B also gives you a breakdown on what we mean by "other fibers." Notice, for instance, that rayon staple consumption increased 40 percent over this period of time, or the equivalent of 388,000 bales of cotton. For cotton the gain was only 7 percent, but look at the record for each of our fiber competitors: Every one of them, even wool, had a decidedly larger gain in consumption than cotton.

There is a summary for all the other fibers at the bottom of chart B. Here we see that, while cotton consumption gained only 7 percent, the combined gain for all these competing fibers was 32 percent.

If cotton had held its pro rata share of the textile market during the recent period shown in chart B, cotton consumption in the latest

quarter would have been at a rate 875,000 bales a year higher and that of our competitors 875,000 bales lower. In other words, we have had a competitive loss of 875,000 bales in a period of 21 months.

This has happened during a rising phase of the textile cycle. When that cycle turns down into a period of recession, which we are bound to experience from time to time, then we shall feel the real effect of these losses in a much lower level of consumption of cotton than otherwise would have occurred.

Of course we compete more closely with some of the fibers in chart B than with others. Our closest competitors are at the top of the list, and the closest of all is rayon staple. Let's look a little further into our recent record of competition with this fiber.

CHART C

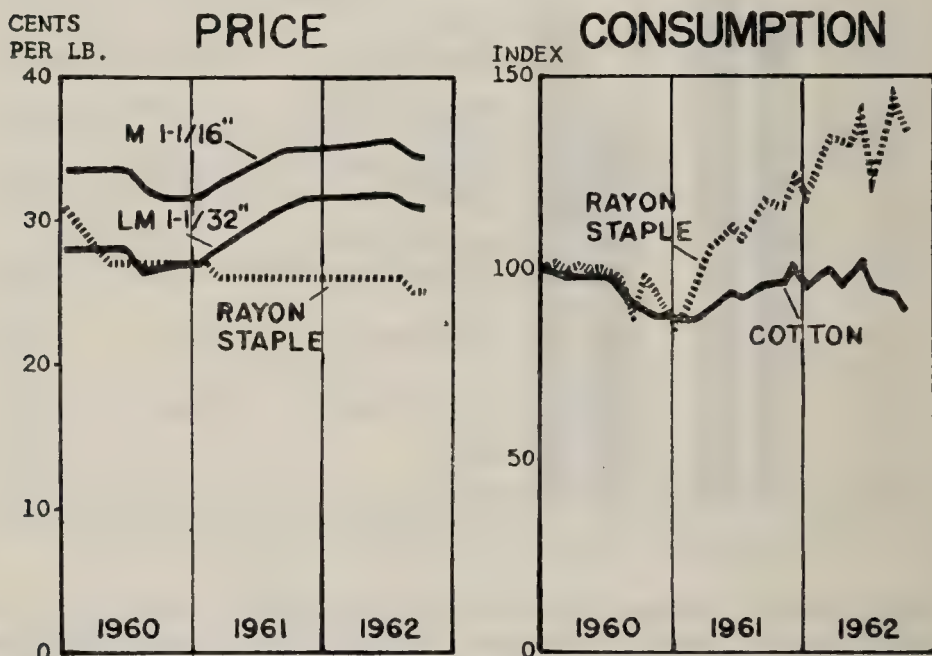


Chart C deals with this subject. Notice first the price record on the left-hand side of the chart. The record is given for the last 3 calendar years. Rayon staple came down from 31 cents to 27 cents in early 1960. Then it went to 26 cents in early 1961. Recently it declined to 25 cents, and that is the ruling price on the shipments being made today.

For comparison we see the price record on two qualities of cotton. Both of these prices were reduced in 1960, but since December of that year both of them have risen sharply, so that the price of cotton has had a considerable net increase across this period of 3 years, in which rayon had a net decrease of 6 cents. This means, as you can see, that cotton today is roughly 7 to 9 cents a pound higher in relation to rayon than it was 3 years ago.

These two fibers are locked in the closest kind of competition. In the right-hand portion of chart C we have the record of their consumption on the cotton-spinning system over this same recent period of 3 calendar years. In order to get a close comparison of cotton with rayon, the consumption of both fibers is presented in the form of an index, beginning at the 100 point for the first of 1960.

Since the change in price policy occurred in early 1961, the mills have been making the shift that they saw they had to make. From January 1961 to October 1962, the net increase in consumption of cotton has been only 2 percent, while the net increase for rayon staple has been 61 percent.

We want to think in terms of actual bales of cotton. We can express it this way: This is the total market held by cotton and rayon combined in the cotton-spinning system of this country. If cotton had held the same share of this market in October of this year that it held in January 1961, cotton consumption would have been 398,000 (just about 400,000) bales higher than it actually was, and rayon consumption the same 400,000 cotton-bale equivalents lower. In other words we have had a loss of 400,000 bales in this brief period to this one fiber on our own spinning system.

Mr. ABERNETHY. If I may ask a question. You show an increase in rayon from 1960 to 1962 of 61 percent consumption, and cotton 2 percent, I believe you said.

Dr. HORNE. That is right.

Mr. ABERNETHY. To what do you attribute that?

Dr. HORNE. I think the primary answer is on the left, Mr. Congressman, this drastic change in price relationship.

Mr. ABERNETHY. You say it is price?

Dr. HORNE. This recent change, yes, sir, this recent trend.

In past testimony before this committee, I have brought out very strongly that there are other factors which also influence competition—quality, research, promotion. I have always said that it is the smart thing from the standpoint of our whole industry, and particularly the farmers, to stress these other factors which influence our market position.

Price is one of the factors, however, and a big change in this recent period during which we have had this great loss has been a change in price.

Mr. ABERNETHY. It is moving at what now, 25 cents a pound?

Dr. HORNE. Rayon is 25 cents.

Mr. ABERNETHY. Can cotton meet that price and can the farmers make a living at such?

Dr. HORNE. This is the problem we are having to face, Mr. Congressman. I know it is a great problem. I realize that you have to consider the income of the farmer, and we all have to consider the income of the farmer. We face a great problem when we look at his income situation and then turn and look at this market situation.

If I can be helpful to you, it will be in submitting the market side of the picture, and then you most certainly will want to consider with great emphasis the income side of the picture.

Mr. ABERNETHY. I didn't mean to interrupt your trend of thought but I thought that should be in the record.

Mr. HELMBURGER. Before we leave these charts I would like to ask you why it is that the charts show that the lowest point of cotton consumption was in the last half of 1960 when cotton was at its lowest price. What is the explanation of this if price is the factor?

Dr. HORNE. A good question, thank you.

The textile cycle has to be taken into account. The textile cycle is a very real phenomenon which we have to recognize in order to

understand the competitive positions of these fibers. During the year 1960 the entire consumption of all textile fibers moved downward just as it has moved upward more recently. In both cases, these were textile cycle movements.

If you will look at the record of rayon staple on chart C, you will see that its consumption declined about as much percentagewise as that of cotton in 1960. We had no significant net loss to rayon staple in that year when price relationships were so different from the present.

Mr. HEIMBURGER. In other words, although the consumption of cotton fell off there as the price dropped, your chart shows also then that the consumption of rayon staple fell off at the same time and by a roughly comparable quantity?

Dr. HORNE. That is right.

Mr. ABERNETHY. Dr. Horne, it is not the contention of anyone that synthetics, particularly rayon, are complete substitutes for cotton.

Dr. HORNE. Are you raising the question of whether they have the quality?

Mr. ABERNETHY. It isn't a complete substitute.

Dr. HORNE. This I hope is still true, Mr. Congressman. We have stressed this many times before. Cotton has a wonderful quality that has never been fully duplicated by competing fibers. Many of the competing fibers are higher priced than cotton today although this isn't true of the rayon.

We have to keep constantly revising our information on this subject, however, because these competing fibers have vast research programs aimed at quality improvement, and in many cases the specific objective is to make the fibers more like cotton. This has long been the primary objective of rayon research, and we know that the rayon people have brought out some qualities in recent years for which they are claiming tremendous improvements. According to all the information that we have received down to this time, some of these newer rayons do raise a serious threat to cotton in markets which we long considered impregnable.

Mr. ABERNETHY. They too are moving toward a cheaper price through their research?

Dr. HORNE. Yes, sir.

Mr. ABERNETHY. And they are succeeding with it?

Dr. HORNE. That is right.

Mr. GATHINGS. I wonder, Doctor, if you would give us just a brief rundown on some of the advances that have been made in making cotton more acceptable to the buying public. That is to say there has been quite a lot of research in cotton in recent years. In 1939 Congress provided funds, as I recall, establishing the New Orleans facility.

Now there have been some advances in the field of water repellants and also in fire repellants. Will you give us your view as to just what has been done in these areas?

Dr. HORNE. I think that for the amount of money invested in cotton-quality research and the utilization of cotton there has indeed been a significant amount of improvement. There certainly has been progress since 1939 in making cotton a more uniform fiber. The number of varieties has been greatly reduced. Important new techniques have been devised for measuring quality. People can rely more and more on the quality of cotton coming from a given location.

I suppose that the biggest of all these advances of recent years has been in the development of wash-and-wear fabrics. Cotton is well adapted to wash-and-wear finishes. There have been great research strides in imparting easy-care characteristics to cotton fabrics, particularly for clothing, and this has been a great help to cotton consumption. It has helped us especially against rayon, which is not so well adapted to wash-and-wear finishes. These quality aspects have indeed been important.

Still, when we take into account everything that is involved, the research, the promotion, the quality, the price, et cetera, the final answer as to whether we are gaining or losing markets against rayon is set out clearly in the right-hand side of chart C. And it is all too clear that we are losing heavily to this competition today. I hate to report this. I have always stressed the good side of our market situation, but we are in a desperate situation today as we can see from these recent rates of competitive loss. They cannot be overlooked.

Mr. GATHINGS. The rayon dress is just not much dress. The rayon shirt is even less desirable. I know one thing that a cotton shirt is white, it will take laundering well. It is hard to wear out, it looks good, and it will last a long time. However, rayon hasn't those qualities.

Dr. HORNE. We agree with you, and we have stressed this with all our capacity over the years. Cotton is better than rayon in quality. The sad fact is, however, that over the last 12 to 24 months we have lost some fraction of nearly every end-use market that we have. Now if it hasn't been price, just tell me what it has been. I agree with you that cotton has marvelous qualities. But we come to a place where our quality advantage cannot hold our markets if we allow our competitors a big enough price advantage. Rayon's price advantage over cotton has given it a great new impetus and has provided an incentive for all the textile people to try their best to make better use of this fiber. This is the problem we are up against now, Mr. Congressman.

Mr. ABERNETHY. If price is the principal consideration the reference they make to those fibers which are priced at \$1 a pound and above are actually of no consequence here. Would you say that is right?

Dr. HORNE. Before way say that may I submit for your information—

Mr. ABERNETHY. Let me put it another way. I simply mean to say that cotton cannot ever compete with those particular markets because the markets which they have, evidently they have them for a reason other than price, because the price of orlon and nylon and these other fibers you mentioned run anywhere from \$1 to \$1.50 a pound.

Dr. HORNE. Congressman, may I give you some additional information on that which has been developed in just recent years?

Mr. ABERNETHY. Yes.

Dr. HORNE. I will do that almost immediately.

Before I leave this question of the sharp changes in cotton-rayon price relationships, I should say one more thing, which will take about 2 minutes, and then I will come back to your question. The mill people, who must decide whether to spin cotton or rayon, cannot just look at the prices which appear on chart C and consider them the whole answer. The mill people must also consider the cost of transporting cotton from locations out over the Cotton Belt. They must consider that there is

a higher waste percentage in the use of cotton and also that there are premiums and discounts for various qualities.

So in order to get a clear picture of our price competition with rayon staple, we have to get down to the net cost of these two fibers in the manufacture of each major fabric. When we made our first price study in 1955, we found that in the manufacture of plain print cloth rayon's advantage over cotton in net mill cost was 7.91 cents per pound of cloth. Then we made a detailed study again in 1959 and found that this advantage had declined to 6.74 cents. We made such a study again in July of this year and found that rayon's advantage had risen to 15.26 cents a pound. I might add that the figure is undoubtedly fully this much today.

Now just to give you another case. In ounce duck, rayon staple had practically no price advantage over cotton 3 years ago, but today it is 10.82 cents.

We have made this kind of computation for the 31 major categories of broadwoven cotton fabric, and I will just give you a weighted average, for the whole group. Over the last 3 years, rayon's average advantage over cotton in net mill cost has jumped from $6\frac{1}{3}$ cents to almost 15 cents per pound. This is a net increase of more than $8\frac{1}{2}$ cents a pound, and this is simply more price handicap than cotton can stand, Mr. Congressman, in spite of all our fine quality advantages. We could defend our markets back when the cost difference was 6.32 cents. We cannot defend them very well today against a handicap of 14.87 cents.

You have already seen how desperately we are losing markets. It is a desperate situation, which somehow must be corrected.

Mr. ABERNETHY. Dr. Horne, you lose in markets, there on that chart. Did you not show a chart just a moment ago that showed that cotton had increased in domestic consumption—it is small—by 2 percent?

Dr. HORNE. Yes.

Mr. ABERNETHY. So we are not losing but we are not getting new markets.

Dr. HORNE. In a period when the textile cycle was rising rapidly we had very little gain. This textile cycle has always gone up and down, and I will elaborate on that if you would like me to. It is a definite fact that that cannot be disputed, that because of the movements of inventory beyond the mill level all the way to the retail counter there is a cycle in the rate of mill consumption. It goes up and down over periods of 2 or 3 years.

Mr. ABERNETHY. Let us discuss it in bales. You mentioned 2 percent. Do you mean the cotton farmer had an increase of 2 percent in bale sales or consumption, shall we say—

Dr. HORNE. Yes.

Mr. ABERNETHY. Currently over what it was, January what?

Dr. HORNE. January 1961.

Mr. ABERNETHY. 1961.

Dr. HORNE. Yes, sir; that is right.

Mr. ABERNETHY. And the synthetics had a 61 percent increase?

Dr. HORNE. That is right.

Mr. ABERNETHY. That was new markets, was it not?

Dr. HORNE. No, it wasn't, it was a rise in—

Mr. ABERNETHY. Increased consumption. I will put it that way.

Dr. HORNE. That is right. A short-term upward trend in consumption which is bound to turn down when the textile cycle turns down.

Mr. ABERNETHY. In other words, you think in the next year or two or three it will turn down, the cotton consumption will turn down and you won't even have that 2 percent?

Dr. HORNE. I would have to say yes.

Mr. BEERMANN. Dr. Horne, you stated that today cotton is 7 to 9 cents a pound higher in comparison with rayon staple than it was 3 years ago. What is the reason for the cotton price rise in 1961?

Dr. HORNE. The support level was set at a level which caused it to rise.

Mr. BEERMANN. The support level?

Dr. HORNE. Yes, sir, the Government support level for cotton.

Mr. BEERMANN. Well, Mr. Horne, I have been a member of this subcommittee for 2 years and this is the first time it has met. And I don't recall that this subcommittee wrote any legislation that would increase the price support on cotton.

Dr. HORNE. You are certainly right. This was an exercise of the administrative power delegated by the Legislature. This was an administrative act. It was an administrative decision.

Mr. GATHINGS. The act of 1958 gave the executive branch of the Government the leeway to set the price between 65 and 90 percent of parity and the Secretary of Agriculture set it at 82 percent of parity.

Now we will have to move on.

Dr. HORNE. May I have 10 minutes to run over a great deal of additional material?

Mr. GATHINGS. Surely.

Dr. HORNE. I want to come to Congressman Abernethy's question about these higher-priced fibers of which Dacron is one that is really most interesting to us today. Dacron sells at over \$1 a pound.

Back in 1955, when we made our first price study, the cost of the cotton in a shirt was 28 cents, whereas the cost of the Dacron in a shirt made from that fiber was 68 cents. Thus we had a tremendous price advantage in shirts.

Since 1955, Mr. Congressman, some things have been happening which bring these fibers into closer price competition. To put it as briefly as possible, I am going to list four big things that we have to take into account.

Today our real competition in shirts is not with a 100-percent polyester such as Dacron, but with blends of cotton and these other fibers.

Second, the competition in recent years, as I have told you, has centered on wash-and-wear garments in which cotton requires a more expensive finish than fibers like Dacron.

Third, when a wash-and-wear finish is applied to a cotton fabric, it is necessary to use a heavier piece of cloth. More cotton is required to do the same job.

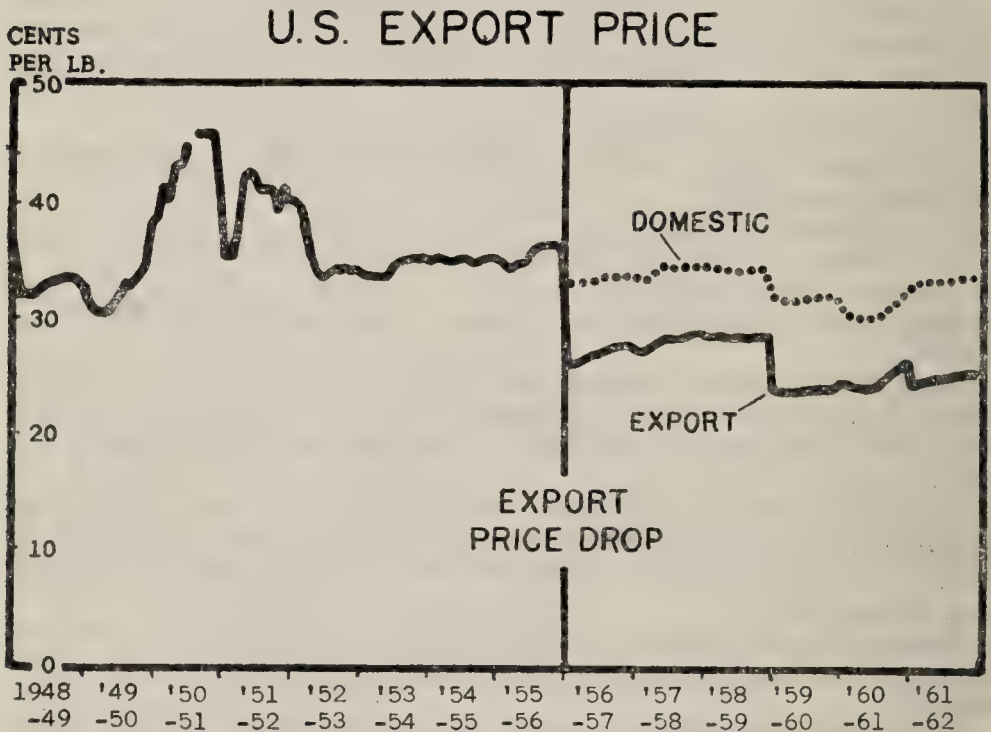
Finally, and very important, the actual price difference between the two fibers, pound for pound, has changed quite sharply.

In order to get a fair comparison today, we must consider cotton as against a 65 to 35 percent Dacron-cotton blend, and we must include the cost of the finish for each fabric. When we do this, we find that in 1962 the cost of the fiber and the finish for an all-cotton shirt is 70 cents, whereas the same cost for a Dacron-cotton shirt is 75 cents, or only a nickel more.

The proof of the matter, Mr. Congressman, is that in shirts as in many other items of apparel today the all-cotton products and the blends are going into the same price lines on the retail counter. You will find this to be true in the retail stores. Cotton is losing heavily because its old price advantage has largely disappeared in many of these uses.

We see the proof, too, when we look at our losses on the cotton-spinning system. I showed you earlier that in the past 21 months our loss to rayon staple has amounted to 398,000 bales in annual rate. In addition, on our own cotton spindles, we have had a loss of 224,000 bales to Dacron and other synthetics, bringing the total loss to 622,000 bales per year. And I have to report to you that these losses seem likely to continue and possibly to accelerate unless something is done about this price situation.

CHART D



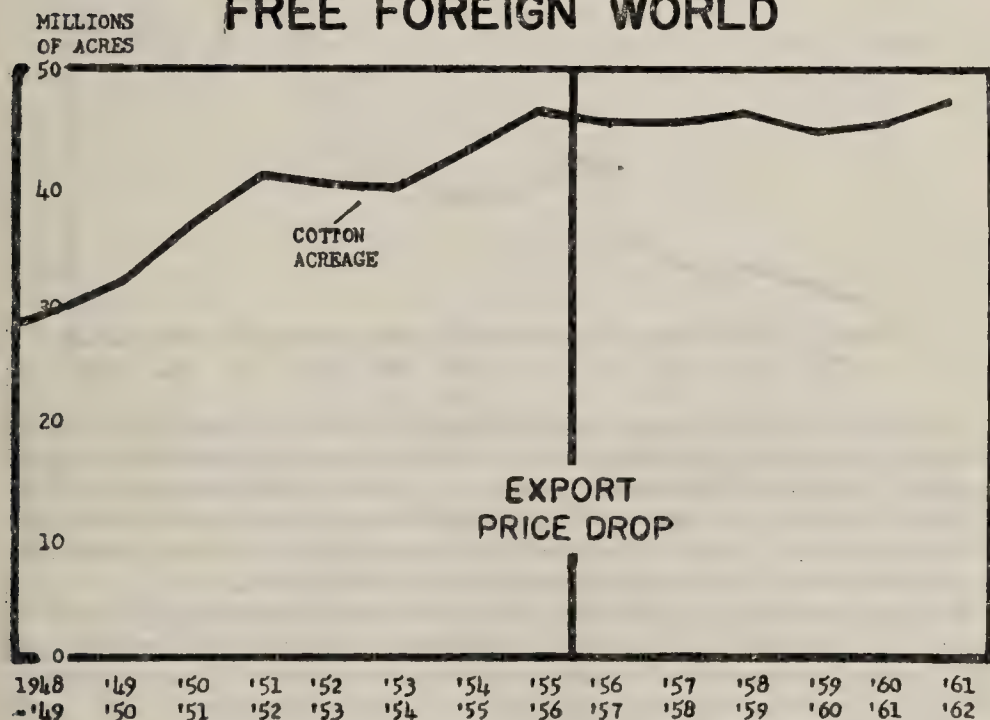
Now may I turn to a brief rundown on the export situation. Chart D will give you an impression of the trend in the cotton export price across the whole period beginning in 1948. Notice the vertical bar which is placed at August 1, 1956. The solid curve to the left of that bar and the dotted curve to the right of it both represent the price of Middling Inch cotton on the officially designated spot markets. At the beginning of the 1956-57 season, the export price was

lowered sharply by the use of what amounted to an export subsidy, and from that time forward the domestic and export prices have been different by the amount of the subsidy.

It is a plain fact, which I believe we all recognize, that the lower export price across these recent years has saved the export market for U.S. cotton. This is a fact which we have often documented in considerable detail—and I can do it now—but I assume that the members of this Committee are already fully aware that this is true.

In the years preceding this drop in the export price, foreign cotton production was increasing very much more rapidly than foreign consumption, and as a result we were being squeezed out of our export markets. But in the years following this drop in export price, that adverse trend was definitely corrected. The competitive gains of rayon over cotton which were very serious back in the earlier period, were brought to a complete halt in the foreign free world as a whole during this recent period of lower cotton prices. Moreover, the increases in foreign cotton production were slowed down in a most dramatic manner during the recent period. This is most evident when we look at the record of cotton acreage harvested in the foreign free world as it appears in chart E.

CHART E

FREE FOREIGN WORLD

From the season of 1948-49 to that of 1955-56, free foreign cotton acreage rose approximately from 29 to 47 million acres. But in the next five seasons, as you see, this acreage had no overall net increase at all. There can be little doubt that the drastic decline in the world price of cotton was a major factor in this great development. It opened up an entirely new and better outlook for U.S. cotton exports.

Now we have to go right on and recognize that last season there was

a net increase of about 2 million acres in the foreign free world, as chart E shows. Moreover, the reports now available indicate further increases in quite a number of foreign countries for the present season of 1962-63.

From these facts it certainly seems evident that we cannot afford to consider any increase in the present level of our export price. This recent upturn in foreign acreage seems to suggest that, if anything, it should be lowered. But now, having said that, we must go right on and look at another side of this picture which is equally serious.

CHART F

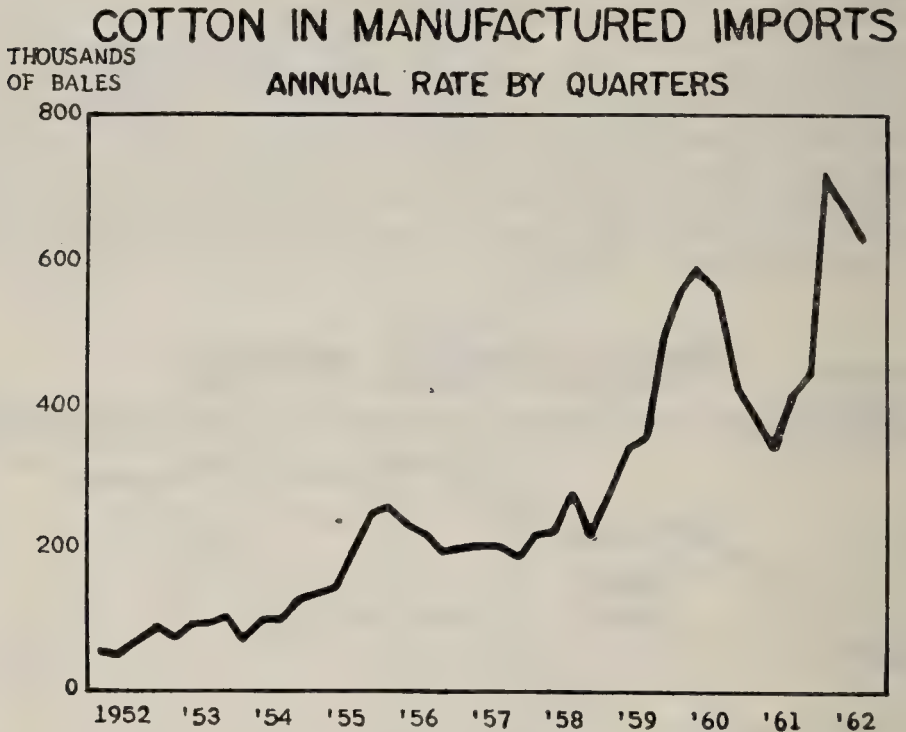


Chart F shows the tremendous upward trend in the amount of cotton which is imported into this country in the form of yarn, cloth, clothing, and other manufactured products. From a small amount in 1952, it rose to an annual rate of 712,000 bales in the first quarter of the present calendar year. For the first 9 months as a whole, these imports have been at an annual rate equal to 669,000 bales.

We are bound to get some short-term fluctuations such as you see in chart F. I might just say that in October, which is not included on the chart, the imports of cotton cloth were at an annual rate approximately 44 percent higher than that of the third quarter. We have just received the October figures.

Regardless of these short-term fluctuations, the big fact to recognize is that the trend of these imports through the years is very sharply upward. We cannot ignore the fact that these imports are manufactured in foreign countries from cotton purchased on a world market where the biggest price influence is the price of our own cotton which we export at 8½ cents lower than our own mills can buy it. We do that by the use of a subsidy paid by American taxpayers, including

the very manufacturers who must try to meet this competition on their home markets.

The foreign manufacturers have a number of competitive advantages over our own manufacturers, and the biggest of these are in wages and in the cost of raw cotton.

Down to 1956, the greater part of these imports consisted of clothing and other end products in which wages are the biggest cost item.

Mr. ABERNETHY. Mr. Chairman, may I ask a question right there?

Mr. GATHINGS. Yes, you may, Mr. Abernethy.

Mr. ABERNETHY. I see a note of a tremendous drop in imports there. From about August 1959 to November 1960. I was of the opinion that we have had a constant increase in imports. How do you account for that, Dr. Horne?

Dr. HORNE. I think there are two major explanations, Mr. Abernethy, and one of them is that imports naturally are affected by the rise and fall of the textile business in this country even more sharply than our own domestic mills are.

When a new competitor is coming into a market that he hasn't had before, he naturally can penetrate that market more easily when business is strong. It is rather easy then for overstocking to occur, followed by a sharp temporary dropoff in imports during the next period of recession.

This is just one of the factors.

Another one, which I suspect is a bigger explanation, is that back in early 1960 and the preceding months of late 1959 we were launching an effort to obtain relief through the Tariff Commission under section 22 of the Agriculture Adjustment Act of 1938.

Mr. ABERNETHY. The foreigners were being nice to us then, is that it?

Dr. HORNE. To the extent of sending us a lot of textiles. They were trying to get in ahead of the restrictions we were trying to obtain. Once that fight was over and we had lost that battle, then naturally the imports fell back because of the overstocking from the earlier rush of shipments.

Mr. ABERNETHY. Mr. Chairman, I apologize for the delay.

Mr. COOLEY. Doctor, how much of this cotton is American cotton?

Dr. HORNE. It is a declining fraction. We supply today generally to the foreign free world—as you know, an export volume in the range from 4 to 6 and sometimes 7 million bales or more. But the foreign free world now produces over 20 million bales. We are supplying a much smaller fraction of the total foreign consumption than formerly.

Mr. COOLEY. These fabrics you are talking about now are not made entirely out of American cotton but largely out of foreign cotton?

Dr. HORNE. I think you can say largely out of foreign cotton today, and the outlook for the future as things now appear is that they will be made more and more out of foreign cotton. Actually, some of the most conspicuous increases have been from foreign countries that are growers of cotton. Foreign cotton-growing countries such as Pakistan, India, and some of the Latin American countries that grow cotton. And some of the Middle Eastern countries.

Mr. GATHINGS. Dr. Horne, if the Tariff Commission had held 3 to 2 the other way would we still have a serious dilemma in cotton, or as serious as we have today?

Dr. HORNE. Conceivably the Tariff Commission could have ruled in such a way as to correct the import problem. It could have.

Mr. GATHINGS. Yet we still have a very ill cotton industry?

Dr. HORNE. If our domestic prices were where they are today, we would still have the great problem of losses to other fibers on our domestic market at these price levels.

Mr. GATHINGS. And in addition too, we have a cutback in the acreage, the national acreage allotment had been changed to 16 million in 1963. Which means there will be an appreciable loss in the income not only to the cotton farmer but to the cotton areas affected?

Dr. HORNE. Yes, sir.

Mr. ABERNETHY. Doctor, of course the Tariff Commission has already found we are not in any trouble.

Dr. HORNE. My message is that we are in trouble.

Mr. ABERNETHY. The fact remains that the folks downtown have already found that we are not. That is right, isn't it?

Dr. HORNE. I am going to argue about that, Mr. Congressman.

Mr. ABERNETHY. We wouldn't be here if they had found otherwise. The Tariff Commission actually made this trouble for us with a false finding.

Dr. HORNE. As matters stand now I can only point out that this rising tide of imports is depressing the markets for American cotton—of American cotton farmers in two ways. First, it is replacing a larger part of the domestic market for our own cotton with goods made from foreign-grown cotton; and second, it is placing in more and more jeopardy the export program under which our raw cotton is placed on the world markets at prices aimed at keeping alive the export markets for American cotton.

Here on my last slide I will just show you this chart—

Mr. HAGEN. You were going to make a point on this relative value of wages and cotton prices in your previous chart. You were about to make it when you were interrupted.

Dr. HORNE. Thank you, Mr. Hagen.

On Chart F I was pointing out that down to about the year 1956, the major part of these imports had been in end products—clothing and other end products in which the wage costs were the main costs. But after our export program was inaugurated in 1956 and down to the present time the greatest part of this further increase has been in cloth and in yarn in which the raw cotton cost is the main part of the cost of manufacturing the product.

Nobody calls that a fair way to treat our own best customers, the domestic mills. Both in 1960 and quite recently we have done our utmost to get a section 22 action which would neutralize this advantage to the foreign mills in cotton costs. But as you know, both these efforts have been unsuccessful.

Now, I will go back in conclusion to chart D, in which I show you the levels of our domestic price and of our export price.

The export price is determined by the domestic price minus the export subsidy. We saw earlier that we are suffering very alarming competitive losses on the domestic market. We cannot hold our domestic market at this price level.

We also have seen that we certainly cannot afford to raise the level of this export price. If anything it needs to be lowered. And yet

the spread between the domestic and export prices is robbing us even of our domestic market, because of the tide of imports which it is now stimulating.

Now, I am keenly aware as I said in answer to Mr. Abernethy's earlier question, that the farmers' income is important and must be kept always in mind. It is just not my proper function to propose any specific method of reconciling this great problem, great as it is, with the one which I have outlined to you here today; namely, the losses occurring on our markets. But I fully recognize that this is the challenge to be faced. It is an enormous problem and it is the reason why we face such an extremely difficult situation today.

But the cotton farmer certainly cannot have any income from cotton if the markets for cotton are destroyed.

My testimony has been limited strictly to the market side of this problem and this seems to lead to the conclusion that neither the domestic nor the export market for U.S. cotton can long endure at anything like the present level unless this domestic price comes down.

Thank you.

Mr. GATHINGS. Thank you so much, Doctor.

I just wondered if you had a word, Mr. Blake.

Mr. BLAKE. No, that is it. Unless you have questions.

Mr. COOLEY. Before you say anything, let me say I have been on this committee 28 years, Doctor, and you have made one of the best presentations to this committee that I have ever heard in that entire 28 years and I want to thank you very much, indeed. [Applause.]

Mr. GATHINGS. Mr. Heimbürger has a question.

Mr. HEIMBURGER. Doctor, just one question: Suppose that the domestic price of cotton were reduced to reestablish the old competitive relationship between cotton and rayon. Does your research indicate that the rayon manufacturers would in turn be able to reduce the price of rayon still further and put us right back in the same hole we are in now?

Dr. HORNE. No; it does not, Mr. Heimbürger.

When we made our earlier price study upon which I testified before this committee, we pointed out clearly that this was likely to happen, and it did happen to some extent.

The situation today is sharply different. The cost of manufacturing rayon is so high in relation to the present selling price that it would just be extremely unlikely that they would try to follow down a substantial further reduction in the price of cotton.

Mr. HEIMBURGER. You feel if the price were readjusted it would be an adjustment that would be likely to continue for some time? The price of cotton, I mean.

Dr. HORNE. I believe so; yes, sir.

Mr. ABERNETHY. Of course, Doctor, they are constantly doing research themselves, in order to put rayon on the market at a cheaper price.

Dr. HORNE. That is true.

Mr. ABERNETHY. We cannot foreclose on the prospect of their being able to do so.

Dr. HORNE. That is right. We have studied their production methods a great deal and I think we can rely reasonably well on the fact that over the last generation this rayon industry, which is now becoming an old industry rather than a young one, has worked over

its main potentials for lowering production costs. And one of the really hopeful things about cotton is that we have a far greater potential for lowering production costs today than the rayon people do.

Mr. ABERNETHY. Do you know anybody along the way in the cotton industry between the farmer and the mill who would cooperate in reducing this price?

Dr. HORNE. You are going to hear testimony from quite a few large number of people, I believe representing all segments of the industry—

Mr. ABERNETHY. I just thought you might have some suggestion of somebody. I realize you wouldn't want to point a finger at them maybe, and the question may not be exactly fair. But I personally want to serve notice on the cotton industry that I want to hear from somebody between the farmer and the mill who is going to cooperate in this thing before I am going to sell myself completely on the farmer taking price reduction.

Mr. GATHINGS. Mr. Hagen.

Mr. HAGEN. I have just two questions. Are the synthetic prices you stated world prices?

Dr. HORNE. They are domestic.

Mr. HAGEN. The price of rayon in the United States is lower or higher than the price of rayon in Germany, France, or Japan?

Dr. HORNE. The domestic price has now been lowered so drastically that I believe, from the information available, that our own domestic price of rayon tends to be fully as low as it is in the foreign world generally today. It is not as low as the price in Japan. I would be glad to hear evidence to the contrary.

Mr. HAGEN. A second question: Isn't it conceivable with the vast increase in the domestic use of rayon—for example, isn't it conceivable that this last increase in the domestic use of rayon went into goods that were sold overseas? Have we had a substantial increase in our exports of rayon cloth and so forth?

Dr. HORNE. No, sir; I believe not to a significant extent.

Regarding the foreign price levels of rayon, I base my statement on the published information in foreign magazines primarily, and I fully realize the published information in this country is not infallible. However, it is true that our present prices are very low. You will remember rayon staple prices in this country have been reduced 9 cents in recent years. The information seems to indicate that in England, Germany, and France the price of rayon staples of the same quality are equal to or above what they are in this country today, whereas the price of cotton in those countries in relation to rayon staple is lower than it is in the United States.

Mr. HAGEN. Do you think our manufacturers compete better in the world market with respect to rayon as against cotton goods?

Dr. HORNE. I am not able to speak to that. You have here some textile people who can speak to that better than I.

Mr. BEERMANN. What is the total cost for export subsidy programs?

Dr. HORNE. It is \$42.50 a bale in direct costs, Mr. Beermann. You can multiply that by the number of bales exported and you will essentially have the answer.

If we export 6 million bales it comes to around a quarter of a billion dollars.

Mr. GATHINGS. We have been exporting about 5 million bales and hope we can move it up to 6.

Thank you very much, Dr. Horne.

Now, we thought in the subcommittee it would be well for us to alternate from industry over to producer and back to industry.

At this time we would like to hear from the Agricultural Council of Arkansas. Mr. Robert Pugh, president and H. R. Adams, executive vice president, are here. We are glad to have both of you with us.

STATEMENT OF ROBERT PUGH, PRESIDENT, ACCOMPANIED BY HARVEY ADAMS, EXECUTIVE VICE PRESIDENT, AGRICULTURAL COUNCIL OF ARKANSAS

Mr. PUGH. Mr. Chairman and members of the subcommittee, my name is Robert D. Pugh and I am a farmer from Portland, Ark., and I represent the Agricultural Council of Arkansas. I have just a brief statement here to make. If you have any questions, please interrupt me.

This statement is made in behalf of the Agricultural Council of Arkansas, a nonprofit organization representing a substantial percentage of cotton producers in Arkansas.

The Agricultural Council of Arkansas fully realizes that American mills are still the cotton producers' best customer and we are genuinely concerned regarding the competitive position of cotton with that of other fibers. It is our opinion that in the formulation of future cotton programs, due regard must be given to securing a greater share of the expanding domestic market. We believe that the maintenance of the economic condition of the farm plant is essential to the welfare and security of the Nation, and that public funds invested, commensurate with cotton's importance, are a valid part of the Nation's potential. We also recognize that American mills are at a price disadvantage with respect to the cost of U.S. cotton to foreign mills. Without a disastrous price reduction to producers, it is our opinion that the only way the price of cotton can be made competitive with that of synthetic fibers on the domestic market and cotton sold for export is through a domestic equalization fee similar to the one used for the export market.

We believe this is a prime objective to be accomplished at this time and that legislation is essential and should be enacted as soon as possible by the Congress to stimulate sales and consumption of the present and future crops of cotton. It is our opinion that in order to eliminate objections and possible opposition by any segment of cotton producers or allied interests, any amendment to the present law must be confined to the major objective without special provision relating to a particular area or type of farming operation.

There are some provisions which have been recommended for inclusion in proposed cotton legislation to which we would be opposed, and others which we feel are of an administrative nature and are properly within the jurisdiction of the Secretary of Agriculture to administer in accordance with the present law.

We are opposed to any program which provides for ceilings or limitations on the price, loan, or income any farmer may receive. Also to any requirement for cross-compliance as a prerequisite of eli-

gibility for price supports and to cotton allotments based on pounds or bales. We are opposed to any equalization fee being paid to the first buyer of cotton offered for sale by the producer.

There are some regulations and provisions of law relating to the cotton program of vital concern to cotton producers and allied interests which we feel can be equitably administered by the Secretary of Agriculture. For instance, we as cotton producers do not feel it sound economically to materially reduce the acreage planted to cotton in the United States which will probably lead to a further increase in the amount planted in foreign countries. We believe that with a realistic price and sales program, a substantial increase in the present allotted acres for cotton in the United States for 1963 will be justified.

As you are aware, the amount of the price support level pretty well establishes the market price for cotton. While cotton producers are willing to bear some equitable share of any price reduction deemed necessary in an effort to meet competition with other fibers, the fact must be kept in mind that the price of labor, machinery, and supplies that enter into the cost of production is still increasing. We, therefore, recommend that the CCC loan be at the highest level which may be essential to provide the producer with a fair market price commensurate with his capital and labor investment.

Mr. GATHINGS. Thank you very much, Mr. Pugh. We appreciate your statement.

STATEMENTS OF A. L. STORY, VICTOR DOWNING, AND HILTON BRACEY, REPRESENTING THE MISSOURI COTTON PRODUCERS ASSOCIATION

Mr. STORY. Mr. Chairman, may I make one statement before we get into our formal statement:

I think maybe there is a misleading impression left here as to the price support levels on cotton.

I would just like to call your attention to the price support levels for the last 3 or 4 years. If you have a pencil you might jot them down.

In 1958 the price support level on cotton was 35.08.

In 1959 it was 34.10.

In 1960—

Mr. GATHINGS. Don't go quite so fast now. Will you go over them again, please?

Mr. BRACEY. In 1958 the price support level was 35.08 cents per pound.

In 1959 it was 34.10 cents per pound.

In 1960 it was 32.42.

In 1961 it was 33.04.

In 1962 it was 32.47.

I feel like this should be brought to the attention of this group because the price support level as such has not been increased. Now the price of cotton has increased but it is not because the price support level was increased. The increase in the price of raw cotton is due to the fact that the choice program of 1959 and 1960 expired and we are now working under different legislative authority and I thought that would be well to bring to the attention of the committee.

Mr. GATHINGS. Now we will hear from Mr. Story.

Mr. STORY. Thank you, Mr. Chairman. My name is A. L. Story. I represent the Missouri Cotton Producers Association. I have with me Mr. Downing of the Missouri Cotton Producers Association and Mr. Bracey, the executive vice president of the Missouri Cotton Producers Association.

I would first like to express to you, Mr. Chairman, and the committee, our appreciation for the opportunity to appear here and make the statement and also our gratitude to the committee for taking time in their congressional recess to come in and listen to us, our presentation of this very serious problem in the cotton industry. As we see it, Mr. Chairman, there are about six basic objectives relative to a sound cotton program.

1. To enable cotton producers to obtain a fair income based on their investment and managerial ability, including the opportunity to participate in production control programs according to their individual needs and conditions.

2. To make U.S.-grown cotton competitive both in price and quality in foreign markets, with foreign-grown cotton and manmade fibers—without discriminating against domestic cotton mills, the primary market for U.S. cotton.

3. To make U.S.-grown cotton competitive with manmade fibers in the domestic market.

4. To minimize costs to U.S. taxpayers.

5. To prevent the accumulation of new surpluses.

6. To market cotton through normal channels of trade.

Looking toward the future for cotton and cotton producers, we are convinced that we must meet all of these objectives to have a sound and workable long-range program. It goes without saying that we must maintain, and if possible, strengthen the economic position of cotton producers. We know that we must place our cotton on a basis of equality with foreign competition without discriminating against domestic cotton mills. We know that the alternative to meeting the price competition of manmade fibers in the domestic market is the surrender of our right to produce and sell cotton. We know that we must do the things that need to be done for cotton and cotton producers at the lowest possible cost to the taxpaying public. We would not knowingly contribute to the rebuilding of the burdensome surpluses of the mid-fifties. We want to maintain the normal marketing machinery for cotton, and insofar as possible keep the Government out of the business of buying, transporting, storing, and selling cotton.

To meet the needs of cotton and cotton producers, we respectfully recommend that we must have additional legislative authority in two general areas:

1. Provide sound economic principles in future cotton price support and acreage determinations. The fact that some 75 percent of all cotton allotments are under 15 acres, and that producers in this group account for only 23 percent of the total acreage, and about 20 percent of our total cotton production, indicates that any program tailored to fit such a small percentage of our total production would continue to fall short of meeting the basic needs of cotton and cotton producers. On the other hand, any program designed solely for larger or commercial producers producing the bulk of the cotton crop could only result in the displacing of a large majority of the producers with uneconomic acreages.

Efficiencies of production vary widely in different sections of the Cotton Belt. Some producers are able, because of better land, larger operations, the application of technology and the ability to obtain needed capital, to produce and sell cotton for a lower price than other farmers who are limited in some or all of these areas.

We urge that the most important consideration involved in any future cotton program is the need for sustaining and improving cotton farm income. There are two ways that we can see to meet this requirement. One way would be to provide what we consider to be a prohibitive outlay of public funds. The other way, and the one which we sincerely recommend to you, is to allow producers to participate in acreage control and price support programs according to their individual needs and conditions. Many cotton producers are anxious to expand their production and strengthen cotton's competitive price position through the more efficient use of land and equipment. They are willing to accept lower price protection and help reduce the outlay of public funds in return for the opportunity to produce more cotton.

These producers are generally in areas of the Cotton Belt that have not benefited to any great extent from the release and reapportionment program. They have had no way to recover from drastic cuts in individual farm acreage, and they, unlike many other individual producers, are paying the full price for price-support protection.

We urge that a blended price plan whereby a producer would pay a marketing fee equal to the export subsidy rate on acreage above the minimum national allotment would be the simplest and more practical way to inject the needed flexibility into the acreage control and price support program. Such a plan would recognize the wide variations in land capability, technology, farming conditions, availability of allotted acreage, and other factors prevailing across the Cotton Belt. It would also move in the direction of preserving acreage, strengthening markets for cotton farmers, and reducing program costs to the Government.

The blended price plan derives its name from the fact that producer returns from cotton would constitute a "blend," in effect, of two average prices they would receive for portions of their crop. For example, assuming price support of cotton produced on the regular farm acreage allotment at 32.47 cents per pound M-1" (the level in effect for 1962 production), and 8.5 cents per pound export subsidy, blended prices would average the following for increases above regular allotments as shown:

Percentage of increase above regular farm allotment :	Average "blended price," cents per pound
5-----	32.07
10-----	31.70
15-----	31.36
20-----	31.05
25-----	30.77
30-----	30.51
40-----	30.02

General provisions of a blended price plan are:

In the event the Secretary determines the need for a national marketing quota which would make available a national acreage allotment in excess of the statutory minimum (excluding the national acre-

age reserve for minimum farm allotments of 310,000 acres) he would authorize a program embodying the following major provisions:

(a) Provide for an increase of up to a prescribed percent at the discretion of the producer, of the "regular farm acreage allotment" determined for each farm, such increased acreage constituting the "export market acreage" for the farm.

(b) Determine the regular farm acreage allotment for each farm by distributing to producers in accordance with present law a national allotment calculated from the national marketing quota adjusted by estimated production on the estimated export market acreage.

(c) Growers electing to produce cotton on export market acreage for the farm would pay a marketing fee on such production, with the amount of the fee calculated at the cotton export subsidy rate in effect for the marketing year. Upon payment of the fee this cotton production would be eligible for price support at the rate in effect.

(d) Marketing fees so collected by the Government could be used to help maintain and expand both domestic and foreign cotton markets.

(e) Export marketing acreage would not count as history for purposes of determining future allotments.

The blended price plan would provide the sound economic principles that are needed in cotton price support and acreage determinations.

2. To remove the inequity between domestic and foreign prices. This is the second general area that requires additional legislative authority. The current export program, while absolutely essential for the protection of producers and the entire U.S. cotton industry, aggravates the problems of domestic textile mills already competing with cheap foreign labor and lower manufacturing costs, by making raw cotton available to foreign manufacturers at prices considerably lower than the domestic support price. Almost everyone, from the President on down, has publicly recognized the need for allowing domestic cotton mills to buy raw cotton in competition with foreign mills.

Eliminating the present price differential between domestic and foreign prices, which we have already stressed must be done without impairing cotton farm income, would accomplish at least two of the basic objectives of a sound cotton program at one time. It would in addition to maintaining our competitive position in world markets, without discriminating against domestic cotton mills, ease and possibly eliminate the need for special restrictions against the importation of cotton textile products. Imports of manufactured cotton have increased from some 200,000 bales (cotton equivalent) in the midfifties to some 700,000 bales during recent years. The importation of such large quantities of foreign textiles into this country not only displaces domestic goods, thereby jeopardizing the position of domestic manufacturers, but increases competition in our domestic markets from foreign growths. Placing our cotton on a one-price basis would also very effectively make cotton competitive with manmade fibers in the domestic market.

Our domestic market, which depends on legislation enacted in 1958, has been static for the last decade and is now headed downward despite large increases in population and a high level of general economic activity. The per capita consumption of cotton in this country has dropped roughly one-fourth in the past 10 years, and if present

trends continue the domestic consumption of cotton will drop at least 6 percent and possibly as much as 20 percent within the next few years.

As cotton producers, we have sacrificed 9 cents per pound or \$45 per bale in price during the past 10 years, and even with this enormous cut our domestic cotton prices have not been in competition with manmade fibers. Consequently, we have received no increase in the domestic consumption of cotton as a reward for our price cuts, and, furthermore, no part of the price cut absorbed by us has been reflected in consumer prices. These piecemeal price cuts of the past several years prove without question the futility of price cuts that do not reach actual competitive levels, and serve as a warning against any approach to the current cotton problem that does not recognize the need for meeting our competition headon, both pricewise and qualitywise.

Let us point out, and emphasize right here, that it is not possible to get our cotton competitive in the domestic market, and keep our farmers in the business of producing cotton under any program that would be permissible under existing legislation.

I think it was brought out by Congressman Abernethy a while ago, that producing cotton at 25 cents a pound in the mid-South is absolutely out of the question and stay profitably in the cotton production business.

So long as we are forced to operate under existing legislation, we will be unable to compete effectively in the domestic market. If the price-support level is set low enough to compete in the domestic market, a great majority of our producers would be put out of business. If the price-support level is set high enough to sustain farm income, we are out of competition with manmade fibers. Either approach completely ignores the needs of cotton and cotton producers.

It is now generally agreed that an equalization payment to the last buyer would be the most practical way of eliminating the inequity between domestic and foreign prices, and providing price competition with manmade fibers in the domestic market.

A domestic equalization payment would actually amount to an extension of the present export subsidy for the benefit of domestic cotton mills.

I might say here, Mr. Chairman, that we also believe that this payment should be removed as far from the producer level as is practical for you to do. We realize that there were be a great deal of mechanics involved in the process. Some of our first buyers, for example, the ginner, are not equipped to do that kind of paperwork.

We urge that a domestic equalization payment (sometimes called trade incentive plan) stands to do the same thing for domestic consumption as the export subsidy has accomplished in world markets. The export subsidy program is a dramatic example of what competitive pricing can and will accomplish. There can be no question concerning the influence of competitive pricing on export sales of our cotton. We know that such sales have been almost entirely responsible for the reduction in our carry-over of cotton stocks from a high of 14.4 million bales in 1956 to the some 7.8 million bales at the present time. We strongly feel that a similar pricing arrangement in the domestic market would accomplish similar results. And, we would be making our price competition without sacrificing the income of producers.

The two legislative changes which we are recommending, (1) an individual producer choice plan, and (2) a domestic equalization payment or trade incentive plan, would with proper administrative procedures which we are confident the U.S. Department of Agriculture would provide, accomplish all of the basic objectives of a sound program for cotton and cotton producers. We recognize, of course, that the initial cost of the recommended approach would cost some more than the present program. We believe, however, that you would rather see public funds used for a program that would allow our industry to produce and sell rather than continue a program that is forcing us to retrench and store, and one which most of us feel would eventually drive us out of the cotton business.

Again, we appreciate this opportunity.

Thank you.

Mr. GATHINGS. Thank you very much. We appreciate your statement. You have given us this price plan in very simple language. We wish to commend you for it. How much of an increase in acreage would result across the belt in your estimation as a result of this type of approach?

Mr. STORY. Mr. Chairman, our best estimate, and we have conferred with the Department of Agriculture on this also, there would be a possible 1-million acre increase in the production.

Mr. GATHINGS. Across the belt?

Mr. STORY. Yes, sir. I might call your attention to the fact that with the minimum of 16 and a million addition that would still be a million acres less than the 1962 acreage allotment. The cost of that—in making these projections we figured that this additional million acres would probably in all probability be raised by the more efficient operation of the larger producers and the yield on that would approximate 1.3 million bales, and at 8.5 cents a pound would approximate \$57 or \$60 per bale, or an additional \$60 million increase from that source.

Mr. GATHINGS. I would like to ask you what percentage of the cotton in southeast Missouri, which grows all the cotton in the State of Missouri, was harvested by machine in 1962.

Mr. STORY. This is a rough guess, but I would say 75 to 80 percent of the cotton was harvested by machine in southeast Missouri in the past year.

Mr. GATHINGS. Five years ago—you have been in the cotton business for a number of years—what was that percentage figure?

Mr. STORY. In 5 years I would say it was 15 percent or less, Mr. Chairman. That is just a guess. I do not think it would be over 15 percent 5 years ago.

Mr. GATHINGS. Mr. Pugh, you just testified. Would you give us the estimate for the record for the State of Arkansas 5 years ago and 1962, harvested by machine?

Mr. PUGH. I would say this is also a guess. For the State of Arkansas 5 years ago it would be around 30 or 40 percent, about a third 5 years ago, and today it would be over two-thirds. For my community I could say it is 98 percent machine harvested and 5 years ago it was 50 percent.

Mr. GATHINGS. Thank you.

I just wondered what percent of this large percentage that was harvested by machine was done by strippers in Missouri. Do you use strippers?

Mr. STORY. No, sir. We do not use strippers at all in Missouri. It is very negligible. I do not know of any.

Mr. GATHINGS. What would be the blend price if you would estimate it? As I understand you start with 32.47 middling inch support on that part which was grown on the 16 million actual minimum acreage allotment across the country and as you increase your percentage your blend price would be lower.

If there is an increase of some million acres, which would amount to something around a million bales of cotton, what would be the blend price support?

Mr. STORY. I would say 30 cents.

Mr. GATHINGS. There would be a drop down of a little better than 21½ cents a pound?

Mr. STORY. Roughly 21½ cents.

Mr. GATHINGS. Mr. Jones?

Mr. JONES. One thing I think is a little confusing, Mr. Chairman: When we talk about the million-acre increase, we are not talking about over this year. We are talking about an increase over this 16 million that is projected for 1963?

Mr. GATHINGS. Yes.

Mr. JONES. Which would still be a million bale decrease from what we had this year.

Mr. GATHINGS. That is right.

Mr. JONES. I think we should emphasize here that this blend price that he is talking about, if we should go up to that million increase over this 16 million as the Secretary said, we will have in 1963, that that blend price would all be taken up or be paid for, or all of the increase would be paid for by these people who want to increase their acreage and grow cotton at the lower price.

Mr. GATHINGS. It would be the world price.

Mr. JONES. It does not get down to the world price. It gets down to be more competitive. He would be paying the subsidy that goes into the export. He would be paying all of that and the people who were going for this minimum 16 million acres would be the only ones who would get the price support, presumably what it was this year, although the Secretary has not announced it.

This reduction in price would be absorbed or accepted by the people who are interested in going and growing this additional acreage.

Mr. GATHINGS. It could be 81½ cents a pound.

Mr. JONES. That is right. I think we have a proposal here that makes some sense and would cut it down.

I would like to ask one question of Mr. Story, if I may. On page 7 when you speak about this domestic equalization in payment, Mr. Story, I think you might indicate how much you think this fee would be so we can have that in the record.

Mr. STORY. That is debatable. You mean in the total, or per pound?

Mr. JONES. The per pound that you are proposing here.

Mr. STORY. That is debatable. There is some contention that it would take the same as the export fee, which is 81½ cents. There is another school of thought that it might not be that much. There might be some differences involved in the trade that you could make an

incentive payment to mills that would put them on an equal basis price-wise and yet would not cost the same in cents per pound as the export subsidy.

I am not well enough briefed on that to give you a firm answer on it. I would say it would be between 7 and 8½ cents.

Mr. JONES. In other words, we know we would not be giving the domestic or the mill any more equalization payment than we are giving the foreign producer now. It would not be any more than that. Possibly it would be less due to transportation costs and things like that that are involved in the payment?

Mr. STORY. That is right.

Mr. JONES. I have no further question.

Mr. GATHINGS. Mr. Abernethy?

Mr. ABERNETHY. Mr. Story, do your people advocate a reduction in price support as one means of solving this problem?

Mr. STORY. For increased acreage, Mr. Congressman. We do not advocate that the grower who would take his pro rata share of the present allotment, the national allotment and not exceed that, we think he should be supported at the present or 1962 price support levels.

Mr. ABERNETHY. In other words, your statement is presented and predicated on the assumption or the recommendation that the price support level remain approximately where it is at 32.47?

Mr. STORY. Yes, sir.

Mr. ABERNETHY. And the reduction in price support would be to those who increase their acreage somewhat comparable to the scale that is set forth on page 4 of your statement?

Mr. STORY. That is correct, sir.

Mr. ABERNETHY. On page 4, taking the last figure there, the percentage of increase above regular farm allotments, a 38-percent increase, price support of 30.51 cents per pound: It has been stated, and I think quite accurately, that the market price generally follows the price support level. What do you anticipate would be the market price if this blend program were adopted and farmers exercised the privilege of increasing their acreage 20, 25, or 30 percent?

Mr. STORY. I think the price of Middling inch cotton would be the support price, equal or slightly over it.

Mr. ABERNETHY. The lowest support price or the price announced by the Department at 32.47?

Mr. STORY. I would say the price announced by the Department.

Mr. ABERNETHY. 32.47?

Mr. STORY. Yes.

Mr. BRACEY. If I may elaborate—

Mr. ABERNETHY. I might say this, I think your anticipation is a little optimistic. I do not think it would.

Mr. BRACEY. The blended price program, as such, would have no bearing on the market price.

Mr. ABERNETHY. I think it would.

Mr. BRACEY. I do not think it would. Under the old A & B we had a purchase program at a high level and the loan program at the low level. The high level did affect the low level. This way cotton is cotton. It does not matter whether it is blended or unblended. It makes no difference. The only thing is the producer who produces

additional acreage will pay a fee for the privilege of doing it. It will have no bearing whatsoever as I can see it on the market price itself.

If he becomes eligible for the loan as well as the market as the other cotton, the producer himself must pay that fee. In the figure you use he must pay 2 cents a pound.

Mr. STORY. I stated what I thought the market price will be. That will be stabilized at around the support level because the man that chooses to take a 40-percent increase in his acreage would take less money. He would actually get less for his cotton but he would pay the difference. He would get equivalent to the market price but when he had to pay his trade incentive fee it would cut him back. Actually his revenue would be less according to this schedule.

Mr. ABERNETHY. Is there enough cost added to the handling of a bale of cotton from the time it leaves the field until it reaches the mill, beginning with the gin, that somewhere along the line these people might make some contribution to keeping their own industry in business?

Mr. STORY. Of course, that would be for those people to answer, Mr. Congressman. I would not presume to answer for them.

Mr. ABERNETHY. What do you pay now for the ginning of a bale of cotton?

Mr. STORY. From 75 to 90 cents per hundredweight of seed cotton.

Mr. ABERNETHY. What does that good Missouri seed cotton take?

Mr. STORY. It takes 1,500 pounds to make a 500-pound bale.

Mr. BRACEY. About \$18 a bale roughly, to gin and wrap it.

Mr. ABERNETHY. Do you think they could help us out a little?

Mr. STORY. I actually hope they might be able to, Mr. Congressman. I think this problem is serious enough that it involves the sacrifice and a real effort on the part of every segment of the industry.

Mr. ABERNETHY. I hear a lot about the industry. I am for the industry. Of course, I want to keep a good strong cotton industry, but I do not know that there is any opportunity along the way for them to make any contribution to this. If there is, it is time they were toeing the line. Certainly this whole thing should not be placed upon the farmer.

Mr. STORY. I do not think you are, Mr. Congressman. I certainly join in your sentiment in that respect. I might say, also, that in these calculations that I would not propose that this support price under any circumstances drop below the 30-cent level for Middling inch cotton.

Mr. ABERNETHY. I am not necessarily advocating that when I ask the questions, nor am I suggesting it stay at 32.47, above or below. I am trying to learn at what point you are making your recommendations; that is, at what price-support level. As I understand it, you are hoping it would stay at about the present level and work from there.

Mr. STORY. In this table on page 4, unfortunately, we stopped printing on the 30-percent increase. I would like to have it considered by the committee up to a 40-percent increase in acres. That would mean the blended price in cents per pound of 30.02. I would like for that to be added to the record if I may.

Mr. BRACEY. I would like to add one statement to that. We could end up with a million acres less cotton in 1963 and still have cotton farmers happier over what they get and better satisfied, getting cotton to where it ought to go with 17 million acres under a choice program than we could with 18 in 1962.

We are sending cotton in a lot of cases, Mr. Abernethy, to people who do not want it. That is evidenced by the underplantings and other factors involved.

Mr. ABERNETHY. That is all, Mr. Chairman.

Mr. HAGEN. Mr. Chairman.

Mr. GATHINGS. Mr. Hagen.

Mr. HAGEN. Do you contemplate, under this program, in all future quota years that any increases above 16 million acres will go to the choice growers? In other words, hereafter, under this program, in quota years a grower who wants to plant and wants the high price support will never be given an increase over the 16 million breakdown?

Mr. STORY. No, sir. I anticipate he would never have any increase, Congressman. I would certainly hope that the national allotment or the acreage allotment would increase from year to year as it is possible to do so.

Mr. HAGEN. Should this not all go to the growers who are willing to accept a lower price support in exchange for better acreage?

Mr. STORY. Not necessarily. I think everything should be predicated on the national allotment as it is today, 16 million bales. I would be hopeful we could expand the industry to the point that we could have a larger crop in 1963 or 1964 and that would be allocated upon the same basis as this predicated on 16.

Mr. HAGEN. I would assume that there is a need for the cotton. You could do that by increasing the national allotment or do it by giving an increase to certain growers. I thought your program was to give it to growers who were willing to cooperate.

Mr. STORY. My program is to give it to growers who are willing to make some sacrifice pricewise.

Mr. HAGEN. I think, therefore, any increases hereafter above the 16 million figure should go to the choice growers.

Mr. DOWNING. It would be less expensive that way to the business.

Mr. GATHINGS. Mr. Beermann?

Mr. BEERMANN. Mr. Story, I am a farmer, too. I know very little about growing cotton. In fact, I know nothing. I appreciate your position in recommending to this committee and maybe your position in trying to have a case made.

You state:

We want to maintain the normal marketing machinery for cotton and insofar as possible keep the Government out of the business of buying, transporting, storing, and selling cotton.

I think this is a commendable statement and I agree with you.

I want the same thing in the area in which I farm.

What was the basis for reducing the cotton acreage from 18 to 16 million?

Mr. STORY. That was an administrative action on the part of the Secretary of Agriculture and I presume he could answer that question for you better than I could. I just do not know.

Mr. BEERMANN. Assuming that this 16 million acres is going to be the base and you want an additional million acres, is that for export programs?

Mr. STORY. No, sir. That is for general consumption, export and domestic but the additional million will pay its own way, sir, as I have tried to point out, because the producer that elects to plant more acres above the minimum of 16 million will pay his export fee on the number of acres that he plants above, up to a regulated percentage.

Mr. BEERMANN. Mr. Story, in your estimation, how many million acres does it take to provide for the domestic consumption?

Mr. STORY. Nine is what we like to consider as domestic, 9 million bales as domestic consumption and we would hope that by making cotton competitive to the mills on a basis with foreign cottons, that that could be increased to 10 or 11 or more.

We have reason to believe that it could be if cotton were made competitive in price.

Mr. BEERMANN. If it were competitive and you had some percent of this 16 percent increase that competing industry had would it be possible for you to grow cotton for domestic consumption for a support price and then the export cotton be grown at the world market price?

In other words, does the cotton farmer have the ability to make money by growing cotton for domestic consumption at the domestic price and then growing cotton for export consumption at the world market price, eliminating some of the difficulties for the Department of Agriculture and this committee and the taxpayer?

Mr. STORY. I do not think it could ever be completely wiped out, Mr. Congressman. Of course, in answer to your problem, that would be dependent upon what the world price levels reached. I think there is certainly a line that can be drawn as to what we can produce and sell American cotton for, and at the present time we cannot do it on the levels of the market price of manmade fibers. We cannot do it without assistance.

We are hopeful that in the future, by breakthroughs in research and different other efforts that are underway, that we can get to a lower production cost on cotton. We are working in that direction. We do not have it today. I am not sure how soon we will have it. It is a slow process.

Mr. BEERMANN. Do you see in the future any way that the cotton farmer can produce cotton on the basis of supply and demand?

Mr. STORY. At the present time I do not see it; no, sir, to give you a very frank and honest answer. We are very hopeful. Of course, that is our goal. We realize the value of those economic standards of supply and demand but it just is not in the cotton picture at this time in my honest opinion.

Mr. BEERMANN. Thank you, Mr. Story.

Mr. GATHINGS. I want to say we are proud to have the gentleman from Nebraska with us. Although he grows no cotton it is good of him to make that long trip here to be with us on this occasion. I think the situation warrants your being here to see this picture. As a matter of fact, there are more people engaged in the various phases of cotton, including the production, warehousing, ginning, selling, processing, financing of cotton and merchandising as well as the manufacturing of cotton than any other commodity. This industry is in need of legislation. We appreciate your coming here.

Mr. BEERMANN. Thank you, Mr. Chairman. If these price supports get high enough we might find a way to grow cotton in Nebraska.

Mr. GATHINGS. Is Mr. Moss here? Mr. Moss, could you give us the figures for the record since we have been discussing the blended price plan for cotton—I wonder if you could read off the increases, and who took advantage of the 40-percent increase in the so-called B plan for the years 1959-60? Do you have that?

Mr. Moss. I believe I can tell you that; of course, the allotment in both these years, 1959 and 1960, was 16,310,000 acres, and then some 75,000 farms elected the B program in 1959 and that increased the allotment by about 1 million acres. In 1960 the number of farms taking the B program was about 65,000 and that increased the allotment by about a million point two.

Mr. GATHINGS. That is for the 2 years it has been in effect.

What size cotton farmers took advantage of that 40-percent increase in the so-called B program in 1959 and 1960?

Mr. Moss. Generally it was larger farms in the West and in the delta area, west Texas and south Texas.

Mr. GATHINGS. Thank you, Mr. Moss. We appreciate it.

We are going to take a recess until 1:30. At that time we will hear from the manufacturers. Mr. Charles Cannon will be the witness at that time.

(Whereupon, at 12:20 p.m., the hearing was recessed to reconvene at 1:30 p.m. the same day.)

AFTERNOON SESSION

Mr. GATHINGS. In view of the fact we are fighting against time, we want to be prompt in starting.

Mr. Cannon, we would be pleased to hear from you at this time.

I want to say I do not believe there is a man in the United States, or in the world, who has been as instrumental in consuming cotton as the gentleman who will testify at this time. I am sure that this gentleman knows this problem very well and I assume he represents the entire manufacturing industry.

Mr. CANNON. Yes, sir.

Mr. GATHINGS. If you would introduce anyone who is with you, Mr. Cannon.

STATEMENT OF C. A. CANNON, CHAIRMAN, COTTON POLICY COMMITTEE OF THE AMERICAN TEXTILE MANUFACTURING INSTITUTE, ACCOMPANIED BY HARRY CANNON, CANNON MILLS CO., KANNAPOLIS, N.C.

Mr. CANNON. Mr. Harry Cannon of the Cannon Mills organization is with me to help me with my paperwork.

Mr. GATHINGS. We are delighted to have you, Mr. Cannon. Proceed in any way you see fit.

Mr. ABERNETHY. I want to congratulate you for starting on time, Mr. Chairman.

Mr. BEERMANN. I second the motion.

Mr. GATHINGS. I congratulate the members for being here on time.

Mr. CANNON. I wish to express my appreciation to you for having held these hearings so promptly, because this is a matter of such grave

importance to the entire cotton industry, from the farmer down through the textile employee, and I think early action in the next Congress as indicated by the President is needed.

I know of no way we could have hoped to get this legislation on the road except for you to go to the trouble of inviting these gentlemen to come here at a rather inopportune time, because of Christmas, and your coming at the same time, so we are doubly appreciative of your effort at this time.

Mr. GATHINGS. As well as on the part of all those who have come to testify and give us the benefit of their considered judgment.

Mr. CANNON. If you don't mind, I would like to read this into the record. Mr. Gathings said that—

it was clear that legislation was needed as soon as possible, and it is our purpose to hear all who desire to come to Washington to testify. It is our hope that we may develop legislation that will place cotton in a better competitive position with synthetic fibers and enable our textile mills to compete more equitably with imported cotton goods, while protecting the income of cotton farmers.

That is a wonderful statement and backs up your good judgment in having this hearing. I would like that in the record without objection.

Mr. GATHINGS. Thank you. That may be done, without objection.

Mr. CANNON. Mr. Chairman and gentlemen of the committee, I wish to thank you for the privilege of appearing before this committee in support of the objective to eliminate the two-price cotton system.

I am C. A. Cannon, chairman of the board of Cannon Mills Co., of Kannapolis, N.C. At present I am serving as chairman of the Cotton Policy Committee of the American Textile Manufacturers Institute, the national trade association which represents approximately 90 percent of the spinners and weavers of textiles from cotton, man-made fibers and silk in the United States. I appear before you today in this capacity as well as in my individual capacity as a textile manufacturer interested in the elimination of the two-price cotton system.

The testimony which I will present to you has been approved and authorized by the ATMI, and I assure you that I wholeheartedly subscribe to it personally.

A cotton policy resolution which expresses the desire of the American textile industry to have the two-price cotton system eliminated completely was adopted by the ATMI on October 12, 1962. This resolution reads in part:

(1) As early as possible, a return to a one-price system for American cotton, whether sold at home or abroad.

(2) The exclusion of any form of processing tax on manufactured cotton products.

(3) Movement of cotton through normal trade channels rather than Government hands.

(4) A fair procedure in respect to the net income position of the cotton farmer.

(5) An increase in cotton acreage realistically geared to the increase in the demand for U.S. cotton that will result from a sound long-range cotton program.

There are two separate historical developments which bear upon this subject which I wish to summarize briefly for you: First, the import trend of cotton textiles into the United States, and secondly, the history of two-price cotton.

In the past 10 years U.S. imports of foreign-made cotton products from all over the world have risen from the average cotton equivalent of 68,000 bales in 1952 to 225,000 bales in 1956, to 526,000 bales in 1960, and it now appears that imports of cotton products during 1962

will reach nearly 700,000 bale equivalents or more than 1,200 million square yard equivalents of cotton textiles.

We use the word "equivalent" there. That is because garments and yarn and things not measured by the yard are translated into yardage by the Department of Commerce. We are not equivocating. These imports are not only disrupting the markets for American-made textiles but they are rapidly taking away the farmers' market for American-grown cotton.

American textile mills in 1952 used approximately 150 bales of American-grown cotton for 1-bale equivalent of imported cotton textiles. In 1962 U.S. mills will consume only 13 bales for each imported bale equivalent. A return to a one-price cotton system can reverse this trend which, if continued, will be disastrous to the American cotton economy.

The Geneva short-term cotton textile arrangement was designed to hold imports at the fiscal year 1961 level of 812 million square yard equivalents for the 12-month period ending September 30, 1962. The record is now complete and total imports for the short-term arrangement year reached 1,113 million square yard equivalents, an excess of 37 percent.

On charts Mr. Horne presented this morning we had some variations in the export-import figures. That "down" figure for the year 1961 was the base that the short-term Geneva agreement was to be negotiated on. That was to get down the textiles.

Rather than accomplishing that they went 37 percent over the base and the imports reached the highest figure they have ever reached.

Mr. GATHINGS. Shot way up.

Mr. CANNON. In spite of the restrictions, which have not been enforced.

For October 1962, the month just passed, we are woefully inadequate in keeping our foreign goods. It is running at a rate of 460 million yards of cotton goods, and that is expressed in yardage and not equivalents, against 199 million in 1961, which was our base, so we are running something like 225 percent over the base which was supposed to protect us.

Preliminary figures on imports of cotton cloth alone (excluding all yard, apparel, and other textiles) show that the October 1962 import rate of 46 million square yards is more than double the October 1961 imports of 21 million square yards. For the 10-month January-October 1962 period these cotton cloth imports have reached 399 million square yards compared to only 198 million in the similar January-October 1961 period, and 10 months at the October 1962 rate would reach 460 million square yards.

A significant factor in these excessive imports is the cost advantage that foreign-textile-producing nations have over domestic mills in the purchase of raw cotton.

The rising trend in imports of cotton yarn and heavy constructions of cotton cloth is clearly the result of the raw cotton cost advantage that foreign mills have over domestic mills because of the two-price cotton system. Imports of cotton yarn alone have jumped 117 times since the beginning of the two-price system in 1956—from only 865,000 square yard equivalents to an estimated 102 million square yards for 1962.

We call your attention to that because cotton yarn is the biggest cost factor and the labor that goes into cotton yarn is comparatively small. Cotton yarn is the nearest to the cotton and therefore you see what the effect of the two-price cotton system is having right at the very first process.

American cotton textile mills have been prohibited by law since 1939 from buying foreign-grown upland cotton in excess of about 30,000 bales a year—less than the amount of cotton consumed in 1 day by U.S. mills.

The Federal Government, to stabilize cotton production and farm income, has embraced a policy of price supports which has resulted in American cotton being priced higher than foreign grown cotton.

Since 1956, the Government has subsidized the export of American raw cotton at a rate equal to the difference between the U.S. and world prices; since August 1, 1961, by direction of the Secretary of Agriculture, this difference and subsidy has been at the rate of 8½ cents per pound, or \$42.50 a bale.

The upward import trend of cotton products for the most part has occurred since 1956, when the raw cotton export subsidy program was initiated creating the two-price system.

Foreign mills have been able to buy cotton—either American or foreign grown—at prices far below those at which American mills are required to pay by law.

Obviously these conditions—all Government imposed—have created a patently unfair circumstance which serves to throttle an essential American industry and prevent it from realizing its full potential to consume cotton, to contribute to the employment of American labor and the Nation's economic strength.

On September 6, 1962, the Tariff Commission, by a vote of 3 to 2, rejected the Department of Agriculture's request that an equalization fee be put on the cotton content of textile imports.

On this same day, the President, in commenting upon the Tariff Commission finding, stated in part:

Thus, the inequity of the two-price system of cotton costs remains as a unique burden upon the American textile industry for which a solution must be found in the near future.

I am therefore requesting the Department of Agriculture to give immediate attention to the formulation of a domestic program that would eliminate this inequity. I am also instructing all other departments and offices of the executive branch to cooperate fully to this end.

The President observed, in addition, that because the objective undoubtedly could be achieved only through legislative action, he would ask the next session of Congress to enact legislation "designed to remove the inequity created by the present two-price cotton system."

It is with a great deal of satisfaction that we are privileged to participate in these hearings which have been called as a consequence of this expressed desire of the President.

The domestic textile industry enthusiastically agrees with the President that " * * * the inequity of the two-price system of cotton costs * * *" is " * * * a unique burden upon the American textile industry * * *" and requires " * * * immediate attention to the formulation of a domestic program that would eliminate this inequity."

It is the considered judgment of the industry that this inequity should be abolished completely and at once.

The idea has been advanced that the inequity can be eliminated by something less than a return to a clear-cut one-price system for cotton, under which the American-grown product would be available to domestic mills and for export at the same price. This idea is both irrelevant and erroneous.

It is irrelevant because the President has directed that the two-price cotton system be abolished.

It is erroneous because the idea is apparently predicated on the belief that it costs foreign mills more to take cotton from the United States and send goods back than it costs domestic mills to bring cotton to the mill and ship goods to the consuming centers.

The differences in the cost of marketing and distribution of cotton and cotton textiles prior to 1956 before the advent of the two-price cotton system, are present today, and anything less than a complete return to a one-price system will perpetuate that portion of the inequity which is allowed to remain.

Since the advent of two-price cotton, active cotton system spindles have dropped 9.1 percent of the remaining spindles formerly running on cottons, 11.8 percent, or 2,217,000, are consuming manmade or other fibers.

The total effect of that statement that the textile spindles which have gone out of business and have transferred to synthetics amount to 4 million spindles, and that would be equivalent to consumption of $2\frac{1}{4}$ million bales of cotton per year.

I think sometimes we get so engrossed in millions of spindles we lose track of what we are really talking about. A bale of cotton is practically worthless until it goes through a textile spindle, and if that spindle is clogged or frozen and no cotton comes through there is no cotton taken out of the reservoir which is piled up in the hands of the Government, and this is just a clear picture of what happens when a condition exists where we are liquidating spindles on the one hand and putting synthetics through the spindles on the other.

It means there are $2\frac{1}{4}$ million spindles of cotton every year which do not go through. The pipeline will not take them.

Furthermore, textile employment has decreased by 180,000 workers; per capita mill consumption of cotton has dropped by 3.7 pounds; and imports of cotton textiles continue their relentless upward surge.

Beyond question the import experience of the past few years demonstrates that the devastating impact of these imports cannot and will not be brought under reasonable control until American mills can buy American cotton at the same price foreign mills can purchase it.

Mr. GATHINGS. If you permit an interruption there. Over what period of time did this decrease in textile workers cover? One hundred and eighty thousand workers less in what period?

Mr. CANNON. That is since the 1955-56 period.

Mr. GATHINGS. What percentage would that 180,000 represent?

Mr. CANNON. About 900,000 in the textile industry, so it is down pretty close to 20 percent.

With the 4 million spindles out, from some 20 million, that is about 20 percent.

Mr. GATHINGS. Thank you.

Mr. CANNON. The difficulties encountered in the administration of the One-Year International Cotton Textile Arrangement because of the two-price cotton program are carried over into the Five-Year International Cotton Textile Arrangement (Oct. 1, 1962–Sept. 30, 1967), and will continue unless corrected by the establishment of one-price cotton.

To allow these imports to continue at their present rate is to cause a further deterioration in the American textile industry, with its inevitable adverse impact on the entire cotton economy and the millions dependent upon it for livelihood.

U.S. mills must use only American-grown upland-type cotton, purchased at the U.S. Government supported price, except for an amount equal to less than 1 day's supply per year. In the 1962–63 cotton season an estimated 34.7 million bales, produced outside the United States, will be available to foreign mills at whatever prices they can bargain for. The result is that the foreigners can and will buy 85 percent of their requirements at prices even lower than the subsidized U.S. export price. I think the 85 percent should be 88 percent.

The price of foreign cotton is 1 to 1½ cents per pound less than the price of U.S. cotton in foreign markets. This is in spite of the requirement in section 203 of the Agricultural Act of 1956 that U.S. cotton be competitively priced abroad. Thus, the inequity for the American mill in many instances is not restricted to the current 8½ cent differential—it is in the neighborhood of 9½ to 10 cents per pound or something more. When adjustments are made for the manufacturing waste losses involved in the higher priced cotton, the inequity is even greater.

The United States is rapidly losing its position as the most important cotton-producing nation in the world. Over the years, the domestic textile industry has proven to be the principal and most dependable outlet for this production.

Notwithstanding these facts, as a nation, we have been pursuing policies which penalize our textile industry and which work against the interest of our farmers. We have been favoring our foreign competitors by making cotton available to them on more favorable terms than it is made available to domestic mills. Primarily, as a result of this policy, we have a shrinking textile industry; the domestic use of cotton is declining; the number of cotton spindles is being constantly reduced; and the incentive for investment in new plans and equipment is being destroyed. Under these circumstances, the cotton industry as a whole cannot contribute to the fullest extent of its capability to the Nation's economic growth.

What does this mean to American cotton farmers? What does this mean to our national economy? It means loss of markets for cotton. It means loss of employment for workers.

The system under which we have been operating is destined to destroy the American cotton farmer because it is constantly weakening the textile industry upon which the cotton farmer must depend to process and market his crop.

A bale of cotton is virtually worthless until it moves through cotton textile spindles and is further processed. Thus, except for an uncertain export market, the strength of our Nation's raw cotton economy cannot possibly be any greater than that of the industry through which the product moves to market.

A healthy expanding textile industry with maximum employment and increasing cotton consumption is important not only to millions of those engaged in producing and handling cotton, but it is also vital to the growth and strength of the U.S. economy. The loss of cotton spindles is the loss of the potential to provide a reliable market for American cotton.

The U.S. textile industry is at the forefront in the effort to modernize its plants and equipment and maintain the capacity to spin American grown cotton. In 1962 the textile industry will spend for modernization an estimated \$1.78 for each \$1 of allowed depreciation compared to an all-manufacturing-industry average of only \$1.19. In 1960 the textile industry spent an average of 30 percent more, and in 1961, 29 percent more for plant modernization than did all manufacturing industries.

Those figures refer to the amount of depreciation and chargeoff which was reinvested in the plants. I wanted to call that to your attention because it has been in the newspapers that ours was a backward industry and not modern. We are spending much more of our cash flow, which is a new word in our economy, much more of the money we get on depreciation for new equipment than industry generally has spent.

Since the President and the administration have recognized the existence of the undesirability of the two-price cotton system, and have resolved to abolish it, the sooner it is forthrightly and completely accomplished, the better it will be for all concerned.

Section 203 of the Agricultural Act of 1956 requires that we make cotton competitive to world prices in order to reestablish and maintain our fair historical share of the world market for cotton.

I do not believe our cotton economy should ever have given up our predominant position in the world as a producer. Here we talk about reestablishing, and we are not doing it. We should not have had to reestablish. We should have held what we had in the first place.

The United States continues to be the residual supplier of cotton for the world market and an export of 5 million bales cannot continue to constitute a fair percentage share of a rising level of cotton production and consumption throughout the world.

We should be exporting 6 million bales of cotton now as a minimum for dollars. What happened last year? We exported about 5 million of which only 3.2 million went for dollars, another 900,000 for barter, and another amount for Public Law 480. That is not the way we will protect the supply of the United States, extending credit when we don't know when we will ever get the money at the expense of our own employees in this country.

Expanding cotton exports for dollars is important to cotton farmers and to the industry. It is also vital to the maintenance of a favorable international balance of payments and our gold reserves and, hence, to the maintenance of our military posture abroad and our fiscal soundness at home.

Cotton is losing markets here at home to a wide variety of competing fibers and other products. Highly detailed studies by the Department of Agriculture, the National Cotton Council, and the textile industry itself demonstrate beyond question that current price levels are destroying markets.

For example, rayon staple fiber production, with an increasing price advantage, continues to advance in the United States. From 1955, when production of rayon staple fiber was 9.9 percent of U.S. cotton consumption, it had increased to 11.6 percent in 1961. The increased production and use of other manmade fibers, not only replaces cotton at the mill door but also displaces farm jobs and related cotton processing facilities.

I believe you know I have been in the cotton textile industry for 52 years, so I speak with a little background of experience. It has been our intention to use cotton, and that is what our mills were built for. I have to stand here today before you and say we are substituting rayon in the tens of thousands of bales in our plant for cotton, making them into fabrics or mixing them with cotton to go into other fabrics, purely on account of the price. We are forced to do it.

Mr. ABERNETHY. I was just going to ask him why. He answered it. It is on account of price.

Is it on account of price?

Mr. CANNON. That is right. If anybody sold you a towel with rayon in it, if we made it we won't put our name on it, but we have to make it because it is selling in the market at a cheap price.

We are seeing bedsheets with rayon content. We know about many fabrics that are 100 percent rayon, and we have hundreds of looms running on purely rayon. Price and ability to sell at a reasonable profit, we hope, is the only reason, and not because we like it.

Mr. ABERNETHY. Then there is the reverse. You do not regard the competition, if it can be called competition, of orlon and nylon and these other high-priced synthetics as real competition to cotton?

Mr. CANNON. Yes, sir.

Mr. ABERNETHY. That couldn't be competition because it is three times as high.

Mr. CANNON. I thought Mr. Horne gave you a splendid illustration of that. We make many cotton fabrics that are 100 percent cotton that take the wash-and-wear finish. We have to make them heavy because the wash and wear degrades the cotton. To be a satisfactory product we have to put more cotton into it.

Mr. ABERNETHY. That is not because of price but a particular type of fabric and for certain demands.

Mr. CANNON. Let me finish. The very same shirt can be made of the lighter fabric with orlon and cotton and take a cheaper finish, and that is how it gets to the price you are talking about, and that is how it becomes a competitive item in the end use against cotton.

Mr. ABERNETHY. With all due deference I don't follow that logic. You have just told the committee—I am not being critical, don't misunderstand, and I am trying to follow you—you just told the committee you use rayon because it is cheaper.

Mr. CANNON. I did, rayon.

Mr. ABERNETHY. Then cotton has an advantage over these other fabrics, orlon and nylon.

Mr. CANNON. In price.

Mr. ABERNETHY. In price?

Mr. CANNON. Yes.

Mr. ABERNETHY. Then they are not real competitors.

Mr. CANNON. If you go to ride a horse you don't stop with the bridle. You have to put a saddle on him.

Mr. ABERNETHY. That is right, and sometimes you want a better horse.

Mr. CANNON. That is right. We have to sell these goods. There has been a great improvement in wash and wear cotton fabrics.

Mr. ABERNETHY. That is the type of competition that ordinarily—I don't ordinarily say "can't" because that is a bad word—but ordinarily cotton can't compete with orlon and nylon and these higher-priced fabrics because of the particular use for which the public wants them.

Mr. CANNON. You backed in, Mr. Congressman. Cotton can compete with the higher-priced fabrics if the amount of money is spent on it for that purpose. On account of the synthetics being able to use——

Mr. ABERNETHY. You are not going to spend it. Who will spend it?

Mr. CANNON. Spend what?

Mr. ABERNETHY. The money.

Mr. CANNON. We do. What Mr. Horne testified, and what is important in this industry, is that those combinations with the higher priced orlon, on account of the higher finishing costs and heavier weight for cotton, can compete in over-the-counter sales.

Mr. ABERNETHY. This whole discussion is based on competitive prices. If cotton is losing markets because of pricing, as you say, and as others have said, and I think that is so, it is losing it to those who underprice cotton and not those who overprice it.

Mr. CANNON. We have to go to our end use of the fabric. If you want to buy a shirt and you look at one which is orlon, and it can compete in the price with the cotton, not because of the 32 cents price for cotton alone but because of the wash and wear characteristic and the fact there is more cotton in it because of the degradation and strength of the cotton in this finish, then we are competing at the counter with the orlon.

Nobody is pretending to you, sir, that a reduction in the price of cotton will take orlon out of the market. It will take the rayon out.

Mr. ABERNETHY. It will take most of the rayon out perhaps?

Mr. CANNON. Yes.

Mr. ABERNETHY. There will still be some market for rayon, a considerable market, even if cotton underpriced rayon, would there not?

Mr. CANNON. I just stated to you that I have known a time when we used no rayon. Now we use it in the tens of thousands of bales because we can sell the goods at a price we can afford to sell them out of the price we have to pay for rayon and we cannot sell the cotton goods at that price, sir.

We have seen rayon take drapery fabrics, seen them go into industrial fabrics, into gingham, into towels, and that is my bread and butter and I don't want to see it going in there, into bedsheets, and so on. It has grown up and would have grown faster if the staple rayon had been available. That is all that has held down the consumption of staple rayon in the last 6 months.

Mr. JONES. In other words, the thing about it is this: While the cotton costs less than Orlon, Dacron, and nylon, when you put the processing to it you bring the price of it up and you have to use more

cotton than you would if you didn't have those qualities. That is what brings it up. Is that right?

Mr. CANNON. You put more cotton into the goods.

Mr. JONES. It has to go through a more costly process?

Mr. CANNON. And that degrades the strength of the cotton. That is the real reason for the heavier piece of goods.

Mr. JONES. In other words, if you didn't use the synthetics in there with it then you could still perhaps keep processing this cotton enough, but then the cost would go up above the cost of the synthetics that go into it?

Mr. CANNON. Wash and wear is an additional cost. The reason we bring it in is to show the competitive end use. Orlon has a desirable feature, one being washability.

To meet the washability, the wash and wear finish is put on cotton.

You say "All right, cotton is cheaper. It should put out Orlon."

We don't hope to put it out but we hope to compete with it.

Mr. JONES. When you give it those qualities you have added so much to the cost of the cotton?

Mr. CANNON. That is right.

It is the considered judgment of textile manufacturers who consume millions of bales of cotton annually, and who are constantly exploring every conceivable market outlet, that a return to a one-price system for cotton would give cotton an opportunity to share equitably in market expansion and regain some of its losses.

Over the past decade the U.S. population has increased by nearly 30 million persons yet cotton consumption has shown no growth and has remained relatively constant.

To me that is most important. Here we are in a country with good times. There is a 30-million increase in population and our consumption of cotton leveled out while the rest of the world goes up steadily, and this year it is estimated at the highest world production and the highest world consumption of cotton ever known in the history of the world. They are anticipating about 34½ million bales of foreign cotton this year, and the foreign mills will consume about 40 million bales. We are satisfied to go along with 14 or 15 million bales steadily and use 9.

There was a time when we grew 50 and 60 percent of all the cotton in the world, and that wasn't so long ago.

Mr. GATHINGS. What do you think will be the consumption of cotton domestically if we were to pass the legislation we would like to pass here, if we were to go under a one-price system?

Mr. CANNON. Glad you asked the question. I just looked back over the records of the past 10 years. When I saw the consumption of cotton fluctuating between 37,000 and 45,000 bales of cotton per day, and now I see us in October when our consumption should be high move to 32,000 bales a day, the lowest October for many years except in 1957, it spells out to me that we are talking about a little increase here or there, and on a per day consumption we should be up 10,000 or 12,000 bales a day and 260 days a year, and that is 2,600,000 bales. We should be consuming 10 or 11 million bales of cotton and then start from there up. We are just that far behind the eight ball.

Mr. GATHINGS. You could go to 10 million, you think, about when?

Mr. CANNON. I think one price for cotton would slow this rayon immediately. I think this would start tomorrow morning.

Mr. ABERNETHY. What kind of one price?

Mr. CANNON. At the same price we export cotton, the world price.

Mr. COOLEY. I would like Mr. Cannon to finish his statement, but do you propose some remedy for this bad situation in your statement?

Mr. CANNON. Mr. Chairman, the President of the United States stated what should be done. He has referred it to the executive department of the Government. It would be presumptuous on our part to propose any legislation.

Mr. COOLEY. I want to congratulate and commend you on your fine statement and the manner in which you have presented it. Of course, we are aware of the President's speech and the recommendations and we know they are facing these difficult problems.

What this committee must do is to find the remedy. I don't know of anybody better prepared than you are to give us some kind of remedy. It may not be the right one, but give us one.

You all come in and talk in generalities. We know you have a problem. We want to help you. I think you know the answer.

Mr. CANNON. When you get ready to write legislation I am sure our committee will be able to sit down and give you any helpful suggestions.

Mr. COOLEY. When would you do that?

Mr. CANNON. Whenever you call us.

Mr. COOLEY. All right, finish the statement.

Mr. CANNON. Over and beyond the cold competitive impact involved, a forthright one-price policy would have a tremendous psychological effect on both users and competitors of cotton. To the users it would provide new hope and confidence, with consequent investment incentives, where a lack of confidence now exists; to the competitors it would serve as a warning not to develop or expand competitive products based entirely on an artificially high cotton cost.

The U.S. Government backed by a broad cross-section of public opinion, apparently is committed to a policy of removing barriers and freeing trade throughout the world. Passage of the Trade Expansion Act of 1962 opens the door for severe changes in trade patterns. Although the policy has not yet been applied to most major agricultural products, there is no guarantee that this situation is permanent.

Cotton enjoys (1) a supported price substantially above the world level, (2) a virtually complete embargo on competitive raw cotton imports—therefore, a monopoly on domestic consumption, and (3) a legislated provision that export sales must be subsidized to whatever extent is necessary to insure export sales abroad at historic levels.

Everything considered, raw cotton enjoys what is probably the most complete protection of any important American product, either agricultural or manufactured.

However, this preferred position is jeopardized so long as foreign mills can buy U.S. produced cotton at a price below that which U.S. mills are required to pay.

Mr. ABERNETHY. If the so-called subsidy were repealed the American cotton industry still would be faced with this identical situation, would it not?

Mr. CANNON. I didn't understand you.

Mr. ABERNETHY. If the so-called subsidized export program were completely repealed, the American industry, your industry, the textile industry, still would be confronted with the import situation as a result of cotton obtained at 8½ cents under the American price.

Mr. CANNON. We would have an equal price with them.

Mr. ABERNETHY. No. No.

Mr. CANNON. Are you saying if we just had the subsidized——

Mr. ABERNETHY. Mr. Chairman, I shall withhold this question until he gets through with the statement.

Mr. CANNON. Please don't leave it.

Mr. ABERNETHY. I shall come back to it, Mr. Cannon.

Mr. GATHINGS. The witness would like to continue.

Mr. CANNON. I want to follow up because I am afraid I didn't get what he was asking.

Mr. ABERNETHY. You referred to a two-price system, a domestic and export price. The export price was evolved for the purpose of encouraging the export program. That is the thing that has been represented as getting you in trouble.

Suppose we go back to the situation before we had that. We would have a one-price program. American cotton would be available on the market domestically and abroad at one price.

If that situation were to obtain, your industry would still be confronted with this import problem.

Mr. CANNON. The first thing, we would have not more than 9 million acres in cotton.

Mr. ABERNETHY. Oh, I think so.

Mr. CANNON. When you put it——

Mr. ABERNETHY. It might even be higher priced then.

Mr. CANNON. Sure enough, but you would be growing for the American mills. We are using only 9 million bales now, and then we have in addition some 700,000 bales coming in in foreign goods, all of which is piled up, the great part of which has piled up since the two-price system went in, and the foreign mills have had the advantage of buying this cotton.

If we go on, the foreign production of cotton will continue to go up and our cotton farmers certainly will not be able to grow cotton unless they have somebody to use it.

Mr. ABERNETHY. I agree with that.

Mr. COOLEY. I don't think Mr. Cannon understands the point you are making.

Mr. ABERNETHY. I don't know.

Mr. COOLEY. You are saying that if you do away with the export subsidy there would still be a problem.

Mr. ABERNETHY. That is right. That is why I say it——

Mr. CANNON. And support the price?

Mr. COOLEY. You still would be in trouble because of the imports of cotton goods.

Mr. CANNON. That is right.

Mr. COOLEY. That is what this committee has given the executive branch of the Government the right to correct.

Mr. ABERNETHY. That is right, and they refused to do it. They put it back on us and try to leave the impression the trouble with the American textile industry is our cotton program.

That is not true.

Mr. COOLEY. That is what they say but it is not true.

Mr. ABERNETHY. It is not true. The trouble is that the administration has not used the machinery it has in its hands to protect you people. That is where the trouble is.

There are only 650,000 bales of cotton which come into the United States from abroad in the form of goods.

Mr. CANNON. How much?

Mr. ABERNETHY. 650,000.

Mr. CANNON. I want to be sure.

Mr. ABERNETHY. 650,000 bales of cotton in the form of cotton goods come into the United States in the form of imports.

They produce 19 million bales of cotton in the foreign free world. They can buy that cotton from Mexico, Italy, all over the world at the same price they buy American cotton, and they are doing it. They are shipping 650,000 bales of it in cotton equivalent back into the United States, and of that 650,000 bales, according to what I was told this morning, only 13 percent of that is American-grown cotton.

That is not American cotton coming back here competing with you. It is cotton grown in these other countries of the world, being sold to these mills in foreign countries, made into goods, and it comes into our ports. Some of it is grown behind the Iron Curtain.

If the export subsidy were completely repealed you still would be confronted with the foreign production of cotton of 19 million bales and an administration policy that would permit every bale of it to come into the United States. Is that right?

Mr. CANNON. Since you have gotten around to the administration, you have some grounds for what you talked about. We didn't start out with these low tariffs.

Mr. ABERNETHY. Does that state the situation?

Mr. CANNON. That states part of it, sir.

Mr. COOLEY. The other part is price, is it not?

Mr. CANNON. Surely.

The need for a return to one-price cotton is clear. The President has recognized this need and directed that it be met by the cooperation of all relevant interests in the executive branch of Government. The cotton industry supports the decision of the President and is eager to assist in designing the most desirable method of correcting the situation.

We appear here today representing an industry that uses and knows cotton and cotton's problems but even as the cotton producer must look to us to spin his bales, we must look to the market to consume our cotton textiles.

We have a tremendous investment in plants and equipment to process cotton and the American cotton farmer has a tremendous stake in the future of cotton.

If we look ahead under the two-price system we can see the rising trend of foreign-made cotton textile imports, inactive cotton spindles, bales of cotton piling up in warehouses, and domestic consumption dropping to 7 million bales annually. When domestic mill consumption of cotton falls to 7 million bales we will need only 14 million acres to produce the cotton crop.

I submit that is tragic for a country which was the biggest producer and exporter of cotton. Here we come to a place where we are

fighting to keep enough cotton production and textiles in this country to take care of ourselves in time of emergency, and we are below that point right now.

Mr. JONES. Mr. Cannon, are you not off when you say "When it falls to 7 million bales"? Is that not off?

Mr. CANNON. I will let you keep the 5 million exports.

Mr. JONES. How will you keep the exports?

Mr. CANNON. You have a provision of law now which says you have to maintain the traditional exports, historic exports. I haven't heard of any repeal of that law.

Mr. JONES. But if you are going to cut down to that much I don't think we can maintain that, either. I thought you were talking about producing 7 million bales on that 14 million acres.

Mr. CANNON. No. You mean if we are forced down. Textile mills are not cutting down. We are fighting for our lives and the lives of our employees and the interest of the cotton farmer in the United States. We are being pushed down.

On the other hand, we can see a return to a one-price system, fewer cotton textile imports, more spindles active on cotton, and domestic cotton consumption rising with benefits of a healthy cotton economy spread all the way from farm to consumer.

A complete return to a one-price system for cotton in the United States could mean an annual cost saving to the consuming public of a probable \$600 to \$800 million when the initial cotton cost reduction is carried all the way through the textile pipeline to the retail counter.

Textile markets already reflect uncertainty and hesitation attendant the timetable of carrying out the President's decision to abolish two-price cotton. Delay in getting the job done will continue to paralyze the market. Foreign mills will continue to buy cotton at an unfair price advantage compared to American mills.

Over and beyond the considerations we have been discussing, which obviously are important to all elements of the cotton industry, is the relationship of this subject to the national security of our country.

The military cannot function in hot climates without hot-weather clothing; it cannot function in cold climates without cold-weather clothing.

The work force of this Nation that must support a military effort cannot function without work clothing.

In addition, there are hundreds and hundreds of items involving textile products that are absolutely essential to the success of a military operation.

In 1941 and 1942 the stocks of cotton we had on hand in this country became a tremendous blessing, a lifesaver without which our military effort would have been seriously impaired. During the Korean conflict our stocks of cotton were so low that embargoes were placed on export shipments, and prices in the rest of the world rose to 80 or 90 cents per pound.

In 1942, during the peak of World War II, we consumed 11.2 million bales of cotton in this country; for the past 5 years consumption has reached 9 million bales only once. In 1942 our cotton system spindles in place were 23,971,000; today they number 19,609,000, and for the past 3 years have been decreasing at the rate of about 40,000 annually.

An announcement has been made that cotton acreage will be reduced by 2 million acres next year because offtake is not equaling production.

Knowing as we do the absolute essentiality of cotton products in time of a national emergency, having learned from experience that we can depend only upon our raw cotton supplies and our own textile industry when the chips are down, it is inconceivable that we can sit here—irrespective of all other considerations—and permit a continuation of policies that are having the twofold effect of killing off cotton markets and cotton production and, at the same time, drying up the industry through which the raw material is transformed into items essential to the preservation of our people and our country.

Again, Mr. Chairman and gentlemen of the committee, I wish to thank you for the privilege of appearing before you in support of the President of the United States in his desire to abolish two-price cotton.

I thank you.

Mr. COOLEY. I want to thank you again, Mr. Cannon.

What kind of recommendation or remedy are you going to give us? Will you accept an equalization fee of some sort to minimize and nullify this inequity you are complaining of? As I understand one problem is the import of manufactured goods.

Mr. CANNON. Yes, sir.

Mr. COOLEY. Another is the price of American cotton. We cannot reduce the American cotton price to 20 cents or 25 cents a pound and expect to keep the cotton farmer in business. He would starve to death. He would be facing bankruptcy. It seems to me we have to find a remedy and that is the reason why these members are here now to start in time to try to remedy the situation next year.

What is your reaction to an equalization fee of some sort? I am not trying to pin you down to any specific amount.

Mr. CANNON. Our program starts out with this premise. A fair procedure with respect to the net income provisions of the cotton farmer. We recognize that as essential and it must be protected.

Just as Mr. Abernethy was discussing it, if we wiped out all our cotton and turned our cotton business over to the world it would be as disastrous as what we have. The cotton farmer's income must be protected.

Mr. COOLEY. We have to have a cotton program.

Mr. CANNON. That is right.

Mr. COOLEY. I think you are right. We have to have a farm program and without a farm program we would all be impoverished and the economy of the Nation would be imperiled.

If it comes to the equalization proposition I don't know what the administration will recommend, but I think this administration is listening in. They want to know what the various members and everybody thinks, the Cotton Council and all. I want to get this record made and Mr. Gathings and the members will stay here to get it made so the administration will have the benefit of the hearings and the views expressed in these hearings.

If you are free to do it I would like for you to give us your reaction to some of the equalization fee propositions.

Mr. CANNON. Mr. Chairman, I am reminded of the story told about the old lady who was in court. The fellow had lost her money for her and she didn't have but one answer: "I told him to put my money in real estate." Now I want to have a competitive price to protect the employees, the cotton farmer, and the economy of this country. We see the gold flowing out of this country. We know the export of cotton was one of the greatest protections for our balance of trade. And here we are whittling it away, cutting down on the amount of our cotton exports, giving it away under Public Law 480, trading it off for barter and letting the goods come back in here. Sir, it is too big a job for me to write a program. The President of the United States has called on the executive department and has referred the matter to you for legislation. We are here to help you, not to tell you what to do.

Mr. COOLEY. That brings up one more observation I would like to make. The President has just appointed a large committee to study the things we have been talking about. Our foreign aid program. Our military assistance program. He put a lot of people on it. He put on Mr. George Meany to represent labor organizations. But he hasn't put one man on that committee to represent American agriculture. And American agriculture has a big stake in foreign trade. The prosperity of this Nation depends upon our export of agricultural commodities. Yet I don't know of a man on there who knows anything about agriculture problems in foreign markets and I think the President should enlarge the committee to include somebody representing agriculture.

Mr. CANNON. Mr. Chairman, if I had the power to put a farmer on there I would put him on quick.

Mr. COOLEY. I don't know about a farmer but I would put somebody on there who has some sense about agriculture.

Mr. BEERMANN. I may disagree with the last remark. I think a farmer on that committee would be the most sensible person on that committee.

Mr. CANNON. I am glad to have somebody with me.

Mr. Chairman, I would like to extend to this committee an invitation to visit us at our mills. One of them is in Mr. Cooley's district. A day or a day and a half of firsthand information as to just what our problems are and to see just what is going on. It would be most helpful to you, I think. It might be very helpful in writing legislation. If you will just come and visit me I will show you thousands of the most American and the finest industrial workers who ever crossed a threshold of any textile industry in the country. And they are all Americans. We welcome every one of you.

Mr. COOLEY. I would be very glad to take this subcommittee down there to go through your plant and visit with you.

Mr. CANNON. That is an invitation for not only the subcommittee but any of your committee. We will be glad to entertain you; we will meet you at the airport and we will see that you are safely looked after and we will show you something we are proud of and we believe you will be too.

Mr. GATHINGS. I think it would be a great thing if this subcommittee could go down there, probably during the very first weekend of January when we might have a day or two off. We could run down there before we organize here.

Mr. CANNON. We will make that invitation available to you, Mr. Chairman, at any time. Just give us enough notice to meet you at the airport and take care of you while you are there.

Mr. GATHINGS. That is mighty fine.

Now, Mr. Cannon, I am grateful to you for a splendid statement.

On page 13, the last paragraph, you say, "A complete return to a one-price system for cotton in the United States could mean an annual cost saving to the consuming public of a probable \$600 million to \$800 million when the initial cotton cost reduction is carried all the way through the textile pipeline to the retail counter."

It is going to cost money to pass any type of program that will be helpful to the cotton industry. If \$600 million to \$800 million could be saved—we are going to have to have the votes to pass this legislation and we are going to have to get votes from various areas of the country to pass it. I would like to know where you get the \$600 to \$800 million.

Mr. CANNON. We have two processes, Mr. Chairman. We have worked with the Department of Agriculture and we arrived at these figures from their figures of the possible savings on account of the reduction. Cost to the mills. We in our own organization arrived at a similar figure based on the markups that we know take place on the purchase price of goods. In other words, the store has a certain markup and it is based on what is paid for the goods. If we had a basic cost reduction of this 8½ cents in cotton for 9 million bales of cotton that we use in the American mills that translated to over-the-counter or end use products would put those goods out at, we figure, \$600 to \$800 million a year less than they are there now.

Mr. GATHINGS. That is most helpful to us.

Now I want to ask you this, Mr. Cannon. Where are the cotton mills located in America, what States and how many do you have overall?

Mr. CANNON. Are you speaking of the entire industry?

Mr. GATHINGS. Yes, sir, across the country.

Mr. CANNON. North and South Carolina are the two big textile-producing States, Virginia, Georgia, Alabama—Massachusetts has a more limited number. Maine has a few. Then there are some other smaller mills in other States, Tennessee.

Mr. COOLEY. We have more spindles in North Carolina than any other State.

Mr. CANNON. That is right. South Carolina produces more yard goods. We produce more yard goods.

They tell me, Mr. Chairman, there are some textiles in 41 States.

Mr. GATHINGS. Approximately how many total mills are there in America, just approximately?

Mr. CANNON. Around 8,000 plants, 1,000 mills. Now we have in our company 28 plants. It depends on what you are talking about. There are fewer companies but individual plants, there are a great many. Eight thousand. One company might own any number of plants. For instance, Burlington is reported to own over a hundred plants. Our company owns possibly 28. I don't remember just at the moment.

Mr. ABERNETHY. Mr. Cannon, I would like to develop one or two other points on the matter you were discussing a moment ago.

Before I do I want to say that I am not here today, and I don't think you are, to reduce the price of cotton for my farmers. I am not here for that purpose.

The record shows this morning that cotton has been reduced, the support price has been reduced some several cents a pound—2 or 3 cents, anyhow, in the past few years. I realize there are some people who produce cotton at a figure maybe under the present support price and can make some money. Then there are others who cannot. But this is a life and death proposition and everybody, whether they are big or small, get some benefit out of this program and I am not going to hear from only one type of farmer. I want to make that clear to everybody in this room.

Now would it not be just as damaging—if that is a fair word—to the foreign mills—would it not be just as difficult for the producer of textiles in a foreign country to compete in the American market with a subsidized textile industry in the United States as it would have been if the foreign textile manufacturer had been required to pay an import fee as was attempted some few months ago before the Tariff Commission? Both efforts were designed to put the domestic mill and the foreign mill on the same plain, were they not?

Mr. CANNON. Yes, sir.

Mr. ABERNETHY. So if we have an equalization payment and it is paid to that person who is most remote from the farmer, and that is you—you know who they are talking about, don't you—that would leave you in a completely competitive position with the Japanese mills, wouldn't it?

Mr. CANNON. On raw material.

Mr. ABERNETHY. That is right. That is what we are talking about.

Now if the Tariff Commission—and incidentally, I want to further modify my statement of a moment ago; it hasn't been applicable to just this administration but it was also applicable to the previous administration: They ignored that situation too—if the Tariff Commission had by a reverse of the 3 to 2 vote, applied the equalization fee, we wouldn't even be here today, would we?

Mr. CANNON. We possibly would be, sir.

Mr. ABERNETHY. What would have brought us here? The President's recommendation was to put you on a competitive basis with the foreign producer.

What would have brought us here?

Mr. COOLEY. The synthetic situation.

Mr. CANNON. The synthetic situation and the expansion and production of consumption in this country is of paramount importance whether the President asked us here or didn't ask us here.

Mr. ABERNETHY. All right, I will concede that the synthetics probably would have been before us, but so far as you and the committee are concerned you wouldn't have been here because you would have been competitive with the foreign mill.

Mr. CANNON. I have been here, sir, before and——

Mr. ABERNETHY. I do not mean you would not be interested, Mr. Cannon.

Mr. CANNON. I would like to call your attention to the fact that you discussed with a man here this morning whether 16 million acres was his base and he would go up from there. The last time I had this conversation with you we were facing a 10 million acreage in America

for cotton and had we not taken steps to correct it we wouldn't have had any 16 million base now.

Mr. ABERNETHY. The last time you were here you were telling us there was a shortage of quality cotton.

Mr. CANNON. There was, sir. If we had gone to 10 million acres we wouldn't have been here today because we wouldn't have a cotton economy left.

Mr. ABERNETHY. Let me put it this way: How much of this problem would a correct judgment of the Tariff Commission have settled? I think it would have been correct had they imposed the import fee. How much of this situation—

Mr. CANNON. I think it would have a very marked effect on the imports of what we are now speaking of in terms of 700,000 bales of cotton and over a billion yards of goods.

Mr. ABERNETHY. If there is any interest at the executive level in our foreign friends—and we always know there is a little, what with this foreign aid going on around here—they could have cured that just as easily—that is put you on a competitive basis—by imposing the import fee as they could by subsidizing you.

Mr. CANNON. We did our best to get the Tariff Commission to do that and they declined.

Mr. COOLEY. I think you are trying to emphasize the fact that this committee has already given grants of authority to provide some remedies that have been provided. Now what else can we do about these imports? We have gone as far as we can go. We said in the legislation the President has the right to do certain things. We can't force him to do it. It is all borne out. The same situation existed under Eisenhower as under Kennedy. But even if you did that you still have this synthetic problem to deal with, haven't you, making inroads on cotton?

Mr. CANNON. Yes.

Mr. ABERNETHY. Now in order to do that, Mr. Cannon—

Mr. CANNON. Now, Mr. Chairman—just a minute, please, sir—the President in his statement said he thought legislation will be required and that is why we are here.

Mr. ABERNETHY. Someone suggested and I believe you agreed with it, that in order to establish this one-price system—in other words, we think our domestic price equivalent to the foreign price—we would have to subsidize somewhere along the line, the farmer to the mill, to the extent of 8½ cents a pound.

Mr. CANNON. Mr. Chairman, I prefer your not attributing to me the statement on subsidizing. I think the program has to be predicted.

Mr. ABERNETHY. It is 8½ cents a pound. The first question that is going to be asked when we get over there is how much it is going to cost. I don't know how much it is going to cost. I don't know how well it is going to be received. I have an idea. It is going to take a real medicine salesman to sell it on the floor. And it would have been so much easier—I don't know whether it is possible or not—if we had a chance to go back to the Tariff Commission and try this thing over again. Could we do that?

Mr. CANNON. We don't want to invite you to some first-class funerals.

Mr. ABERNETHY. That is all, Mr. Chairman.

Mr. CANNON. Now, Mr. Chairman, I would like to say something to Mr. Abernethy. He has ably represented his constituents and I have got some constituents.

In the first place, in this testimony it seems to me there is a good deal of fuzzy thinking about the A and B cotton programs. I think it had something to do with the present export fee program. The price of cotton was put up. Your A cotton was made available at a percentage of the B. Now almost invariably it seems to me when it is talked about they talk about the A program. That did not go into the cost of the goods to the textile mill. It was the B program plus a percentage which was the actual price of the cotton and Mr. Horne's charts were correct this morning.

Now, Mr. Abernethy, you said you were here to look after your farmers. I am here, sir, to look after my employees. I made this statement and I would like to make it to you. The textile stockholder is the forgotten man. But at least he can get out of this business with a part of his capital, but we have got hundreds of thousands of textile employees who have spent their lives and raised their families there and who are dependent upon this textile industry for their livelihood and he is the man I am worrying about, and that goes one step further to your farmer. He has spent his life on his farm, he has raised his family there, and we are going to create a social program in this country if we allow this great industry to be swept down the drain.

Mr. ABERNETHY. I agree with you 100 percent on that. If I left the impression I wasn't interested in them I want to correct it.

Mr. CANNON. I wanted you to know I had some constituents too.

Mr. ABERNETHY. I was making my statement for the benefit of the people in this room.

Mr. CANNON. If I bring my cheering section up here they would be just as good as yours, sir.

Mr. ABERNETHY. I haven't got any cheering section here. Mine are all at home. Mine are all small farmers. I wish I had some here.

Mr. GATHINGS. Are there any further questions?

Mr. BEERMANN. This new term was brought up. Well, we have had a new one for some time back, the compensatory payment, which is now called equalization fee.

If this were enacted, let's say for, what, the 8½ cents, the export subsidy program—

Mr. CANNON. That is the best measure that we have to go by, sir.

Mr. BEERMANN. If this were enacted, what would this mean to your company?

Mr. CANNON. Well, sir, I have some competitors here. I'd rather not answer that question. Their arithmetic might be better than mine.

Mr. ABERNETHY. I think Mr. Beermann is assuming the committee is going to report a bill to make money payable to Mr. Cannon—

Mr. BEERMANN. I am not assuming anything, Mr. Abernethy.

Mr. CANNON. I didn't interpret your question to mean payment to my company, but how much the cost would be for the cotton that we consume.

Mr. BEERMANN. I withdraw my statement on the basis of your answer and I am glad you did not take the fifth amendment.

I would like to say this, though, Mr. Chairman, if you please, that it looks to me like the Department of Agriculture and not the Com-

mittee on Agriculture has gotten your industry in trouble just like they did us in the feed grain industry, and I wonder how many more employees they are going to have to hire to help straighten it out.

Mr. CANNON. I have a Univac at home. I will give you a report on that later.

Mr. BEERMANN. It might be healthy for you and the cotton farmers and this committee that I know nothing about cotton because I have some questions that need answering quite desperately. If we cannot take the time to ask them here I would certainly appreciate having them answered because there will be an executive session—which some newspapers call a secret session—it is perfectly normal for this committee to go into executive session later and decide from the testimony what we want to do. I only wish there were more farmers interested in the supply-and-demand situation and that they were here and had somewhat the same philosophy that you do so that we could get Government out of these programs. It would be better for all of us.

I have some other questions but at this time I will yield.

Mr. COOLEY. Mr. Cannon, before you leave, assuming that some equalization fee is finally approved, I will ask you, do you want that fee paid to the textile industry of America, of which you are a vital part?

Mr. CANNON. No, sir.

Mr. COOLEY. That is all.

Mr. BEERMANN. I want to thank you for your testimony, Mr. Cannon.

Mr. GATHINGS. Thank you so much, Mr. Cannon.

The next group to be heard will be the Delta Council, Mr. George C. Cortright.

STATEMENT OF GEORGE C. CORTRIGHT, CHAIRMAN, DELTA COUNCIL FARM POLICY COMMITTEE

Mr. CORTRIGHT. Mr. Chairman and gentlemen of the committee and independent representatives of the cotton industry, my name is George C. Cortright. I am a cotton farmer from Sharkey County, Miss., and am chairman of the Delta Council Farm Policy Committee. Delta Council is supported by the agricultural, business, and professional leadership of the Yazoo-Mississippi Delta area and by the boards of supervisors. The organization is authorized to represent the common interests of the more than one-half million people who live and do business in these 18 delta and part-delta counties of Mississippi. Cotton is the principal source of income in our area and Delta Council represents the cotton farmers' viewpoint. We appreciate the opportunity to present our views on needed cotton program changes.

Might I digress at this time and ask to be privileged to read to you a telegram from Mr. Boswell Stevens who is the president of the Mississippi Farm Bureau Federation, a director in the American Farm Bureau, and also a member of the executive committee. It is addressed to Mr. B. F. Smith, executive secretary of the Delta Council and is dated December 12 at 9 p.m., and it reads:

After carefully checking with farmers from all areas of Mississippi I am convinced that of the proposals for solving the difficult situation cotton is in the great majority strongly support a program of an 18-million-acre allotment and a 30-cent price support for Middling inch cotton in preference to any of the so-called choice plans.

We are all aware of the fact that the past year and one-half has been characterized by a steady deterioration of cotton's competitive position that has been reflected in market losses. The situation has reached a critical stage and demands immediate attention. These losses can be accounted for largely by quality gains made by competing fibers and by lower prices for cotton's competitors, both at home and in world markets. The following features should, however, be cataloged as of real consequence in leading up to the current critical situation:

1. There has been an increase in the cost of cotton to U.S. mills of roughly 3 cents per pound, while other fibers have reduced their prices and sellers in other cotton countries have kept their prices just below ours.

2. U.S. cotton prices, even with the export subsidy increase from 6 to 8½ cents per pound, and the world cotton demand situation have been such that we have not maintained a fair share of world markets for U.S. cottons.

3. The Tariff Commission rejected the cotton industry's request for import quotas and import fees to check the rising flow of foreign textile imports.

4. President Kennedy's directive to the U.S. Department of Agriculture to develop legislation that will eliminate the inequity caused by the difference in raw cotton costs between domestic and foreign textile producers.

Faced with market losses in both domestic and foreign channels, along with a buildup in the carryover, the Secretary of Agriculture has announced a minimum national acreage allotment of 16 million acres for 1963. In so doing, he indicated that, among other considerations, he was setting the national acreage allotment at the statutory minimum which would give the Congress maximum flexibility in determining acreage provisions to be included in new legislation.

Here are some of the basic considerations which we believe need to be kept in mind by all as we deal with the current cotton crisis:

1. The direct relationship between level of production and price affecting grower incomes requires adjustments in an orderly manner to prevent drastic effects upon farm income. Large-scale cuts in U.S. cotton acreage in the past have resulted in rapid expansions in foreign production. It is useless from the standpoint of national policy, in fact it is damaging to our dollar position abroad, to program in ways that will result in U.S. cotton growers making the supply adjustment for the entire world.

2. The basic principles of the current law should be preserved, with additional latitudes for producers to adjust their production in keeping with their individual situations.

3. Continuing market losses for cotton at home and abroad are counter to the increases in population and levels of living. Programs for cotton should keep us in step with market expansion potentials.

4. Research and its intensification should provide ways to reduce cotton production costs and to put new and extended quality dimensions into our cottons. Such research intensification must make it possible for farmers to profitably meet competition with added stabilities in net farm income for the future.

5. Trade incentive or equalization payments aimed at eliminating the inequity in the cost of raw cotton to domestic mills should be made at the stage in normal marketing channels most remote from the grower. Any other approach will invite limitations of payments for any farm or firm. Also, any other approach will tend to cause the farm price to ride below loan levels and reduce the opportunities for growers to obtain reasonable equities above loan levels for the kinds and qualities of cotton for which there is a good demand relative to their supplies.

6. Cotton program changes should lead toward eventual reductions in Government spending. Cottongrowers would benefit most in the stabilization and further expansion of cotton markets. The costs involved in reversing the trend in market losses toward one of market expansion logically should fall both upon the shoulders of the growers and the Government.

We believe that the best interests of the cotton industry and the Nation could be served by a program incorporating the following principles:

1. A basic price support with a nonrecourse loan level of 30 cents per pound, Middling 1 inch, for the 1963 crop. Adjustments in price supports in the future should be based upon changes in an efficiency, cost-of-production, index.

In other words, as we are able through statistics of economics to measure changes in cost of production and as they are favorable, then we should lower the support price as this index changes.

2. The national acreage allotment for 1963 should be not less than the 1962 acreage (18.1 million acres). Special price consideration might be given to small growers who voluntarily cut below their allotment based upon the 18.1 national total. If special consideration of this kind is extended to any group, it should be confined to the hardship group already recognized in the law.

3. A trade incentive or equalization payment-in-kind certificate program to eliminate the inequities of raw cotton costs to domestic mills. Such certificates should be issued on bales opened by domestic mills for consumption after the effective date of new legislation. The payment-in-kind certificates in domestic channels should be handled as nearly as practicable in the same way as payment-in-kind credits or certificates earned by exporting cotton.

4. Export markets are absolutely essential to a healthy U.S. cotton industry. The export program should be continued and, effective with the new crop year, there should be a combination payment-in-kind subsidy and sales for export program which would keep U.S. cottons available at fully competitive prices in world markets. In a positive approach to broadening cotton's markets, the opportunities in the world sphere continue to be of major significance from the standpoint of grower income and dollar earnings.

5. We have already pointed out that cotton program changes should lead toward eventual reductions in Government costs. This will not be possible without an expanded research program directly and aggressively aimed at reducing production costs. Good State-Federal programs are already underway in many areas. These efforts are hobbled, however, by a lack of funds and facilities needed to achieve needed breakthroughs. There are big potentials in this field and much

groundwork has already been accomplished. It is estimated that there are reducible costs and losses amounting to 10 to 15 cents per pound in cotton production today in most areas. Effective answers to such costly problems as insect control, weed and grass control, plant diseases, boll rot, field losses, etc., would permit farmers to greatly reduce the costs of production and meet competition. Funds for research of this kind would represent the best investment that could be made toward achieving huge savings in program costs in future years. Benefits would also accrue to the consuming public. We earnestly request that a greatly expanded research program to lower the cost of cotton production be given priority attention.

While we have no rigid position against a choice program, we do not believe that a program incorporating the principle of minimum acreage and the current price support level for those who choose to stay within their basic allotment with an increase in acreage and payment of a marketing fee amounting to the export subsidy rate on cotton produced on additional acreage for farmers who need an acreage increase offers much potential for program consideration. One of the reasons for our lack of enthusiasm for such a choice program is that it does not offer comparable choices to all farmers.

For instance, farmers in some sections can increase their plantings materially through the release and reapportionment program. There are 1,064 counties in the Cotton Belt to which an acreage allotment is made. In more than 500 of these counties, the allotment is more than adequate to satisfy every request for additional acreage. In fact, these counties release a part of their allotment to other counties in the State. Farmers in these counties can choose to stay within their basic allotment, receive the higher price, and then greatly increase their planting from released acreage. They would, in effect, receive the benefits of increased acreage and the higher price. On the other hand, farmers in other areas do not have access to additional cotton acreage through release and reapportionment. To increase their plantings, they would be forced to pay a marketing fee for each pound of cotton produced on any additional acreage that they might receive. While in great need of enough acreage to assure economical production, the inherent instability of such a choice program for commercial farmers, caused by the necessity for obtaining needed acreage on a year-to-year "in and out" basis, would prevent them from making the kind of investments in equipment, land improvements, and labor needed for efficient production.

Retention of price supports at the current level would not require any contribution from the producer toward making cotton more competitive. The higher support level would increase Government costs of both the export program and the trade incentive program.

May I point out here that we enthusiastically endorse the release and reapportionment program, and we do not wish to impair its effectiveness. Our State and our area profit greatly from released and reapportioned acres. Delta Council was one of the organizations that petitioned the House Agriculture Committee for this bill and worked for the passage of this legislation. We are confident that the use of released and reapportioned acres has materially benefited the cotton industry in many parts of the belt and that this law has helped to offset some of the inequities and hardships that were caused by low-

level allotments and minimum acreage provisions. Our enthusiasm for the program does not blind us, however, to the fact that a choice program as described above would discriminate against farmers in many areas. We therefore believe that consideration of such an approach presents serious obstacles to achieving the kind of united front that will be needed to secure legislation.

We believe that a greater degree of agreement can be achieved and the best interests of the entire industry served by a straight, across-the-board program with a national allotment of not less than 18,100,000 acres and a price support level of 30 cents per pound, Middling 1 inch, for 1963. Certainly, such a program would be much more fair to all producers and would also be much more economical. Also, it would not jeopardize the release and reapportionment features so important to many farmers.

We recognize that it will not be easy to secure passage of cotton legislation in time for the 1963 crop year. We are mindful of the fact, however, that the cotton industry is a vitally important segment of our national economy and that it is of even greater relative importance to the major cotton-growing States. The industry today faces a crisis which is perhaps the most critical in its entire history. We sincerely hope that needed legislation can be passed in time for the 1963 crop. We wish to assure the Cotton Subcommittee of our full cooperation in developing acceptable answers to our problems.

Thank you.

Mr. COOLEY. Mr. Cortright, you made a fine statement and I congratulate you upon it.

What is your reaction to the equalization fee suggestion?

Mr. CORTRIGHT. Mr. Chairman, as cotton farmers we feel it is of major import that we meet both the challenge of foreign textile imports and the challenge of synthetics. We believe at this time that it is impossible for cotton farmers to make the full adjustment from present prices of cotton to the price necessary to be competitive. We do believe and we wholly subscribe to the position of accepting a part of this burden ourselves and asking Government or the public sector to take the remainder over the short term.

We fully believe that an up to the minute and intensified research program aimed specifically at reducing the production costs within a reasonable number of years will enable us to meet the full burden ourselves without help from the public sector.

Mr. COOLEY. Research might be of some relief in years ahead but this industry cannot survive waiting for the decisions of research. We have to do something now.

Mr. CORTRIGHT. During the interim we favor an equalization fee paid by the Government.

Mr. COOLEY. And not to the farmer?

Mr. CORTRIGHT. Paid by the Government—

Mr. COOLEY. I say, not to the farmer?

Mr. CORTRIGHT. Not to the farmer.

Mr. GATHINGS. On page 4 you outlined your program and I would like to refer to No. 2 in that program. You start with the national acreage allotment of 18.1 million acres.

Mr. CORTRIGHT. Yes.

Mr. GATHINGS. And you would have a price support of so much per pound?

Mr. CORTRIGHT. Yes.

Mr. GATHINGS. And those farmers who desire to do so would decrease their plantings under the allotment of 18.1 million and would receive a higher support level; is that it? Would you spell out what you mean under paragraph 2 on that page?

Mr. CORTRIGHT. Yes, sir.

Mr. Gathings, you will notice the final sentence of that paragraph says:

If special consideration of this kind is extended to any group, it should be confined to the hardship group already recognized in the law.

This committee has previously recognized on several occasions the special hardship group. They comprise well over two-thirds of the cotton producers of the United States. If it finds it appropriate to extend to them special price considerations, we have no objection to it, sir.

Mr. GATHINGS. You have just laid out a broad type of program here——

Mr. CORTRIGHT. Yes, sir; we suggest the choice be given to this special group which has been previously recognized by this committee.

Mr. GATHINGS. You would cut your basic price support from 32.47 for Middling inch to 30 cents?

Mr. CORTRIGHT. We believe on our analysis of the situation in Mississippi, cotton farmers are in a position to stand that type of reduction if they can maintain an 18 million acre allotment.

Mr. GATHINGS. The allotment we now have in 1962?

Mr. CORTRIGHT. Yes, sir.

Mr. ABERNETHY. You make that recommendation on the basis of the acreage going back to 18.1 million acres?

Mr. CORTRIGHT. Yes, sir; it is predicated entirely upon that.

Mr. ABERNETHY. And you did not include in your statement the recommendation of the incentive payment which you now incorporated in response to a question of the chairman?

Mr. CORTRIGHT. Item 3 indicates the trade incentive or equalization payment in kind certificate program to eliminate the inequities of raw cotton costs to domestic mills. That is the exact thing the President picked up in his message.

Mr. JONES. I appreciate your forthrightness, Mr. Cortright, in what you are proposing here, but what you have proposed here—and you spoke about this great number of small farmers there, and these hardship cases. But wouldn't it have the same effect at less cost to the Government if we just maintained those people at the present support price and let the people who want to expand their production take the lower price and we would arrive at the same average price that you are speaking of but with probably a million acres less of cotton? Isn't that what it boils down to?

Mr. CORTRIGHT. Congressman Jones, one thing we think is of primary importance is that the commercial cotton farmer of the belt always receives full credit on acreage that he plants and that he receives this acreage on a continuing basis, where he can make long-range plans to buy equipment and secure labor to stay in production, rather than be subjected to an in and out situation.

Mr. JONES. You didn't answer my question. Isn't your proposal going to mean that every small producer of cotton is going to take

a 2-cent reduction in his price of cotton without getting any benefit from it whatsoever?

Mr. CORTRIGHT. If the committee sees fit to extend some price considerations to the hardship group, we have no objection whatsoever.

Mr. JONES. What would you include in a hardship group?

Mr. CORTRIGHT. The same group the committee has currently recognized in the legislation now on the books.

Mr. JONES. What kind of compensation would you pay and how will you pay that?

Mr. CORTRIGHT. I would leave that to the judgment of the committee.

Mr. JONES. You do make a proposal here. You certainly had something in mind.

Mr. CORTRIGHT. I would suggest if you chose to you could permit the CCC to buy their cotton at the present support price.

Mr. JONES. You have made the statement here that in more than 500 of these counties allotment is more than sufficient to satisfy requests for additional acres.

Mr. CORTRIGHT. Yes, sir.

Mr. JONES. You are speaking of your own area?

Mr. CORTRIGHT. No, sir. That is beltwide.

Mr. JONES. That is what has prevailed in the delta and Mississippi today, that you get more than the acreage you want there now?

Mr. CORTRIGHT. No, sir. We receive only a small fraction in the delta of Mississippi of what we want.

Mr. JONES. You have brought up the problem of release and reallocation. You have said that there has been some criticism of it. Frankly, there has been an awful lot of criticism up my way. We have had farmers from Missouri sell out their farms because they could not get a cotton allotment. They have gone down into Mississippi and bought land. They tell me that they have no difficulty whatsoever because these hill farmers in Tom Abernethy's area release their allotments. It is allotted to the State. They can plant 50, 60, 70 percent of their farming cotton. In your particular area—

Mr. ABERNETHY. Wait a moment. Let me get the record straight. I want the record to show that my people could use some more acres. I have two counties that do not use all the acres.

Mr. JONES. You do have hill counties that release their cotton.

Mr. ABERNETHY. Yes.

Mr. JONES. Do your farmers want to take a 2 percent reduction in their support price?

Mr. ABERNETHY. No, sir.

Mr. JONES. Are there farms in Mississippi that have 60 and 70 percent of their acreage in cotton?

Mr. CORTRIGHT. Forty of the counties in Mississippi out of 82 have no controls on them. All the farmers can plant all the cotton they want to. Congressman Abernethy stated only one or two counties in his district—no delta counties exist.

Mr. ABERNETHY. That means they do not want to plant it.

Mr. CORTRIGHT. That means they have all they want and release some to the State committees to divide.

Mr. JONES. If you reduce the support price 2 cents a pound you will have more people willing to release their cotton than when the price is at the present level?

Mr. CORTRIGHT. I would not make that judgment, sir.

Mr. JONES. It seems apparent that if people are releasing cotton acreages at 32.47, there would be more people inclined to release it if the support price was only 30 cents or 21½ cents a pound less.

Mr. CORTRIGHT. Logical economic deduction would say that but these people who are releasing have additional sources of income and the price of cotton is not the only deciding factor.

Mr. JONES. You have indicated in your statement that the people in Mississippi are willing to produce cotton at 30 cents a pound.

Mr. CORTRIGHT. That is the consensus of the people in the Mississippi Delta and as Mr. Stevens has indicated in his telegram, in his judgment applicable to the whole State.

Mr. JONES. Yet there are people who do not want to produce it at 32.47 now and are releasing it.

Mr. CORTRIGHT. There are a lot of people there that are now releasing it.

Mr. JONES. Half of the counties can produce all of the cotton they want to without allotment. They can increase it because of that that it released?

Mr. CORTRIGHT. That is right.

Mr. JONES. It seems to me it would be a much fairer thing to do to permit the person who wants to stay within this basic allotment of 16 million acres and get the support price of 32½ cents or whatever figure the administration sets and then let those who want to produce this additional cotton do it at the lower price.

Mr. CORTRIGHT. This——

Mr. JONES. What is wrong with that?

Mr. CORTRIGHT. This is the very point I am trying to make right now with you. Let us take a grower in California. He has absolutely no access to any released acreage whatsoever.

Mr. JONES. Add Missouri to that, too.

Mr. CORTRIGHT. Missouri is the same thing. You are asking him to take additional cotton acreage and produce it for the world price and you are asking this man in the 47 counties of Mississippi, where there is no effective control, to take all the acreage he wants, not a limited increase, but all the acreage you want and you get the full 32½ cents for your cotton. I am saying this creates animosity between the two growers who do not have equal choice to make.

Mr. JONES. They do not have equal choice today, do they? The fellow in California you said cannot get additional acreage, the fellow in Missouri cannot get additional acreage and yet the fellow in Mississippi can get all the additional acreage he wants. Is that right?

Mr. CORTRIGHT. You are absolutely right. The law provides no equity at all. There is great unrest in Missouri over the apportionment program.

Mr. JONES. Is it fair under the A and B program we had for the fellow in Missouri and in California to produce cotton under the B program and take a lesser price when the fellow in Mississippi could take release acreage and get the full price?

Mr. CORTRIGHT. It is the way it was administered by the Department. I will not judge what they were trying to do.

Mr. JONES. Let me ask you this other question, then. Do you think that as a matter of equity that the fellow who gets the release

and reapportioned acres should not have to pay the same price for those acres that the fellow does——

Mr. CORTRIGHT. I think as a matter of equity he should have.

Mr. JONES. I am glad to hear you say that. We get that fixed in the law. That is the thing that is inequitable. What I am trying to bring out and ask you, if this is not a fair statement: That if we would maintain the high support price—and I call 32.47 a high support price—for the 16 million acres, and then we propose to let people produce all the cotton they want to or up to a level of 30 or 40 percent increase at a reduced price and pay for the subsidy, and we would arrive at an average of 30 cents a pound, if you would not have the same amount of money going to these farmers, but we would actually be producing a million less acres of cotton?

Mr. CORTRIGHT. I am not prepared to make a judgment on that.

Mr. JONES. I think that is what you would find because if we would set this national allotment at 16 million acres, as the Secretary has proposed here, and as he has put in the law, and if we put that in the base, is it not a fact that if we put it up to 18.1 as you propose, wouldn't there be a greater increase in the number of acres that are released and reallocated than there would be if we only had a 16 million acre?

Mr. CORTRIGHT. My judgment would be there would be some increase in the number of acres.

Mr. JONES. In other words, you will produce a lot more cotton. Isn't it a fact that on most of the released and reallocated acres that the reallocation goes to an area that produces more cotton per acre, the yields are higher, than those people who release it?

Mr. CORTRIGHT. It goes to a farm and if the farm's need is fulfilled to an area.

Mr. JONES. You will add to the surplus more so than you would under the other plan?

Mr. CORTRIGHT. Yes, sir. That is why we suggest a reduced support price to help the off-take side of this thing.

Mr. JONES. You are asking the small farmer right now to take the same reduction that you are asking this larger, more efficient person who can produce cotton cheaper, who can produce cotton at 25 cents a pound, for the small farmer who cannot produce at that to take the same reduction in his price, are you not?

Mr. CORTRIGHT. We say again we are fully in agreement, if this committee sees the wisdom of making special price considerations to the hardship group, we have no objection.

Mr. JONES. You are also proposing that we produce 18 million acres of cotton when the Secretary, by his action here, has indicated that 16 million is going to produce more cotton than we are going to be able to use. You add 2 million to that and this 2 million that you add would go to the higher production, the higher yield, and you would produce more than 2 million bales of cotton.

Mr. CORTRIGHT. I think the Secretary made it rather clear in his announcement when he said he was setting the national acreage allotment at the statutory minimum.

Mr. JONES. How do you base that?

Mr. CORTRIGHT. Sixteen million, "which would give the Congress the maximum flexibility in determining the acreage provisions to be in-

cluded in new legislation." I think he expected legislation that would raise the statutory minimum.

Mr. JONES. But you went for the statutory minimum because that was based on the carry-over and the prospective off-take. That is what it is based on, is it not?

Mr. CORTRIGHT. I do not know the exact formula.

Mr. JONES. That is a part of the formula, what we have on hand and what we expect to sell. We do not want to take an increase to carry over the next year. That is why we come down to that. Isn't that a fact?

Mr. CORTRIGHT. I read into his quota announcement that he could have found other justifications if he thought that was the final word.

Mr. JONES. I won't take up any more time here, Mr. Chairman. I think we pointed out that what he said is it will increase production and the surplus and cause a support price to the person who is least capable of supporting that reduction.

Mr. GATHINGS. Mr. Hagen?

Mr. HAGEN. I would like to commend you on a very fine statement, Mr. Cortright. In connection with the hardship growers do you have something in mind in connection with the soil bank program for them?

Just pay them not to grow, for example?

Mr. CORTRIGHT. Our area generally does not favor the soil bank type approach, sir.

Mr. HAGEN. I think the objection to the soil bank type approach comes from the middleman who supplies the farmer, instead of the farmer.

Mr. CORTRIGHT. I believe politically it has been found expedient to make that approach.

Mr. HAGEN. It is a much more economic way in a sense and it benefits the recipient more, to pay him not to grow the cotton than to pay him a higher price.

Thank you very much.

Mr. GATHINGS. Mr. Beermann?

Mr. BEERMANN. Mr. Cortright, what is the average size of a cotton farm?

Mr. CORTRIGHT. Golly, that is a hard one. Mr. Moss is in the audience. He could tell you much better than I.

Mr. GATHINGS. Would you read in the record just the size of these farms? Could you do that from the chart?

Mr. ABERNETHY. It is an economical operation divided into the national quota.

Mr. GATHINGS. Do you have it by acreage or by allotment?

Mr. BEERMANN. While he is looking that up, do all cotton farmers raise the same kind of cotton?

Mr. CORTRIGHT. Do all cotton farmers raise the same type cotton?

Mr. BEERMANN. Yes.

Mr. CORTRIGHT. No, sir. There are substantial differences sir.

Mr. BEERMANN. What kind of production comes from the different type? I mean, what quality production? Is there a difference in quality produced by different farmers?

Mr. CORTRIGHT. Yes, sir. There is a difference in quality in the same variety determined by the climate in which it is harvested, whether harvested early or late.

Mr. BEERMANN. What kind of cotton has the most trouble in pricing?

Mr. CORTRIGHT. I would defer to some of the mill people who consume this cotton and say which is their favorite cotton.

Mr. BEERMANN. In other words, are some cotton farmers growing cotton just to sell to the Government or are all cotton farmers growing cotton that they feel is going to be used?

Mr. CORTRIGHT. I think all cotton farmers are growing the cotton that they think will get them the most money.

Mr. BEERMANN. While they are getting the size of the farms figure, what is the normal rotation program for cotton, or is there such a thing?

Mr. CORTRIGHT. In our Mississippi Delta, although there are some limited advantages of rotation, we have lands that have been growing cotton continuously for over 100 years.

Mr. BEERMANN. Is that normal on all cotton farms?

Mr. CORTRIGHT. On these type soils in the Mississippi Delta it is normal practice.

Mr. BEERMANN. You recommend a 30-cent support price. Are you recommending that on the basis of gearing cotton production to supply and demand?

Mr. CORTRIGHT. We think a 30-cent support price when combined with an equalization payment to make cotton fully competitive will give a market offtake that will more than consume the production of 18 million acres.

Mr. BEERMANN. Since the Secretary of Agriculture reduced this acreage by 2 million, am I to understand he must reduce the support price? He did not get any authority from here last year or the year before when I sat on the committee; does he have the power to set the support price at the 30 cents you recommend?

Mr. CORTRIGHT. Yes, sir. He does have the authority.

Mr. BEERMANN. Wouldn't it be easier for a group of people to sell one man this program than try to sell it to this entire committee? In other words, if he has authority, why not talk to him about it?

Mr. HAGEN. You are learning rather fast.

Mr. BEERMANN. I would like to say this, Mr. Cortright. I am a feed grain farmer. All of the 35 people on this committee wrote the feed grain legislation last year and the year before that. I opposed it. I am in the business. I do not want the Government to run my business or take it over. I think you are trying to get the same job done for the cotton farmer. I am for you 100 percent.

I only have 1 vote of the 35 on the committee for 550,000 people in my district.

Mr. CORTRIGHT. Let me make a point without any criticism of the Secretary or any implied criticism. The latitudes he has to set cotton prices between 26 and 36 cents a pound make him subject to intense pressures from many angles. We think that this, changes in cotton legislation, is one of the things that should be rectified and that this authority should be tied to an economic index that should be related to changes in production efficiency and the discretionary authority removed from the Secretary's hands.

Mr. ABERNETHY. I understand the Solicitor for the Department is here.

Since the Secretary has announced the acreage, he cannot now change it. I think that is the ruling. How accurate it is I do not know.

Mr. BEERMANN. He cannot change it unless we change it?

Mr. ABERNETHY. He cannot change it now. The position of the Solicitor's Office is it cannot be changed.

Is that right, Mr. Heimbürger? I am not sure.

Mr. HEIMBURGER. That is what we understand.

Mr. BEERMANN. I always felt that what the Government could give you it could take away. I do not know whether it was smart on anybody's part to give this authority to any Secretary of Agriculture in the past. Maybe part of the problem is on this committee. I would like to just interject here that this same Secretary of Agriculture has caused these same problems in the milk field and its related products and in the feed grain field. You and he know better than anyone else, the people who have had it done to them instead of for them. I think it would be advisable for folks who have the Secretary's ear or the President's ear to straighten this thing out faster than we could do it on the committee.

I would like to ask is there any payment in kind for cotton now?

Mr. CORTRIGHT. Yes, sir. The export program is subsidized by a payment in kind.

Mr. BEERMANN. How about the cotton producer?

Mr. CORTRIGHT. No, sir.

Mr. BEERMANN. Before you advocate this too strongly, come out to Nebraska and find out the problem that was caused by the payment of 18 cents a bushel on corn, wheat, what have you. Thank you.

Mr. GATHINGS. Mr. Moss, will you give us the estimate of figures with regard to the average sized cotton allotment?

Mr. Moss. Mr. Chairman, our latest figures on this are compiled from the 1961 crop allotment figures. In that year the total national allotment was 18,458,000 acres and there were established 930,555 farm allotments. Of that number 38.3 percent of those allotments were in the range between one-tenth acre and 4.9 acres; 24.3 percent of those allotments were in the range 5 to 10 acres and 9.2 percent were from 10.1 acres to 14.9.

Just looking at those three groups there which range up to 15 acres, they total 71.8 percent of your total number of cotton allotments.

Mr. GATHINGS. Does that answer your question and give you an idea about the size of these cotton farms?

Mr. BEERMANN. These three total 71.8 percent.

Mr. GATHINGS. That exceed 15 acres.

Mr. Moss. Your question was as to the average cotton allotment.

Mr. BEERMANN. No. My question was not what is the average cotton allotment. My question was, What is the average size of the cotton farm and I assume that there are other acres on a cotton farm other than delegated to cotton production.

Mr. Moss. That is right. I misunderstood you.

Mr. GATHINGS. I think he has given us the information we asked for. I am to blame. I am sorry I did not get the question.

Mr. BEERMANN. No. I like this information. This is fine. Are all of the other 28.2 percent broken down in any way or are they all above 15 acres?

Mr. MOSS. I have further breakdowns here which carry it on up, 15 through 30 acres being the next category and then 30 through 49.

Mr. BEERMANN. Would you give that to us for the record?

Mr. JONES. Let him read it to us now. What is the percentage 15 to 30?

Mr. MOSS. Fifteen through 29.9 is 13.4; 30 acres through 49.9, 6.2; 50 acres through 99.9, 5.2; 100 acres through 199.9, 2.3 percent; 200 acres through 499.9, nine-tenths of 1 percent; 500 acres and over, two-tenths of 1 percent.

Mr. GATHINGS. Are there any more questions of Mr. Cortright?

Mr. Cortright will give you an estimate of his own operations. He can answer, or some of these farmers here might answer your question.

Mr. BEERMANN. Mr. Cortright, what is the general area of Sharkey County?

Mr. CORTRIGHT. It embraces about 110,000 acres of cultivated land and has a cotton allotment of about 31,000 acres, sir.

Mr. BEERMANN. Where is it located?

Mr. CORTRIGHT. In the extreme southern end of the Mississippi Delta. It is one county over from the river and one country north from Vicksburg, Miss.

Mr. BEERMANN. Do you have a good airport there?

Mr. CORTRIGHT. We have a fully acceptable airport for private aircraft, commercial airplanes, et cetera. We shall be glad to meet you at the nearest commercial airport.

Mr. BEERMANN. What is the name of the nearest town and your telephone number?

Mr. CORTRIGHT. We will furnish you that.

Mr. BEERMANN. I spent a lot of time in 1953 visiting about 40 States in the United States and in 1959 I visited 47 of them. Consequently, I found out the people were not in tune with what this committee tried to do to them last year and the year before in the feed grain area. I wondered if that same philosophy might prevail in your particular area.

Mr. ABERNETHY. We are out of tune with a lot of things in Mississippi that they are trying to do to us.

Mr. BEERMANN. I enjoy serving on this committee.

Mr. GATHINGS. Thank you.

We will now hear from the American Cotton Shippers Association. If you will give us your statement please, Mr. Robertson.

STATEMENT OF CAFFEY ROBERTSON, MEMPHIS, TENN., APPEARING ON BEHALF OF THE AMERICAN COTTON SHIPPERS ASSOCIATION

Mr. ROBERTSON. Thank you, Mr. Chairman.

My name is Caffey Robertson and my address is Memphis, Tenn. I am in the cotton merchandising business and have been so engaged for more years than I like to admit. I am going to admit it at this point because it gives me an opportunity to quote a few figures I think would be interesting to the committee.

Ten years, exactly, before 1921, when I went into the cotton business—that would be 1911—the American crop was 15,600,000 bales. The carryover was a very comfortable $2\frac{1}{2}$ million bales. The domestic consumption was 5,100,000 bales and the export that year was 10,400,000 bales. At the same time the production outside the United

States, world production, was 7 million bales. Now we compare those with the similar corresponding figures today. The most recent final report on the current crop was $14\frac{3}{4}$ million bales approximately—14,720,000 bales. The domestic consumption, I think, is calculated at about 8.6 million bales. We are striving hard to accomplish an export figure of 5 million bales. There are a great many people who are beginning to be fearful that we won't reach that figure.

The carryover is heading back up. It is estimated at 9 million bales for the end of this fiscal year or season, August 1, but there are some rather competent students who cite statistics, like the First National Bank of Memphis. Their last letter indicated that they thought the carryover might be over 10 million bales, or 10.3 million, I believe. The most staggering figure is that, against the 7 million bales that we produced in 1911 against our 15 million, that is, the 7 million bales produced outside the United States, that figure is now well over 34 million bales, or 34.8, the last figures I saw estimated for this year.

I thought that those related figures, taken 51 years ago compared to now were sort of symptomatic of the fact that your determination to help us in the cotton industry would accomplish a solution for the predicament we are in, with our having failed to make progress in an economy you might say where progress is being made elsewhere and with tremendous strides.

Mr. GATHINGS. When did the cotton production abroad start upward? When did the acreage increase?

Mr. ROBERTSON. That is rather interesting, Mr. Chairman. As well as I can interpret statistics, it started up concurrently with the Government's first entry into the U.S. cotton industry in 1929. I say started up; up until that time, as a matter of fact up until about 1932 I think it was the production of cotton outside the United States never reached the production of cotton within the United States, but with the beginning of our Government's certainly well-intended entry into the cotton industry they seemed to think that U.S. cotton growers might be restrained and they would move forward with their plans for increased production so the production outside the United States passed production within the United States for the first time, I would say, in 1932 or 1933.

We have never headed. Of that 34,800,000 bales, 14 million was cotton produced beyond the so-called Iron Curtain. The remainder, approximately 20 million bales, as Mr. Cannon indicated, his figure was slightly, in my book, conservative. I think the most recent figures I saw indicated the production in the free world outside the United States was just topping the 20 million bales. You cannot blame us, Mr. Chairman. I have often said that if I were in the buggy-building business or the livery stable business that obviously were being displaced by progress, there would be some reconciliation to the difficulties that have been encountered by our entire industry, but when you look at the picture from a worldwide view you see that we are sort of the retarded child in the family. The rest of the family are moving along vigorously.

Mr. BEERMANN. Mr. Robertson, you raise an interesting enough point. I wonder if, since 1929 we haven't encouraged this worldwide production of cotton to compete against us with our pricing program in the United States.

Mr. ROBERTSON. I am afraid undoubtedly, Mr. Congressman, that is the case, as I say, as well intended as the intervention was. Of course, we moved into this terrific depression, as you know. That might have occasioned it to one extent, but the thing that really gives us oldtimers in the cotton industry somewhat of a feeling of frustration, we do not think that American cotton was in bad shape up until 1929 when they saw fit to come in; that is, the U.S. Government.

Mr. GATHINGS. Now will you proceed? We appreciate that historical background.

Mr. ROBERTSON. Thank you.

I will proceed to present my prepared statement, sir.

My name is Caffey Robertson and my address is Memphis, Tenn. I am in the cotton merchandising business and have been so engaged for more years than I like to admit. I am appearing here for the American Cotton Shippers Association and its affiliated regional organizations, Arkansas-Missouri Cotton Trade Association, Atlantic Cotton Association, Oklahoma State Cotton Exchange, Southern Cotton Association, Texas Cotton Association, and Western Cotton Shippers Association, to emphasize in any way we can the unhappy situation in which cotton finds itself, and to urge congressional action to improve it. My appearance follows conferences we have held all over the Cotton Belt, among cotton merchants and with growers, mills, gins, and others whose livelihood is dependent upon cotton.

There is little doubt that the cotton situation is bad and must be corrected.

You heard Dr. Mac Horn's presentation this morning so ably done and so realistic. We are quoting this line from Dr. Horn's statement which we have read in its entirety and heartily approve of. I quote:

Quite obviously U.S. cotton is now in the worst competitive position, by far, than it has ever held.

As merchants we see our domestic mill customers turning to the use of synthetic fibers at every opportunity. The increasing inroad of synthetic fibers and heavy imports of textiles is slowing domestic cotton mill consumption. Production facilities for noncellulosics is being rapidly expanded.

As cotton exporters our foreign sales registered this season as of November 23, 1962, amount to only 1,269,518 bales compared to 2,687,000 last season. Actual exports amount to about 651,000 bales compared to 1,621,000 bales. You can see what this has meant to export merchants, when even the previous year was unprofitable. There is some hope that export sales will pick up after Christmas, but few traders believe they will reach the 5 million mark even with heavy Government financing.

Stocks as of August 1, 1963, are estimated by Agriculture at 9 million bales, and most of it will be in CCC's hands. Cotton acreage has been cut to 16 million acres, and this has really hurt in some areas.

We have found no one who believes that our position as a major producer of cotton and of cotton textiles can do anything but deteriorate at an accelerating rate if definite action is not taken to make our prices competitive.

It is our firm belief that the only effective action possible at this time is the adoption of a one-price competitive system through payment-in-kind certificates upon the entry of the cotton into the channels of trade.

Only through a one-price competitive system can the purposes of the President's recommendation of September 6, 1962, to remove the inequity created by the two-price system be accomplished. The Tariff Commission has ruled out any import fee to offset the export subsidy. Such a fee, moreover, would have greatly offended very important customers for U.S. cotton. Congress has expressly provided that U.S. cotton must be made available for export sale at competitive world prices. Otherwise, we all know our foreign market would disappear almost overnight. We have urged that domestic mills are entitled to cotton at the same price as foreign mills, and both the increased imports of textiles and the increasing substitution of synthetic fibers show how necessary this is. Cotton has innumerable competitors, at home as well as abroad.

A one-price competitive system could be achieved by simply lowering the loan to a level somewhat below the world price of cotton. This would be fine temporarily at least for the consumer and for the taxpayer, but it would not be fair to the producers until the costs of producing cotton are reduced materially. Fairness to the producers, and assurance of a continued supply, might be achieved by adding to loan level a direct payment to producers of an amount necessary to bring their total realization to the amount necessary or desired. Many producers object to direct payments, and with some justification.

Another possibility is to maintain the loan but to pay not only an export subsidy but a domestic consumption subsidy direct to mills. Mills object to receiving direct subsidies, and again with considerable justification.

The plan we support provides for payment in kind to the merchants upon a basis that will assure the benefits will be passed back to the producer.

I might say that the benefits would accrue to the mills and the spinners as well, Mr. Chairman. We as the middlemen gladly accept that responsibility for keeping both sides of our traditional relations operative.

Cotton payments in kind virtually have to be made to the merchandizing trade for their utilization depends upon development of outlets for available cotton. We have no doubt that merchants who receive them will be subject to attack in the press and from some congressional sources, and we are well aware that the auditing procedures will be costly and time consuming. Merchants have lived through this under various export programs, however, and recognizing the vital importance of moving cotton are willing to assume this responsibility.

We should also like to call to the attention of the committee another statement by President Kennedy:

I regard the preservation and strengthening of the free market as a cardinal objective of this or any administration's policy. It is well to remind ourselves from time to time of the benefits we derive from maintenance of a free market system.

We have concluded, and we think conservatively, that if any semblance of a free market or of an independent marketing system is to be preserved for cotton, the p.i.k.'s must be made available to merchants as soon as the cotton enters the marketing system.

Any program which makes it impossible for merchants to buy cotton from the producers and merchandise it to domestic mills or for

export, in accordance with its many varying qualities, destroys both spot and futures markets. Unless the loan level is fixed at slightly below world prices, or there is made available to the merchant immediately a p.i.k. which will reduce the market investment in the cotton to the one price level, merchants cannot buy cotton as the producers wish to market it. The cotton for which the merchant has no immediate, and I mean immediate, sale, will have to go into the CCC loan stocks. There it will incur additional costs, both going in and coming out. It will also involve additional Government costs.

Smaller merchants will neither have, nor will their banks lend them, funds necessary to carry cotton when its value is entirely dependent upon collection of an export subsidy or a domestic consumption subsidy, domestic equalization fee, subject to possible change. Larger merchants also have found it financially impossible to operate profitably under a frozen price system.

On the other hand, if as soon as it enters trade channels the value of the cotton and the investment in it is not above its possible commercial value to a domestic or foreign mill, merchants can buy cotton; they can hedge it on futures markets; and they can merchandise the cotton freely where its quality makes it most valuable and upon terms and for periods which best meet mill requirements.

There will be no export subsidy, and domestic mills competing freely for cotton will know the disadvantage at which they have been consistently placed has been corrected.

No additional complex Government machinery, redtape, and rules will be necessary. That already in effect in connection with acreage allotments and marketing quotas will serve to inform the merchants first receiving the cotton that it is eligible for the p.i.k. certificate. This certificate which will follow the bale until it reaches the hands of a merchant desiring to utilize it will require little more auditing or control than that involved in marketing quotas and export subsidy payments now in existence.

Some such program restoring the price of cotton to free market factors is essential to the preservation of the futures exchanges and of any independent merchandising system for cotton. Producers once again can look to the market, instead of the Government loan, for their best values, and produce for use rather than for Government warehousing. Mills can buy cotton and make it into textiles; converters can buy textiles and make them into consumer goods; and stores can carry inventories without being fearful that some overnight Government action will reduce substantially the value of their stocks. "Full pipelines" will replace "hand to mouth" bare-shelf operations.

Mr. GATHINGS. Thank you so much, Mr. Robertson, you have given us the testimony on behalf of the folks that merchandise this cotton that is produced by the farmers. You have to move that cotton on into channels of trade.

Mr. ROBERTSON. That is right. That is our one role and the reason for existence, Mr. Chairman, is as sellers for the cotton produced by the producers of this country.

Mr. GATHINGS. You occupy a very fine position and it is most significant and important and essential.

Mr. ROBERTSON. Thank you, sir.

Mr. GATHINGS. That is the business of handling cotton.

I wanted to ask you to turn to page 4. I am quoting from your statement—

We have concluded, and we think conservatively, that if any semblance of a free market or of an independent marketing system is to be preserved for cotton, the p.i.k.'s must be made available to merchants as soon as the cotton enters the marketing system.

The cotton producers in this Nation are worried about any type of program that may come into being as this legislation moves forward that would limit in any way payment or any benefit that may be received by them. I just wondered whether or not the p.i.k.s being made available as soon as the cotton enters the marketing system—that would be the first handling of the cotton?

Mr. ROBERTSON. Perhaps, or probably, in the general course of events, yes. That disturbs us, Mr. Chairman, and distresses us, that we have felt compelled to advocate making the payment of the p.i.k. available as soon as the bale enters the marketplace because we know that that is not a procedure that is agreeable to the producers. At the same time, as indicated in this statement, we have endeavored to explore the entire marketing procedure thoroughly and to study it to see if we cannot come up with some other position as regards the payment of the p.i.k. and for the life of us we cannot.

As a result, we feel that we would be derelict in our study and our responsibilities if we did not very frankly say that in order that this program be successful, as it must be and as intended by everyone from the President on down, we must see that that bale of cotton enters the channels of trade divested—Congressman Abernethy may be old enough to remember the levy taxes down in the delta, when we as cotton marketers had occasion to have to inquire, "Has the levy tax been paid or has it not been paid," because it ran up and it would vary from region or locality or county to another, as I member, Mr. Abernethy.

Mr. ABERNETHY. I do not remember. I am not near as old as I look.

Mr. ROBERTSON. I apologize. I thought perhaps you had heard your father complain about it, but anyway, that was just a little appendage relatively, that attached itself to certain bales from certain districts that made us a little fearful and a little hesitant to buy cotton from that district until we had determined the status of the levy tax.

Mr. GATHINGS. You say that—

Smaller merchants will neither have, nor will their banks lend them, funds necessary to carry cotton when its value is entirely dependent upon collection of an export subsidy or a domestic consumption subsidy, subject to possible change.

Mr. ROBERTSON. That is the uncertainty of the p.i.k., when it will be paid or when they will be able to, you might say, firmly validate it by sale to a mill or to an export market.

Mr. GATHINGS. What percent would you say you could borrow? You have in your hands now, say, a thousand bales of cotton. You go to your banker. You cannot move it all at once. You are going to have to hold it a while. What percent of the value of that cotton could you borrow from your bank?

Mr. ROBERTSON. We in the cotton business, traditionally, are the heaviest borrowers of any business that I know anything about, Mr. Chairman, and thank the Lord our banks in the cotton region have been most cooperative, I would say, so as a result when we go to them

with a thousand bales of cotton, we have a place for half of it and the other half we will have to tell them we think we are going to sell it or something like that, but we can borrow up pretty high, say, 90 percent of the value, I would say, on that cotton that is sold. We can show them the 500 bales is definitely sold. On the other, I think the moral factor perhaps enters into it, but most bankers would want that margin down to, say, 75 percent of the value of the other 500 bales which we cannot give them the assurance that it is sold.

Mr. GATHINGS. So a small firm would have difficulty in carrying that cotton indefinitely because he would have to dig into his capital structure and put up about 25 percent?

Mr. ROBERTSON. That is right.

Mr. GATHINGS. You say on page 5—

This certificate which will follow the bale until it reaches the hands of a merchant desiring to utilize it will require little more auditing or control than that involved in marketing quotas and export subsidy payments now in existence.

I think at this time it would be a little difficult to pay an equalization fee, applying to some 9 million bales of cotton, because there is a lot of administration. They are going to have to follow that 9 million bales. They are going to have to be sure that there won't be any duplicate p.i.k. on an individual bale. You will have to have an awful lot of personnel to do that. With the export program, when a bale goes on board a ship, it cannot come back. They do not have to bother with that any more. You are through. You do not have to have any more checking done by the Department of Agriculture officials. It is going to take quite a lot of work to administer this program, if the first handler of the cotton would be the recipient of the p.i.k. subsidy.

Mr. ROBERTSON. As I follow you, Mr. Chairman, that is the reason why we go contrary to the wishes of our very good associates, you might say, the people on whom we depend for our existence, the producers of cotton in going against their indicated wishes by advocating ourselves that the bale be divested of the p.i.k. certificate just as quickly as it can after it enters the channels of trade. That is the only way we can see how you can accomplish the one-price system; otherwise, if the p.i.k. remains undisposed of until the final handler, either for export or to the mills, it continues to be like the levy tax. It continues to contribute to uncertainty and uneasiness on the part of traders, and particularly from the standpoint of financing, naturally the smaller firms especially find it more difficult to raise, as you say, that margin to cover, say, \$160 bales as compared to \$115 bales.

Mr. GATHINGS. But it would be very easy for, for example, having less than a thousand mills in this country; it would be fairly easy to check those mills. It would be much easier to check those mills when the bale of cotton is opened. It would be very easy to send a man to a few mills. I understand there are some 60-odd mills that represent the consumption of three-fourths of all the cotton.

Mr. ROBERTSON. That is true.

Mr. GATHINGS. It would be easier to check those 60 mills rather than try to follow through on 8 million bales of cotton wherever they may be, scattered over every city in an area where cotton is grown.

Mr. ROBERTSON. It is the unusual features of a program that make it most costly. That is an awkward way of putting it. In a program

of this sort it is vitally important that there be no abuses, be no exploitation of it. Then in the cotton-merchandising business we are proud of it, regardless of the export subsidy. We can say that it has been kept clean and free of any questions.

When you undertake to follow through from the Government's standpoint, on every shipment of cotton made to every one of these thousands of mills, although you say 75 percent of your cotton will go to relatively few of the mills, still the administration and the checking organization that would have to be established would have to visit all of these mills from time to time.

Mr. GATHINGS. That is right.

Mr. ROBERTSON. And the whole thing is, and I don't want to create a gruesome picture to support our situation, but we feel we have supported our recommendation as regards the payment of the p.i.k. as soon as feasible, in other words, as soon as it reaches one of those handlers thoroughly accustomed to handling export subsidy collections, and so forth, and we want the freest flowing market, one such as we had in the old days.

We want the market free of all contingencies and possibilities that might contribute to uncertainty and uneasiness, and we do not see how it is possible to do that where you leave that dangling p.i.k. matter until the bale is finally disposed of, so it is a position we have assumed very reluctantly because we certainly want to cooperate to the utmost with the producers on the one side and the sellers on the other. That is our stock in trade, our meal ticket, so you can imagine we have very firm convictions based on our long experience, that the program which promises so much and must deliver so much at this critical stage in the life of U.S. cotton, we just feel that it cannot in good conscience be allowed to be hamstrung by treatment of this p.i.k. which we think would be unnecessary, in other words, leaving it dangling until the sale is disposed of.

To give you an illustration, Mr. Owen here, who is another cotton merchant—

Mr. GATHINGS. Put his initial in the record.

Mr. ROBERTSON. A. Owen.

We can visualize he would buy 100 bales of cotton. He doesn't know when he buys that 100 bales the number he will ship export and the number he will ship to the domestic mill, and the number of bales he will have to put into his stock in the hopes of selling it in the local market later.

Assuming that Mr. Owen—and he is just the opposite—is a very small firm, it would be much simpler if he could go to his bank and tell them that he is going to be able to, you might say, proceed toward liquidating, firming up and liquidating, those p.i.k.'s that he gets with the 100 bales, and set them aside to be financed separately. Then as far as margin on that is concerned that would be 95 percent of the value of the p.i.k., but he would be able then to finance his 100 bales of cotton at a value less than the price he paid for it by the amount of the p.i.k.'s, which would make it a much more comfortable financing operation for him.

Mr. BEERMANN. I apparently missed a point in an earlier discussion where the bale is open. Is that after a bale leaves the gin?

Mr. GATHINGS. After the bale is opened when it reaches the manufacturer, when he is getting ready to use that particular cotton.

Mr. BEERMANN. What happens now? When the bale goes to the manufacturer what is the normal procedure? Does the manufacturer decide the quality of the bale?

Mr. ROBERTSON. We have innumerable ways of delivering our cotton to the domestic manufacturer, to the American mill.

Mr. BEERMANN. Does the Government have any operation in there? Is there an inspector there?

Mr. ROBERTSON. Not at the present time, no.

Mr. BEERMAN. Then perhaps there should be a Government inspector in the future hired to inspect the bale as soon as it is opened. Is that in the wind? Is that a possibility, that a Government inspector will inspect the bales as they go to the mill and are opened?

Mr. ROBERTSON. You are anticipating the payment of the p.i.k. at the tail end, you might say, to the last handler. Is that it, or are you inquiring as to the present procedure?

Mr. BEERMANN. If that payment is made.

Mr. ROBERTSON. There is no procedure now involved in the inspection and supervision.

Mr. BEERMANN. If the p.i.k. program is put in at that point there would have to be a Government inspector, then?

Mr. ROBERTSON. Yes.

Mr. BEERMANN. How many Government inspectors would it be necessary to hire?

Mr. ROBERTSON. I wouldn't attempt to answer that, Mr. Congressman.

As I have indicated to the chairman, it would be considerable, as I view it, even though the chairman has brought out that the bulk of the cotton going to American mills, although they number about 1,000, the bulk of it goes to a relatively small number of those mills.

Mr. BEERMAN. On page 4, right after your quote of President Kennedy, you state:

The p.i.k.'s must be made available to merchants as soon as the cotton enters the marketing system.

If this is established, would the time ever come that the p.i.k. system might, or could be, discontinued?

Mr. ROBERTSON. Will you repeat the question? I know the reference here.

Mr. BEERMANN. If this system is established would the time ever come that the p.i.k. system might or could be discontinued?

Mr. ROBERTSON. The one we advocate, payment on the entry of the bale?

Mr. BEERMANN. That is right.

Mr. ROBERTSON. Your guess is as good as mine on that. I do think on that point—this has not been put into effect yet, of course, and has not been discussed too much at your congressional level. I would say as a practical proposition that the sooner you can firm up and establish the value of those p.i.k.'s that you as the middleman, the merchant, are called upon to finance the better it would be.

Mr. BEERMANN. Then let us go to the next page, page 5, at the bottom of the page.

Mr. ROBERTSON. I am sorry, sir. It has come to me now that you had reference to whether the Congress would have to appropriate funds every year for the maintenance of this program.

Mr. BEERMANN. That is right, and I wondered how much extra this would cost and who would pay for it.

Mr. ROBERTSON. You know your congressional procedures on that score far better than I do. All I can do would be to guess. What would you say?

Mr. BEERMANN. I would be very doubtful it would ever be changed.

Mr. ROBERTSON. You think it would be made a continuing operation by Congress as long as it is needed, and with the necessary adjustments which we hope Congress would be able to make downward once it was established in order to compensate for the improved efficiency of our producers.

Mr. BEERMANN. If we prove the need now and establish this program how are we ever going to prove the need for not having the program? The p.i.k. is the main thing we are talking about.

Mr. ROBERTSON. That is the thing that makes us feel, as what I like to call the sales department of the cotton industry, that we would be given an opportunity to contribute tremendously to the fortunes of the producers and to the fortunes of the Government itself by virtue of the fact that if we can get what we are striving so earnestly for, that is, the freest flow of cotton through the channels of trade at one price, we are convinced that we can demonstrate, as we have demonstrated before, that we can so move this cotton, deflect it from Government costly stocks, that in that way we will not only help to reduce the Government's involvement in it financially, but what is even more important to the producers, and as we see it that is the only sound way to give them more acreage, to enable the Government to properly relax the acreage restrictions that they are now compelled to enforce.

There is no need to add to production.

Mr. BEERMANN. Then you would say people in your type of business are being hampered. They have done a good job of merchandising cotton in the past. Are they being hampered because of Government programs?

Mr. ROBERTSON. Yes, very definitely.

Mr. BEERMANN. I agree with you.

Mr. ROBERTSON. Of course, I don't know what side of the House you sit on, Mr. Congressman, but I am gratified to have your concern for our plight.

Mr. BEERMANN. This leads us to the next question. At the bottom of page 5 you state:

Producers once again can look to the market instead of the Government loan for their best values and produce for use rather than for Government warehousing.

Mr. ROBERTSON. Right.

Mr. BEERMANN. I made a note here. I shall read it as I wrote it down:

If this Government intervention continues the people in your type of business will not be in business any more and the Government will replace you.

Mr. ROBERTSON. That is right.

Mr. BEERMANN (continuing reading) :

When the time comes that Government merchandising might replace the present cotton merchandising business, will the cotton farmer and the textile industry get the same fine service they receive from private enterprise now?

That is the question I have written down.

Mr. ROBERTSON. Definitely no.

Mr. BEERMANN. Thank you.

Mr. ROBERTSON. Thank you, sir.

Mr. GATHINGS. Further questions?

Mr. Owen, Mr. White, did you wish to supplement Mr. Robertson's statement?

Mr. OWEN. No, sir.

Mr. WHITE. Perhaps I can state one thing. If this p.i.k. were given, made available, to any buyer immediately after its receipt, we felt that would involve less redtape, less cost, than if it were delivered at the end, when the bale is opened.

This additional cost of financing, Mr. Robertson thought, was required at this first stage, but we also concluded, after going over the matter rather carefully with some people in the Department who understand dealings with the producers, that the p.i.k.'s could be audited with very little additional cost, no more than it takes to get cotton into the loan at the present time, and there perhaps was the cheapest place to administer it as well as the most effective, and the only system that would let the p.i.k. and the cotton move freely in the commercial market.

Mr. BRUCE. With this payment of the p.i.k.'s at the very beginning, which you support, is there any way we can be sure cotton cannot go into a double payments system in that when it enters, say, one of the bales goes into export, is there not a possibility that it can receive another 8½ cents payment?

Mr. ROBERTSON. I am glad you asked that, Mr. Counsel, because that is one of the many reasons we so strongly advocate the payment of the p.i.k. as it enters the channels of trade.

As Mr. White has suggested, we feel that would just reduce the problem of policing to its barest minimum, whereas if it is not disposed of as the bale enters the channels of trade, and remains to dangle, anticipating in which direction it will go, you run into endless tail chasing, you might say.

Sometimes a mill gets cotton they don't like, want to reject it, and do reject it. What happens there? And they want to sell to each other. I have seen exchange stocks, you might say, when it is feasible, one selling to the other and vice versa.

In all of those transactions they would involve endless policing problems.

Mr. BRUCE. What you say, then, is that you advocate the 8½ cents be paid in kind the first time?

Mr. ROBERTSON. Right.

Mr. BRUCE. Then you would not make any alterations at the time of export. It would all be treated as one cotton?

Mr. ROBERTSON. That is the point. You have the cotton down the chute just as free as a bird. Nobody even worries or thinks about p.i.k.'s. That is a bale of free cotton and it is available to the world, whoever wants to buy it, either for export or domestic use.

Mr. Cannon doesn't have to bother about it. He sees a lot of cotton he likes and he buys it and he pays the one price for it.

The man in Germany sees that cotton, he likes it, and he pays the same price.

All of your headaches and worries——

Mr. BRUCE. Trying to police it.

Mr. ROBERTSON. They are all disposed of right here at the front door.

I don't mean to oversimplify the thing, but based on our long experience we are convinced of the opportunity to make this program work provided we are able to divest it of all questions and uncertainties and let it go down the channels of trade, go in whatever direction its quality and opportunities permit.

Mr. JONES. You have confused me. I thought I understood you until you brought up this question. You are still going to sell cotton in export that will carry a subsidy?

Mr. ROBERTSON. No.

Mr. JONES. You will have no export subsidy on cotton?

Mr. ROBERTSON. There would be no need for it then, Mr. Congressman.

Mr. BRUCE. A one-time subsidy. That is what I was trying to find out, Mr. Jones.

Mr. ROBERTSON. It is something which should very much appeal to anybody who wants efficiency.

As I say, I don't want to oversimplify it, but you do away with policing, subsidies, and its administration. You remove the need for chasing those bales beyond——

Mr. JONES. How about the cotton that went into the loan? That cotton still would be sold in export for a subsidy?

Mr. ROBERTSON. That would depend on where you elect to establish the loan. Is it in relation to the one market arrangement or a return to the farmer amounting to the world price and——

Mr. JONES. I would like to do away with the CCC handling of cotton. If you fellows could buy all the cotton and they could handle it, that would be fine. However, you are not going to do that, are you?

Mr. ROBERTSON. We will do our damdest.

Mr. JONES. You don't think you can do that, do you?

Mr. ROBERTSON. I am not so foolish as to say right at this moment, but I think that is definitely an objective.

Mr. JONES. It would be an objective but it could not be reached for several years. In other words, say we would have a 17 million allotment for 1963. Would you say that that 17 million acres would not produce more cotton than you could sell in export and for domestic uses in the following year? Would there still not be a carryover from that?

Mr. ROBERTSON. This is something the Department of Agriculture might determine, but if we come up with a competitive price we might come pretty close to it right off.

Mr. JONES. The cotton shippers are not in a position to take and hold cotton over a long period of time, are you, and for even several months? You don't hold cotton, do you?

Mr. ROBERTSON. In the process of merchandising we have to carry stocks to do the most efficient job.

A gentleman with whom I visited last night used a very appropriate expression. He said you cannot sell goods from an empty wagon.

Mr. JONES. I agree with that.

Mr. ROBERTSON. We do carry a stock. Mr. Owen often works through the pipeline. You would be amazed to see this in operation. If the future market provided us with carrying charges on the board it would be an effective relationship. You might be surprised at the tremendous amount of cotton the merchandising industry of this country would be capable of carrying in its pipeline.

Mr. JONES. In other words, you have indicated that if we can work this out along this basis you would want to support this general legislation. You have indicated your support of this legislation.

Mr. ROBERTSON. Absolutely.

Mr. JONES. If the Department and the Congress together decided they wanted this p.i.k. to go to the last handler, would that change your support? Would you oppose the legislation?

Mr. ROBERTSON. Of course, I am just one member of my organization. Our position for the time being, unless it is changed, is that because it would be inconsistent with what our convictions are and what we consider the responsibility for us—

Mr. JONES. Is this the "druthers" or would you take a go either way? We all have a preference. However, sometimes we have to compromise and make some changes down the line.

Mr. ROBERTSON. From my long experience and knowledge of the market, and my knowledge of what a temperamental and whimsical sort of thing a great market like the cotton market can be, and how sensitive it is to different influences, even from a psychological standpoint, we just cannot conceive of Congress, the Department of Agriculture, or anybody else working out a fine program which had all of the ingredients for accomplishing what all of us hope and literally pray will be done, and to then by the same stroke of the pen hamstring it with a relatively trivial mechanical requirement.

Mr. JONES. Thank you very much.

Mr. BEERMANN. To proceed further with Mr. Jones' question: Does all of the cotton production go through a sales organization such as yours? Does it all go through such an organization?

Mr. ROBERTSON. All the cotton?

Mr. BEERMANN. Yes.

Mr. ROBERTSON. No.

Cotton follows various ways of reaching the ultimate consumer and converter. Cotton produced up near the mill—Mr. Cannon can tell you a certain amount of cotton is hauled right into the mill by door. That is just in the immediate vicinity.

Then going from there across the belt, after you leave an area immediately adjacent to the mills, you find 100 percent of the cotton moves to the mills or to export to our marketing system which is made up of, you might say, three categories. One would be the direct mill buyer who visits the producing areas. He is an employee of this or that mill.

Then there is a cooperative marketing system. They have their own methods of marketing the cotton they acquire.

That leaves what I would like to consider to be the basic independent marketers. These constitute the membership of the Association for which I am spokesman.

Mr. BEERMANN. We have it down now that all cotton goes through these three channels.

Mr. ROBERTSON. I would say so, yes.

Mr. BEERMANN. If we have to have a Government subsidy to sell cotton could not these three areas buy the cotton and then get a blank check from the Government, sell it, and pay the difference? Wouldn't this be the simplest place to handle it?

Mr. ROBERTSON. As one of those habitual borrowers the question immediately comes to my mind—who the devil would finance it? No, I don't think that is the answer.

As I said a moment ago, I think we have a tremendous capacity for buying cotton and carrying it ourselves where it is justified by prospects of old established customers, and so on.

You just hit me with an arbitrary sort of question. I am sure it was more or less facetious.

Mr. BEERMANN. It probably has as much merit as anything else we have been discussing.

(The following telegram was also submitted to the subcommittee:)

ATLANTA, GA., December 12, 1962.

Congressman E. C. GATHINGS,
Chairman, Cotton Subcommittee, House Committee on Agriculture, House Office
Building, Washington, D.C.:

The cotton merchandising industry of North Carolina, Virginia, South Carolina, Alabama, Georgia, and Florida supports the position that will be taken by American Cotton Shippers Association regarding payments of p.i.k.'s in connection with new cotton legislation being considered by your committee at hearings December 13, 14, 1962. Best regards.

J. M. GLOER,
Executive Vice President and Secretary, Atlantic Cotton Association.

Mr. GATHINGS. If there are any questions, they may be asked at this time.

Mr. ROBERTSON. Mr. Chairman, I want to take this opportunity to tell you that I know I speak for every segment of the cotton industry when I tell you how eternally grateful we are, particularly to this committee. I don't say that to be polite, but we know you came back here and interrupted your interim time off.

Mr. GATHINGS. It has been a lot of work for you to prepare these statements and to come here.

Mr. ROBERTSON. We have been glad to have the opportunity because we felt it was working toward something that us old-timers at least have felt the urgent need for for many, many years, and we believe that the earnestness with which you all have assumed this leadership in bringing about a solution will undoubtedly make 1963 that turning point in the history of cotton.

Mr. GATHINGS. You ought to be in the State Department. You are a diplomat.

Thank you for the fine statement.

Our next witness is George W. Pfeiffenberger, executive vice president, Plains Cotton Growers, Inc., Lubbock, Tex.

**STATEMENT OF GEORGE W. PFEIFFENBERGER, EXECUTIVE VICE
PRESIDENT, PLAINS COTTON GROWERS, INC., LUBBOCK, TEX.**

Mr. PFEIFFENBERGER. Mr. Chairman, we have testimony here that is prepared in three sections. The first will be the basic testimony and then the other two will be some corroboration and highlighting some particular points. Mr. Smith will present his, and Mr. Roy Forkner who was to be here could not make it, so we will read his statement for him, with your permission.

Mr. name is George W. Pfeiffenberger, executive vice president, Plains Cotton Growers, Inc., Lubbock, Tex., a cotton producer organization representing approximately 25,000 cotton producers on the Texas high plains, annually producing over 2 million bales, or about 15 percent of the U.S. cotton crop. This testimony has the approval of our board of directors. We appreciate the opportunity to present these views.

The need for new cotton legislation to revitalize the cotton industry is becoming more evident every day, and has captured the attention of Government and of industry from producer to the mill to the extent that it is the dominant subject of conversation and effort. The shot in the arm came from the Tariff Commission's decision in September to reject the U.S. textile industry's request for cotton textile import duties equivalent to the raw cotton export subsidy, and the President's directive to the Secretary of Agriculture to recommend legislation to remove the inequities of the two-price system.

The National Cotton Advisory Committee in October recommended a trade incentive program which would make cotton competitive in price to synthetic fibers and foreign cotton in both domestic and foreign markets through a raw cotton trade incentive to be paid to the last handler of the cotton, using the principle of the export subsidy across the board. The possibility of some sort of individual producer choice program trading acres for price and vice versa was also included. The action of the American Cotton Shippers Association in proposing p.i.k. certificates, and expressing their willingness to handle the certificates as middlemen, has further accelerated the legislative interest. And we as producers are appreciative of this attitude on their part. No direct payments to producers or mills are anticipated.

Mr. GATHINGS. I did not get that last statement.

Mr. PFEIFFENBERGER. We appreciate the attitude of the shippers in accepting the certificates, since neither the producers nor the northern mills seem to be inclined that way.

There are, of course, many proposals as to the implementation of the proposed trade incentive plan, and many divergent point of view, but the major points we support are:

1. To provide a one-price system by giving Secretary authority to issue p.i.k. certificates to the last handler on domestic sales, such as he already has for exports.
2. An acreage/price choice for individual producers if it is not an insurmountable obstacle to item 1.

3. Maintain the loan at the producers price support level each year.

4. Maintain national marketing quota and acreage allotment at the highest possible level in keeping with potential markets and reasonable carryover.

5. Value of domestic p.i.k. certificates to be same as for export, unless it becomes an insurmountable obstacle to item 1, in which case a smaller domestic value might be established if an economic study of relative landing costs, domestic consumer prices, etc., would establish such a differential to be equitable to U.S. mills.

6. To provide savings to Government in future years, develop formula for reducing loan and subsidies geared to success of program as evidenced by increased consumption and expanded acreage.

In the sense that they perhaps have only a small percentage of their land allotted to cotton. They have, particularly in our area, in the northern and western part of the high plains, very small allotment percentages on their total land, so they have to have very high investments in order to provide any amount of cotton. If these allotments were increased the percentage would be better.

Mr. GATHINGS. That would answer Mr. Beermann's question earlier in the day.

Mr. BEERMANN. I have another one right here. What is the difference in price of the land where you have a cotton allotment as compared to land without a cotton allotment? Judging they both grow the same amount of cotton.

Mr. PFEIFFENBERGER. I could not give you a figure, but it is quite substantial. If the farmer hasn't an allotment it will go down considerably in value. Mr. Smith might answer that one.

Mr. SMITH. I just ran a farm last year without a cotton allotment. The price was about \$100 to \$150 an acre less than it would have been if it had had an average cotton allotment within that county.

Mr. BEERMANN. Then you ought to like the cotton allotment program.

Mr. SMITH. I would like to have some cotton allotment on that farm I bought.

Mr. BEERMANN. Did it have any when you bought it?

Mr. SMITH. No.

Mr. BEERMANN. How can you get it?

Mr. SMITH. It is practically impossible.

Mr. BEERMANN. But you do like a supply management program in cotton?

Mr. SMITH. It is the only way I have been successful in farming the other lands that I have.

Mr. PFEIFFENBERGER. Actually, advice by competent legal authority indicates that the only essential points requiring change in legislation

are the needed authority to issue p.i.k. certificates to the last handler in the domestic market, and authority to initiate a choice program if the Secretary so desires.

In view of the necessity for quick action early in the next session of Congress, and the delays which would be inevitable if numerous details were spelled out in the proposed bill, it behooves the industry to strip the proposal of all unnecessary points, and keep the suggested legislation as simple as possible. A simple amendment to the appropriate section of the present law, which would provide the Secretary the needed authority mentioned above is apparently all that is absolutely necessary legislatively. The Secretary already has authority for export certificates, and all the other points mentioned. If the simple, basic legislative amendment is passed, the Secretary would hold conferences with his National Cotton Advisory Committee, and all segments of the industry to establish the administrative points. In view of the great urgency to get competitive at the earliest possible moment and the shortness of time, simplicity in the legislation should be the keynote.

The two main points of disagreement on present proposals at this writing are:

1. Between some producer groups as to the inclusion of some kind of choice program on acreage and price.
2. Between some other segments and producers as to whether the p.i.k. certificates should go to the first buyer or last handler of the cotton.

CHOICE PROGRAM FOR PRODUCERS

An acreage versus price choice program for individual producers would be quite beneficial and gladly accepted by many of our members. In fact our board of directors is presently on record as favoring a choice plan along the lines of the "blended price" approach which would not contain the evils of the purchase and loan program of 1959 and 1960. The Plains Cotton Growers will support a choice program in proper acreage price proportions, but if this point becomes a source of controversy and delay, which jeopardizes the primary goal of the trade incentive plan to make cotton competitive, we would submit this problem to our board for reconsideration.

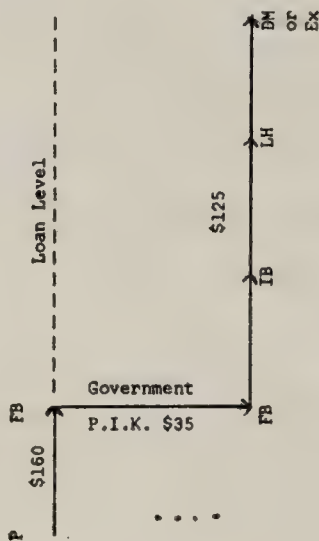
FIRST BUYER VERSUS LAST HANDLER

The question of the issuance of p.i.k. certificates to either the first buyer or last handler of the cotton is far more important and basic at this time, and should be thoroughly understood as to its implications. To the committee members who have this draft, on the back page is a diagram and I believe it would be helpful if you followed that diagram as I read here.

(The diagram follows:)

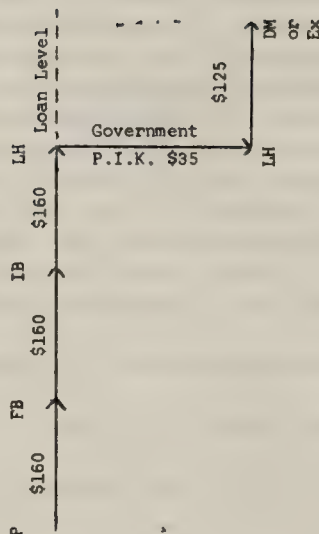
P.I.K. CERTIFICATE ISSUANCE

To First Buyer
(Purchase from Producer)



Spot and Futures Quotations would be at lower level.

To Last Handler
(On Shipment to U.S. Mill, or Export)



Spot quotations would be at higher level, and probably also Future Quotations.

ABBREVIATIONS:

- P = Producer
 FB = First Buyer
 IB = Intermediate Buyers
 LH = Last Handler
 DM = Domestic Mill
 Ex = Export Bill of Lading as at present

Note: All figures are purely illustrative and do not imply recommended levels.

The attached diagram illustrates the projected mechanics of the purchase and sale of cotton from producer to domestic mill or export with the payment of the p.i.k. certificates to the first buyer versus the last handler.

The fear of dollar limitations on the amount of p.i.k. certificates to any one producer is now, and has for many years, been the greatest stumbling block to this kind of legislation, and unless this fear is alleviated the trade incentive plan will meet with producer opposition in several influential quarters. We have as of now a united front of producers for the trade incentive. We may very well break this front if we go to the first buyer approach. We have three or four organizations who did not go along with the payment program of any kind because of fear of limitations and they have now agreed to do so if it is on the last handler. Whether they would shift back to oppose it again we do not know, but we do not want to take that chance. The fear of limitations is not an imaginary fear, but a very real one, as the subject of limitations comes up in every discussion of agricultural legislation, and the producer actually operated under a \$50,000 limitation in the A and B cotton program of 1960. Some legislators now talk of much lower limits. Perhaps it is impossible to devise a price support program which is absolutely limitation proof, but every effort should be made to make limitations improbable, impractical, and difficult to apply.

FIRST BUYER APPROACH

Under this approach (see diagram) the producer would sell at domestic price—say \$160 as shown by that diagram—to the first buyer; the first buyer would sell at reduced price to intermediate buyers or to U.S. mills or exports, and receive p.i.k. certificate from CCC as reimbursement. This would devalue the bale to world price levels as soon as it left the producer's hand, so that in future transactions it would be at world level. This would be, Mr. Congressman, very much like your question a while ago on what is a farm worth without an allotment.

Both the spot and futures market quotations would be at the low level, 8.5. In other words, our domestic market would now be at the world market. In the initial transaction between producer and first buyer, it is certain that if limitations were voted the Government would require the producer to certify to every sale that this particular sale did not put him over his dollar limit. The buyer would have to certify that the producer showed him proof. I have here with me a copy of the cotton purchase agreement of 1960 and on the back of it it is a statement that the producer must sign that he has not exceeded his limitation. Also the first buyer had to sign on the front page that he had received proof from the farmer that this was true. It got pretty complicated and created an awful lot of paperwork.

Since this first transaction involves producer, first buyer, and Government, it would not be difficult to apply limitations at this point. In the 1960 "A" purchase program, the producer did not receive a Government check for his cotton, but was paid by the private check of the approved purchasing agent—yet limitations were applied. The proposal that the p.i.k. certificate go to the first buyer is a parallel

case, since every sale would require a certificate of eligibility, and every bale would be identified as to its producer. (Such a statement was required in 1960 on the producers sales agreement.) Producers exceeding any limitation would have to sell their excess bales at world prices—you can see on the digram the low level there, on the left-hand side because that would then be the quotations and the price within the domestic market after it left the farmer's hands—if limitations were on the loan. Because the domestic market would be on this low level.

Government auditing would require that detailed records of production and marketing be kept at the farm level, thus providing detailed farm history. Such production and marketing histories do not now exist because the bulk of the crop sells in the open market.

There are perhaps 800,00 cotton producers and thousands of first buyers, scattered throughout many States. The paperwork would be enormous, expensive, and open to all sorts of errors, intentional or otherwise. I think we can remember back in the 1960's, how much work there was involved in the "A" purchase program. That should make us stop and think.

The country buyer or small cotton merchant would receive the p.i.k. certificate, but since he is not in any position to handle these other than to possibly redeem loan cotton, he would be forced to discount them to larger shippers, or financial institutions who could afford to hold them until the waiting period for cashing was over. This hasn't been mentioned before but at the present time in the export subsidy program I believe there is a 60-day period before certificates can be turned in for cash. In discussing this new program it was suggested by some that that waiting period actually be 120 days instead of 60. This, of course, would increase the amount of discount from the first man to the next one. This discount would certainly be passed back to the producer. Furthermore, the load and expense of paper work would be on the first buyer, many of whom do not have adequate office facilities for such complications.

LAST HANDLER APPROACH

Under this approach (see diagram) the producer sells to the first buyer at domestic level, the first buyer to the intermediate merchants at domestic level, and finally the last handler sells at reduced price to U.S. mills or export, with the last handler receiving the p.i.k. certificate from CCC. The bale is not devalued until it is shipped to a consuming establishment or loaded for export. All transactions except the last would be at the domestic level, and spot market quotations would be at the domestic level, and probably the futures market as well. The p.i.k. certificate would be issued to the shipper upon mill certification that the cotton will be consumed.

Here again it is a parallel between the proposed trade incentive and the export subsidy of 1960. Even though limitations were applied to the producer in the loan, no limitations were applied to the export subsidy in 1960, and none would be applied to the trade incentive, domestic or export, since shipments to U.S. mills or for export are made of many producer's bales, and the application of limitations at this point would be impractical and fantastically complicated if attempted.

The issuance of p.i.k. certificates at the last handler point is between the shipper, the mill or export, and the Government. The producer is not involved.

Records for Government audit would be built around shipper and mill transactions, and no farm production histories would be needed. There would be many times less people involved at this point, and these, being mostly well established business firms would have better facilities to handle the forms, and the audit would be easier, and much less expensive.

The last handler approach is protection against the effects of limitations on the loan. The market is held at domestic level by the loan, and even if a farmer exceeds a limitation and cannot put all his cotton into the loan, his market price is held up at or near the loan.

This was true before in 1960 when we had a limitation. Under the 1960 program the limitations were applied through an amendment to the agricultural appropriations bill, a piece of legislation which has to be passed every year. On the other hand, basic farm legislation is difficult to pass, and when passed is likely to last for some time. It is important, therefore, that any farm legislation continue the policy of exclusion of limitations. If any particular Congress applies limitations by means of the agricultural appropriations bill it is for only 1 year. If the basic cotton price support program is sound, and produces beneficial results, it is most unlikely that limitations would be applied each year through the appropriations route.

It is well to remember that the cotton purchase program for A cotton in 1960 was a first buyer program. The export subsidy is a last handler program. Limitations were applied on the purchase, but not on the export subsidy. Parallel cases would apply here.

There is strong pressure and hope in many quarters that if legislation be passed in the spring the trade incentive would go into effect immediately rather than wait until the beginning of the next marketing year August 1, 1963. If this should happen, issuance of the p.i.k. certificates to the first buyer would create many problems, as follows:

1. It would create a bonanza to those holding 1962 crop loan stocks, since the producer still holds title. Redemption from the loan and sale to the first buyer would qualify only these bales for p.i.k. certificates at this first buyer level, thus permitting these bales only to be sold to mills at reduced prices.

2. On the other hand it would cause heavy losses to those in the trade who held private stocks, since title for these bales have left the producers hands, and they would be ineligible bales since they have already passed the first buyer stage. Since they would not be eligible for p.i.k. certificates they could not be sold to mills at reduced prices without heavy losses.

3. This would lead to great confusion in identifying ineligible bales from eligible bales, and in addition when the 1963 crop came along, it would be necessary to separately identify new crop from old.

On the other hand if the p.i.k. certificates are issued to the last handler none of the above problems would exist, since the certificates would be issued to the final shipper to the mill or export, regardless of who held title when the program was inaugurated, or which crop year the cotton was produced.

There is urgent feeling from the White House down through Government and industry that something needs to be done, and done quickly. There is very nearly general agreement on the major points—there is no reason for pessimism—the climate for quick and beneficial cotton legislation has never been better. Keep it simple.

We suggest a simple amendment to give the Secretary authority to issue p.i.k. certificates to the last handler on domestic sales and that is all the legislative action needed to get a one-price system. All the other points should be thought out on other battlefields.

Thank you, Mr. Chairman.

Mr. GATHINGS. Thank you very much.

You have given us a fine statement. We will study it along with the other recommendations.

I wondered if you wanted to read these other two statements, Mr. Pfeiffenberger?

Mr. PFEIFFENBERGER. I would like Mr. Smith, with your permission, to read his and I will read Mr. Forkner's. They are both very short.

Mr. HAGEN. I would like to ask a question.

Mr. GATHINGS. Yes, proceed.

Mr. HAGEN. What part of your objection to this first buyer receiving the p.i.k. certificate is based on the assumption that there would be limitation?

Mr. PFEIFFENBERGER. Because every time a discussion comes up on price supports of one kind or another that subject comes in and the fact that some organizations are constantly asking for so-called family sized farm limitations. We just know that it will be brought up.

Mr. HAGEN. A lot of your statement or justification for the statement is there would be a lot of redtape. It is on the assumption there would be a limitation.

Mr. PFEIFFENBERGER. Yes. That is part of it. That would make it all the more complicated. It also would make more work even without that because you would have to issue p.i.k. certificates in smaller amounts generally than you would on the other end.

Mr. HAGEN. I see. Then, of course, you make the other points about the cotton in being that has already left the hands of the producers. I would suggest that in the last year you paid the last handler and in the succeeding years you pay the first buyer.

Mr. PFEIFFENBERGER. That would get us back to the thing we are afraid of the most, the thing about the first buyer. Probably more important than the limitations themselves is the effect limitations would have.

If you had limitations on the first buyer you would immediately put your cotton buyer down to the world market even on the domestic level and the farmer who had more bales to sell, those bales would be ineligible and he could only sell at the world price whereas if you had the domestic market at the upper level and the farmer exceeds the number of bales he can sell or be eligible for the loan the market is up here and he can sell at that level or just a little under it.

If your domestic market drops to the bottom, he is just out of luck. That is all.

Mr. HAGEN. You are not an advocate of this choice program because it might interfere with the so-called price incentive. Is your situation pretty well taken care of in your area by this release and reapportionment?

Mr. PFEIFFENBERGER. No. We have 2,400,000 acres of allotment altogether and the most we have already gotten through reapportionment was 48,000 acres. Figure what percentage that would amount to. It is very, very little to us.

Mr. HAGEN. I think this release and reapportionment is the most illogical feature of the cotton law. I think they should abolish it. It just does not make any sense. If a fellow does not want to plant cotton and you have a surplus of cotton why let someone else plant it?

Mr. GATHINGS. We are hoping we will deal with the two important phases of this problem and not get into that at this time. We want to move this bill by the early part of January or the middle of January or the later part of January.

Mr. PFEIFFENBERGER. I believe our farmers would like to have a choice program and would support it, but if it becomes a stumbling block to the basic idea of becoming competitive, I believe the Board would change its resolution to drop that out. I think we could live with it or without it. The greater demand is for competitive price in our opinion.

Mr. GATHINGS. I hope that all these groups will present as effective statements as you have done. We are going to have to have cooperation to pass this legislation. I hope we do not run off in all directions.

Are there further questions before Mr. Smith makes his statement? If not, Mr. Smith, we will be glad to hear from you now.

STATEMENT OF WILMER SMITH, NEW HOME, TEX., VICE PRESIDENT OF PLAINS COTTON GROWERS, INC., LUBBOCK, TEX.

Mr. SMITH. My name is Wilmer Smith, a cotton farmer at New Home, Tex. I am vice president of Plains Cotton Growers, Inc., Lubbock, Tex. My testimony today is primarily to corroborate and support the basic statement made by Mr. George W. Pfeifferberger, executive vice president, Plains Cotton Growers, Inc., relative to the needs for new cotton legislation, and the suggested methods outlined for this purpose.

In my personal affairs, I am generally recognized as a member of cooperative associations. I, therefore, wish to first comment briefly and personally as a cooperative person on this matter of p.i.k. certificates being issued to the first buyer or to the last handler on domestic sales, if the trade incentive program should become a reality. I have sat in on a great many meetings and discussed this point with producers, shippers, and millmen, with cooperatives and independents, and with members of different national farm organizations, and my conclusions are these:

1. As a cooperative member I believe that I could live with either the first buyer approach, or the last handler approach. I do not see any advantages or disadvantages to either method, as far as cooperatives are concerned. If there are any current advantages in cotton marketing to cooperatives under the present system, as some people declare, I fail to see how these presumed advantages would be affected adversely or otherwise by the proposed trade incentive plan, whether the p.i.k. certificates go to the first or last handler. The prime objective of the proposed legislation is to make cotton competitive in price

to our U.S. mills, and not to "straighten out" any presumed inequities to independents which some people say exist under our present system. If such inequities do exist they should be fought out on some other battleground, and should not be allowed to confuse the issues at stake, and delay the essential legislation we need to keep our cotton industry healthy and expanding.

2. Strictly as a cotton farmer, however, without regard to my cooperative membership, I am thoroughly convinced that the first buyer approach would indeed be on shaky ground. In the first place, there are a number of influential producer groups and individuals who in the past have strongly opposed any type of incentive program, whether the equalization fee went directly to the producer, or to the first buyer. You will recall in 1958 the plan advocated at that time by the American Cotton Producers Association called for equalization fees to the first buyer of the cotton; and it was impossible to get across-the-belt unanimous producer support. The chief objection to the first buyer method then was, and still is, the fear of limitations. At the moment, however, we do have unanimous support from organized producer groups across the belt for the last handler approach, and it is this unanimous support which we are anxious to maintain. Shifting to the first buyer system might, therefore, break this unanimous front of cotton producers, and if so, would almost certainly kill any chances of sound remedial legislation in time for the 1963 crop, when it is so badly needed.

In the second place, the arguments advanced by the Plains Cotton Growers in favor of the last handler are numerous and convincing. We had a first buyer approach in the 1960 A program—the farmer received no money directly from the Government in that program—yet we definitely had limitations, and they were easily enforceable. The argument by some that limitations are to be feared only if the farmer receives a direct subsidy, will not hold water. We did have limitations in 1960 through the first buyer by simply making the farmer certify that any particular sale he made to the approved purchasing agent did not exceed his limitation, and we would have the same requirement again. Also, the first buyer had to certify that the farmer showed this proof. Conversely, the export subsidy is a last handler approach, and has never even been threatened with limitations. The 2 years, 1960 and 1963 afford a good parallel.

In concluding, I wish to summarize my position:

A. I have heard a number of statements that the last handler approach is fostered by cooperatives for their advantage, but I have heard no proof of this, nor even explanations as to how this would work. As a cooperative member, myself, I see no advantage or disadvantage in either first or last handler;

B. But speaking strictly as a producer only, I see disunity among producers, danger of jeopardizing the whole one-price goal, and almost certain and immediate limitations if the p.i.k. certificates go to the first buyer. Under these circumstances, I repeat that I completely support the basic testimony given by the Plains Cotton Growers, on the basis that it is the fairest approach for all, and that it offers the best chance of passage in time to be effective for the 1963 crop.

Mr. GATHINGS. Thank you so much, Mr. Smith.

Now, what about this statement of Mr. Forkner?

Mr. BEERMANN. Mr. Chairman.

Mr. GATHINGS. Yes.

Mr. BEERMANN. Mr. Smith, should the first-buyer approach be followed would there be many complications? There are two-tenths of a percent 500 acres or over. What might be the largest payment under the first buyer approach?

Mr. SMITH. It would be $42\frac{1}{2}$ times the production of that particular grower. It would be a bale per acre. Five hundred acres times \$42.50, or it could be a thousand acres production. There are some few that perhaps have 5,000 acres of cotton. It could be very sizable to that very small percent of commercial growers.

Mr. BEERMANN. I wonder if this first-buyer approach would be embarrassing to some people who are these large producers of cotton.

Mr. SMITH. I do not think it would be embarrassing to that big grower unless limitations were applied and if limitations were applied your cotton level, as Mr. Pfeiffenberger pointed out, your market would be at the reduced price in spite of the fact we had a farmer income level of, we will say, 32 cents. The cotton he would have that exceeded his limitation would have no way of getting the full value of the movement at the market level. He would be at a loss or his percentage payment we would say on that amount of excess production if limitations should be applied, whereas if it is made to the last handler, he still would be eligible to move that bale of cotton at the loan level, at least.

Mr. HAGAN. I would like to ask one question.

In the movement of all commodities, drawing brokerage, et cetera, the markup is based on the amount of money they have to invest in the community. Wouldn't you actually have a cheaper handling of a commodity through channels if this reduction occurred at the first buyer level?

Mr. SMITH. I am not sure about that because I am not an expert in the marketing of cotton.

Mr. HAGEN. Say I am buying wheat and I have to invest \$10,000 or \$5,000. I base my charge on the \$10,000 investment in one case, and 10 percent of \$10,000 instead of 10 percent of \$5,000.

Mr. SMITH. I think the point that the witnesses that just preceded us have well taken is it exceeds the amount of money needed by them to handle the same quantity of cotton but by the same token it will greatly enhance my opportunities of buying and being able to realize this difference between the farmer income level and the so-called world level. That is where I am afraid of it.

Mr. HAGEN. Thank you.

Mr. GATHINGS. Now will you proceed with his statement?

Mr. PFEIFFENBERGER. Yes. Mr. Forkner's statement is very short. I will read it.

**STATEMENT OF ROY FORKNER, SECRETARY-TREASURER OF THE
PLAINS COTTON GROWERS, INC., PRESENTED BY GEORGE W.
PFEIFFENBERGER**

Mr. PFEIFFENBERGER. My name is Roy Forkner. I am a farmer and ginner at Lubbock, Tex., and secretary-treasurer of the Plains Cotton Growers, Inc. I appreciate this opportunity to appear before this subcommittee and express my views on some aspects of the pro-

posed legislation for making cotton competitive in price to U.S. and foreign mills.

First, I wish to fully support the basic testimony presented here by the Plains Cotton Growers, Inc., and testify that it is substantially the same as discussed and approved by the Plains Cotton Growers' board of directors.

With respect to the question of whether or not the p.i.k. certificates should go to the first or last handler, I will say that I have discussed this a number of times and find strong favor among producers for the last handler approach. This is entirely due to the desire to avoid limitations of dollar participation by individual producers, and to hold the present united front which we now have from producer organizations in favor of the last handler.

Whether it would favor or disfavor cooperatives, I do not truly know, but if the drive for first buyer approach is based on a desire to eliminate certain advantages which the cooperatives now enjoy, I would say it is misplaced. If these advantages are to be removed it should be done by other means, and not through this proposed legislation; the more complicated the problem, the less chance we have of making cotton competitive for the 1963 crop because of the delays in ironing out controversies. I would say, therefore, that only the basic points be included in the proposed legislation, and since it is clear that producers across the belt favor the last handler approach, then the problem should be approached from that angle. Certainly, neither I nor my neighbors want limitations, and it seems quite logical to me that the further removed the p.i.k. certificates are from the farmer, the better support will be obtained from producers, and the less dangerous is the chance of having limitations.

Also, there would be many times fewer people involved in the issuance of certificates at the last handler level, which would make the mechanics and paperwork much simpler. I would certainly think that if country buyers, and small- and medium-sized cotton merchants would seriously look into this, they would favor the last handler, otherwise the burden of proof of compliance, and mountains of paperwork would fall on them.

It is my understanding that at one time there was discussion as to whether the loan under the new program would be at the farmer's price support level, or below the world price level, but that at this time there is general agreement the loan should remain at the support level. I certainly agree with this, as this is true protection to farmer's income, one of the prime objectives of any price support program. With the loan at the support level and a proper p.i.k. certificate to make the price competitive and create a demand for cotton, there should be an active market, and cotton would go into the loan only for orderly marketing, as it was originally designed. Cotton would sell a little above the loan, or if some did go into the loan, the good demand created by the low price would soon build up enough equity to have it redeemed. Furthermore, the farmer would not be forced to sell to obtain his full price immediately, as he would if the loan were at or below the world level. In addition, if funds were not appropriated at any time for the p.i.k. certificates the farmer would still have his loan at domestic price levels.

It appears to me that the combination of a loan at the support level, and an effective trade incentive, would come nearer to meeting the two primary objectives of farm income protection and competitive price to mills than any other proposal, and would move the cotton industry forward to a strong and healthy future.

Mr. GATHINGS. Very good. Thank you so much.

Are there any questions?

Mr. BEERMANN. Mr. Chairman.

Mr. GATHINGS. Yes, Mr. Beermann.

Mr. BEERMANN. Mr. Smith, as a cotton grower and helping to pay taxes to the Federal Government, do you believe in back-door spending by Congress?

Mr. SMITH. Well, I think that we have got to do some sort of things that we are not real happy with to get cotton competitive and get out of the dilemma we are in now and in our original statement Mr. Pfeifferberger outlined a plan that if placed in the legislation would eliminate the need for back-door or front-door spending, either, if this type of program is successful.

Mr. BEERMANN. It has been stated earlier today that we are going to need some help to get this legislation passed. There was a lot of sentiment against back-door spending in the 87th Congress of 1961 and 1962. With the origination of p.i.k. certificates we would be advocating back-door spending, which would be awfully hard to get across, plus making up the deficit to the CCC when at the end of the year they state what their loss is and it has to be paid. You would not object to back-door spending in your field?

Mr. SMITH. I would not object to direct appropriation to accomplish the same objective we have outlined in our testimony.

Mr. BEERMANN. That is not the way it works.

Mr. SMITH. You are probably right.

Mr. BEERMANN. That is all I have.

Mr. GATHINGS. Thank you gentlemen, very much.

Now we will hear from the Alabama Legislative Cotton Study Committee.

Mr. GRANT. Mr. Chairman.

Mr. GATHINGS. Mr. Grant.

Mr. GRANT. May I have the pleasure of presenting these gentlemen to the committee? It is a committee which I might say is unique in this Nation because this is not a textile group, and while the gentlemen are interested in farms they are not here as farmers, but they are here by appointment of the Alabama Legislature. They are all members of the Alabama Legislature. The legislature formed several years ago a committee known as the Alabama Legislative Cotton Study Committee. I wish to assure the members of the subcommittee that these gentlemen and their associates on this committee have worked hard on this program over the years.

The representatives with us today are Mr. Wiley Salter from Evergreen, Ala., which happens to be in the Second Congressional District of the State of Alabama. He is a constituent of mine, I am happy to say. We have with us Mr. John Casey of Heflin, Ala., and Mr. Walston Hester of Russellville, Ala., whom I am happy to say will also have the honor or at least partially, of representing after the first of the year. I do not know whether I can be called a whole Congressman or one-eighth Congressman.

Mr. HAGEN. Two Congressmen.

Mr. GRANT. Maybe one-eighth Congressman. I believe Mr. Hester is to read the statement.

Mr. GATHINGS. It's a pleasure to have you with us. All of you.

STATEMENT OF WALSTON HESTER, RUSSELLVILLE, ALA.; ACCOMPANIED BY WILEY SALTER, EVERGREEN, ALA., JOHN S. CASEY, HEFLIN, ALA., REPRESENTING THE ALABAMA LEGISLATIVE COTTON STUDY COMMITTEE

Mr. HESTER. Thank you very much.

Mr. Chairman, distinguished members of the House Agriculture Committee, friends of cotton, it is my privilege to be there representing the Alabama Legislative Cotton Study Committee, a body created first in 1957 by the Legislature of the State of Alabama as a result of the wholesale economic distress experienced by the Alabama cotton industry due to the inequitable administration of national cotton programs.

In 1949 Alabama planted to cotton more than 1.9 million acres, but by 1958 planted acreage had been cut to slightly more than 500,000 acres (nearly a 75 percent reduction). The consequences were disastrous.

Based upon history, Alabama's share of the national cotton allotment in 1950, the first recent allotment year was more than 1,620,000 acres, which was 7.52 percent of the total national allotment. By 1957 Alabama's percentage of the national allotment had been reduced to only 5.72 percent, which meant that Alabama had lost over 250,000 acres of its historical share of the total allotment to other States.

All of this was caused by a combination of inequities which, compounded upon each other, resulted in demoralization and chaos at the producer level. Farmers wishing to plant cotton were penalized because their neighbors had not planted their full allotments. Prices were slashed so much that when coupled with the drastic acreage reduction many farmers found they could no longer grow cotton economically. Approximately one-third of Alabama's 119,000 cotton farmers finally were forced by this double-barreled cost-price-acreage squeeze to give up cotton entirely. As they did, Alabama was penalized because many farmers no longer used their allotments, and to compound the felony, growers who did use their full allotments shared in the penalties.

Finally, in 1956, Congress in its wisdom passed the 1956 acreage freeze law and in 1959 effected the acreage transfer law which had resulted in the correction of some of the earlier inequities.

Growers forced out of producing during this period for the most part have not been able to return to cotton production, but their acreage can be utilized by others who were able to hold on during this crisis, and the industry as a whole has benefited tremendously. Related businesses and service organizations built to serve cotton during the period when Alabama earned its history were prostrated by the loss of cotton acreage available (for planting) to farmers who would plant cotton. The ginner, the oil mill, the fertilizer folks, the banks, the country merchants and cotton buyers, and of course the rural stores, were in desperate circumstances.

Now, thanks to the acreage transfer law Alabama is able to satisfactorily utilize its meager 5.85 percent share of the national allotment.

The benefits are many: First, acreage is kept in production areas (Alabama) where yields are approximately a bale per acre rather than moved to areas (Far West) where they grow two or more bales per acre. This increases the effectiveness of the acreage allotment system for production controls. And, the folks who earned the history in the first place, the producers, the gins, the oil mills, the fertilizer folks, the banks, the country merchants, rural stores (in fact even main street) are now able to look to the future with some degree of stability and security.

Mr. Chairman, it is in this context that we from Alabama view the proposed changes to the new cotton program. Obviously, no program however attractive it might seem in the future could be acceptable to Alabama if it did not contain all the features of the established acreage release and reallocation program.

Gentlemen of the Agriculture Committee, we understand that you are considering changes to the cotton program which would—

- (1) Subsidize domestic mills.
- (2) Allow for acreage increases at the world price.
- (3) Allow farmers not able to afford price reductions to maintain the present price structure by living within the 16-million-acre base allotment, now assigned to each State.

THE DOMESTIC MILL SUBSIDY

Gentlemen, Alabama nourishes all the important segments of the cotton economy, not the least of which is our textile industry. The textile industry makes a \$150 million annual contribution to Alabama's economy and employs more than 50,000 of our citizens. In recent years these people have been plagued by inequities resulting from imports of foreign textiles produced from American cotton available to foreign spinners cheaper than the domestic market for raw cotton.

Consequently we supported the Department of Agriculture's appeal to the Tariff Commission for an offset fee designed to eliminate the inequity resulting from the two-price system. Alas, the Tariff Commission denied this remedy and on September 6, 1962, the President instructed the Department of Agriculture to seek other remedies.

Now being proposed is a domestic mill subsidy to eliminate the inequity caused by the export subsidy, and it is proposed that it be paid in the form of a trade incentive. This would make cotton competitive in price to synthetic fibers and foreign cotton in both the domestic and foreign markets through a raw cotton trade incentive to be paid to some handler of the cotton, utilizing the principle of the established export subsidy across the board.

We endorse this trade incentive feature of the domestic mill subsidy and see it as a means whereby our textile industry can be strengthened, and cotton can regain its competitive position as a low-cost fiber in domestic markets. The Alabama Legislative Cotton Study Committee would point out to this committee, however, that we do not feel that a token incentive would serve any purpose, and that any pro-

gram of this nature to be successful must in fact make cotton truly competitive in price from the beginning and must actually eliminate the inequity caused by the export subsidy. With these qualifications we endorse the trade incentive program and recommend it to you, the Congress; provide only that the support to the farmer be at not less than the 1962 level.

At the same time, we feel obligated to point out that we do not see this as a panacea for all of the industry's problems. We do expect this incentive to stimulate domestic consumption of cotton where price is a factor, but it cannot be expected to capture noncellulosic markets; for, cotton is presently considerably cheaper than these fibers now. Additionally, we find that the acetate and rayon staple fiber total domestic production is presently running only about 1 million bales of cotton equivalent per year, and we do not expect these folks to just simply "roll over and play dead." And, if we got all of this market, we would only get another million bales added to consumption as a result of price cuts. Realistically then, when we examine the total U.S. manmade or synthetic fiber annual production we find that total production runs about 6.5 million bales of cotton equivalent per year.

Of this 6.5 million bales of synthetics one-half million bales is glass fiber, another 2.8 million bales is noncellulosic fiber which already cost the mills far more than the highest price cottons, 2.2 million bales is nonstaple cellulosic fiber, and only 1 million bales appear in the market as imitation cotton at a price now below that of cotton itself.

But, we do believe the trade incentive program will bring equity to our domestic and foreign customers of cotton alike and can be expected to make our domestic mills as profitable as any in the world and for that reason we endorse the "trade incentive or domestic mill subsidy" now being proposed, provided it is coupled with adequate price protection to the farmer at levels not less than 1962 in cents per pound of cotton.

ACREAGE TRANSFER LAW

Continuation of the present acreage transfer program is a must if the cotton industry in Alabama is to survive. Therefore, we respectfully submit that any future cotton legislation must keep the release system intact if cotton is to remain a part of the economy in the old Cotton Belt running from North Carolina through Texas. We emphatically urge all of our friends to maintain the release program at all costs.

PRICE SUPPORT LEVELS

At the present low level of 82 percent of parity—18 percent less than what is considered as a fair price—our farmers are now merely existing in the hope that the future will hold promise of a more equitable economic situation for them. Therefore, we must insist as politely, but as forcefully as we know how, that the support level never be lowered below the 1962 levels in terms of percent of parity or in terms of cents per pound of cotton. We would remind those everywhere who are interested in the politics of economics that farmers now receive only some 35 cents per (500 pound) bale of cotton more for their crops than they did during the lowest period of the Benson years.

Only demoralization, chaos, and disaster can result if this or any other administration fails to hold the price above the pitiful levels of the Republican years.

TWO-CHOICE PROGRAM

We do not feel that any kind of two-choice, two-class allotment program for producers is necessary at this time and, in fact, inclusion of an acreage/price choice could be expected to complicate early passage of the bill, due to the disagreement of many producers. Therefore, we suggest that it might be more reasonable and realistic to delay a choice plan until after the beneficial effects of the competitive price in expanding cotton consumption has been clearly demonstrated and can be accurately evaluated in the light of experience.

However, we would be compelled to actively oppose any choice program at any time which made additional cotton allotment acres available at a price above the world market levels. In spite of the fact that less than 3 percent of our Alabama producers participated in the old "B" program, and that less than 3 percent could be expected to utilize any two-choice program now, we can evidence some sensible reasoning behind the suggestion that farmers be allowed to increase their 1963 base acreage by a percentage of their allotment which would raise the farmers' total acreage to approximately the 1962 allotment, and that this excess acreage be produced at world market prices. It is proposed that this be accomplished by the Government's collecting a marketing fee equal to the export subsidy on the excess or "export acreage" based upon the yield per acre.

Should the Department feel that this type of a choice program is necessary to maintain supports at not less than the 1962 level, then we could acquiesce, provided the program is operated in such a way that the farmer would net only the world price on the excess acreage, and provided any excess acreage above base acreage not be counted for history purposes in any future years.

Gentlemen, we appreciate the time given us and would close by saying by all means hold the price supports at not less than the 1962 level, hold the acreage transfer program, and please raise net farm income somehow. We in the Southland can't survive much more of this cost-price squeeze.

Mr. GATHINGS. Thank you, Mr. Hester. That is a very fine statement.

Mr. HESTER. Thank you very much. We appreciate your letting us appear before you.

Mr. GATHINGS. Are there any questions?

Mr. BEERMANN. Yes. I have some questions. I had hoped in deference to my esteemed colleague, Mr. Grant, who introduced the present witnesses that I would not have to get into this discussion because I have great respect for your Congressman.

Mr. HESTER. Thank you. We do, too.

Mr. BEERMANN. I find out when they start out this way there is usually something that comes later that you won't like too well. I have learned that from the last 2 years.

Mr. HESTER. We have, too.

Mr. BEERMANN. On page 4 you refer to the previous Secretary of Agriculture, Mr. Benson, and in the next to the last paragraph you refer to the price above the levels of the Republican years.

Mr. HESTER. Yes, sir.

Mr. BEERMANN. Did you know, Mr. Hester, that under President Eisenhower that this Congress had a majority of Democrats, 6 out of those 8 years?

Mr. HESTER. Well, he had the veto power, too.

Mr. BEERMANN. Yes. The people who wrote the legislation sat on this committee and the majority in the entire Congress was the Democratic Party. I do not mean to sit here and get into a political discussion with you but I have to take issue with it since you brought it up.

Do you believe that a Secretary of Agriculture who got milk in trouble in the last 2 years, who got soybeans in trouble and other commodities by arbitrarily raising prices is fair to the people in those industries?

Mr. HESTER. It might be trouble left over from the other administration. I do not know.

Mr. BEERMANN. Just for the record when the present administration took over in the White House—I wish I had those figures, but I will have to give them to you as close as I can from memory—on December 31, 1960, there were 1 million bushels of soybeans under Government loan; on December 31, 1961, after Secretary Freeman raised the price support on soybeans from \$1.85 to \$2.30 there were 65 million bushels, and Mr. Freeman admitted that to this committee, sitting just where you are.

When Mr. Freeman took over as Secretary of Agriculture, there were about 66 million pounds of butter in the inventory of CCC, which Mr. Benson had reduced to that level. As of October 31, 1962, there are 421 million pounds of butter in CCC inventory.

In large part this came about by the increased support price on milk from \$3.22 to \$3.40. He came to this committee or sent word—he tried to get this committee to retain the price support which he had arbitrarily raised. Cheese was practically down to nothing. He got that in trouble, too. As of October 1, 1962, there were 120 million pounds of cheese in the inventory of CCC.

I think that is enough of an example. There are more. I am not going to be any more critical than this, except to say that if we are going to discuss the political situation—

Mr. HESTER. Congressman Beermann, we came from a Democratic State. That makes a difference.

Mr. BEERMANN. It doesn't make a difference. I say whatever legislation is good, whether Republicans or Democrats propose it, this committee should pass it. This committee is made up of 21 Democrats and 14 Republicans. I happen to be on the Republican side of the 14, in the minority. I am a feed grain farmer. We could have had feed grain legislation that would have been good for the feed grain farmer, but it wasn't passed.

Today the feed grain people will be in more trouble than they were before this legislation was passed.

I am sorry, Mr. Grant, I have to take up an issue such at this at this time. I like your Congressman.

Mr. HESTER. Thank you very much. We appreciate it. Thank all of you.

Mr. GATHINGS. Thank you gentlemen very much.

I want to read into the record a telegram which came in. I would like to have this inserted immediately following the statement of the American Cotton Shippers.

This is from Atlanta, Ga., addressed to me.

The cotton merchandising industry of North Carolina, Virginia, South Carolina, Alabama, Georgia, and Florida supports the position that will be taken by American Cotton Shippers Association regarding payments of p.i.k.'s in connection with new cotton legislation being considered by your committee at hearings December 13 and 14, 1962.

Best regards,

J. M. GLOER,
Executive Vice President and Secretary,
Atlantic Cotton Association.

Mr. HAGEN. Off the record.

(Discussion held off the record.)

Mr. GATHINGS. I have a statement by the New York Cotton Exchange, dated today. I would like to present it for the record without objection.

(The statement referred to follows:)

STATEMENT OF THE NEW YORK COTTON EXCHANGE

The New York Cotton Exchange members heartily endorse the President's proposal to submit legislation to Congress which is designed to remove the inequity created by the present two-price system for cotton.

The membership of our exchange includes representatives of all branches of the industry—producers, merchants, and textile manufacturers. The exchange is manifestly interested in the prosperity of the entire cotton economy and in the restoration of free markets. Cotton must be placed in a strong position to combat the inroads of synthetic fibers and the completion of foreign growers for world trade.

We endorse the principle of maintaining producer income while pricing cotton competitively in export and domestic markets.

We support the textile manufacturers, merchants, and others in their demand for a return to a one-price system for cotton and an end to discrimination in favor of their foreign competitors. Payment-in-kind certificates seem to offer the appropriate means of equalizing prices. This should be provided by new legislation as essential to preservation of the industry.

Payment-in-kind certificates should be issued to the persons who buy the cotton from the producer. This point is so vital that it must be included in legislation and not left to administrative decision.

If the subsidy is paid to the very first buyer of the cotton, merchants will have every incentive to carry an inventory as they will be able to hedge it in a futures market which reflects the true price and value of cotton. This means that merchants will once again have the opportunity to offer cotton from their own inventories on a competitive basis with those who rely on Government to carry their risks and finance their operations.

If the payment is not made to the first buyer, it will be manifestly advantageous to let Government carry stocks of cotton until sold to the final consumer. Merchants could not afford to invest in large inventories of cotton at the higher price knowing that the amount of the subsidy could not be recovered until delivery to the ultimate consumer.

There can be little doubt if the payment-in-kind certificates are paid to the last seller of cotton, free stocks will be reduced to a bare minimum and the Government loan program will continue to displace the historically efficient mechanism of a free market in the merchandising of cotton.

We are grateful for this opportunity to present our views to your distinguished committee, and we wish to express our thanks for your efforts to find a solution to the problems of the cotton industry.

Mr. GATHINGS. I have a statement of Edward H. Bush in behalf of the Texas Cotton Ginners' Association.

(The statement referred to follows:)

STATEMENT OF EDWARD H. BUSH IN BEHALF OF THE TEXAS COTTON GINNERS' ASSOCIATION, INC.

My name is Edward H. Bush. I am executive vice president of the Texas Cotton Ginners' Association, which has its headquarters in Dallas, Tex. The aims and objectives of the Texas Cotton Ginners' Association are to increase the efficiency and lower the costs of handling and processing cotton and cottonseed and to expand the consumption of cotton and cottonseed products. This is done primarily through research and educational programs.

Our purpose in presenting this statement to you is to point up the critical situation the cotton industry finds itself in at this time and to discuss the need for legislation. Dr. M. K. Horne, chief economist for the National Cotton Council of America, has previously presented to you an analysis of cotton's present competitive situation. We thoroughly agree with this analysis. Dr. Horne did not, however, point up to you how this loss of markets and subsequent reduction in acreage would ultimately affect processors such as ourselves. Cotton ginners are volume operators. There is a break-even point which must be met before any profit can be realized. The Secretary was forced to announce recently a reduction in the national allotment from 18.1 million acres to the 16-million-acre minimum. Prorated to Texas, this resulted in approximately 11.4 percent reduction. There are at present 1,488 gins in Texas. Texas acreage allotment was reduced this coming year by 873,427 acres. At the 349-pound per-acre average production for 1962, this means Texas production can reasonably be expected to be reduced by about 609,000 bales. This means a reduction in potential volume of approximately 400 bales per gin. With this reduction, undoubtedly 60 to 70 percent of the gins in Texas will be operating at a loss.

This cannot be good for the Texas cotton farmer. With today's rapid advances and mechanization, it is requiring more and greater expenditures for cotton ginning machinery. Gins often cost \$250,000 to \$300,000 in order to do an adequate job of processing for farmers. With volumes drastically reduced, gins can no longer purchase needed new equipment, and obsolescence and depreciation will rapidly take over. Ginners will be forced out of business.

We are sure that the loss of markets must necessarily reflect in the national acreage allotment and the Secretary of Agriculture was required by law to establish the national minimum for 1963. The situation is critical and has far-reaching implications in each segment of the cotton industry. In January of 1962 the board of directors of the Texas Cotton Ginners' Association passed a resolution which contained guidelines for any sound cotton program. They felt that any program embodying the following principles would solve cotton's problem and would be one which they could fully support:

"1. Any program with less than a minimum acreage of 16,310,000 is unacceptable.

"2. That any farm program should include provisions for adequate farmer protection and support.

"3. Cotton should be competitive in the world marketplace at one price to both domestic and foreign mills.

"4. Any limitation on payments whatsoever is not only unacceptable but discriminatory and has no basis for fair and equitable participation for any farmer, regardless of size.

"5. That marketing orders are undesirable and unworkable with respect to cotton.

"6. That quotas should be in acres and not in pounds or bales.

"7. That any program devised which does not take into account all industry groups as far as cotton is concerned will be unworkable and unfair.

"We further believe that present regulations providing for release and reapportionment of cotton acreage are adequate. We favor cotton being handled in normal trade channels so as to preserve the private enterprise system, and we believe in the principles of less Government control instead of more Government control. We support the continuation of the present law governing price support and acreage for cotton until a better proposal is made that will satisfy our objectives of maintaining farmers' income, expanding markets, and reducing Government costs."

We believe that these principles if integrated into a single cotton program will solve cotton's immediate and future needs, and we pledge our wholehearted support of any legislation which embody these objectives.

We wish to thank the committee for hearing our views.

Mr. GATHINGS. I have a statement by Lloyd Godley, Osceola, Ark., to be presented for the record without objection.

(The statement referred to follows:)

STATEMENT OF LLOYD GODLEY, OSCEOLA, ARK.

I am Lloyd Godley of Osceola, Ark. My business is farming and managing Planters Production Credit Association.

My many years of studying our farm problems has convinced me that a parity of income for agriculture is the very foundation of this Nation's economic stability.

If our net farm income was \$20 billion instead of \$13 billion, business and industry would reach its greatest peak of prosperity.

Historically, \$7 of national income is produced for every \$1 of farm income; therefore, a \$7 billion increase in farm income will increase national income by \$49 billion. Such an increase in farm income will indeed move the economy ahead at such a pace that taxes can be lowered and the national debt decreased.

If, as our President has so often suggested, we need to move ahead, then we can move ahead through an increase in farmer purchasing power.

We are not moving away from a reliance on our farm economy. It is still, as it has always been, our basic industry.

Farmers are and have always been underconsumers of industrial goods due to a serious lack of purchasing power.

In recent months there has been almost a frantic outcry for a reduction in the price of cotton as a means of increasing domestic consumption, so they say.

If there should be a decrease in the price of cotton with no provision for maintaining cotton farmer income, then there would be, if past history can be relied upon as a guide for the future, a reduction, not an increase, in domestic consumption.

I make this statement without fear of successful contradiction for the simple reason that there is no statistical evidence that cheap cotton has ever increased cotton consumption. There is much statistical evidence indicating that cheap cotton has decreased cotton consumption.

As a matter of fact, over the past 40 years a selection of the 20 years with the lowest price shows that in that 20-year period, we consumed 27,871,000 fewer bales of cotton domestically than we did during the 20 years of highest price.

It is really not difficult to understand why this is true because cotton farmers had 15,900 million more dollars to spend during the 20 years of highest price.

In a more recent period—the 10 years 1950 through 1959—selecting the 5 years with the lowest cotton price we consumed domestically, 4,030,000 fewer bales than we consumed during the 5 years of highest price. Again, this is not surprising because cotton farmers gross cotton income was \$1,390 million more over the 5-year period of highest price.

In my opinion, there is no valid reason for the contention that we are losing our domestic cotton market to rayon. It is really degrading to cotton to compare it with rayon.

It appears that we will consume domestically more bales of cotton in 1962 than we have any year since 1954 with the possible exception of 1955 when cotton was supported 2 cents per pound higher than in 1962.

It is a fact that we consumed domestically more rayon in 1950 than we did in 1961.

During this same period, our consumption of no cellulosic fibers, selling at prices much above cotton, increased in consumption fivefold.

After reviewing all statistical facts and judging from our knowledge of the buying habits of our people, we should, it seems to me, conclude that within reasonable price range the fiber will be used that best fits the public's needs.

At 82 percent of parity, cotton is not high priced nor does it provide a high enough cotton income to permit the cotton farmer to contribute anything like his full share to the growth of our economy.

I am not here to argue that cotton should not be sold cheaper to our domestic mills since we are subsidizing their competitor, the foreign mills. If, through a trade incentive plan which is a domestic subsidy, our cotton mills are able to

more fully compete with the products of foreign mills, then our cotton industry should be strengthened and our domestic consumption increased some, but only if farm income is kept at its present level or above.

We should, in my opinion, try such a plan.

In discussing this price consumption relationship, I would like to insert here a recent article by Leland DuVall, staff writer of the Arkansas Gazette and a brilliant analyst of farm facts.

"Everybody talks of 'profit squeeze' but farmers suffer.

"During the past few years, the price of cotton has declined about 20 percent while the tags on tractors and cotton pickers have increased about 40 percent," a good east Arkansas cotton and soybean farmer remarked last week. "The only way I have been able to stay in business was by increasing my farming efficiency but the two-way squeeze is beginning to hurt."

Here, in a capsule, is the farm problem.

Other segments of the economy have been hampered by rising costs but, in many cases, the expense has been passed along in the form of higher prices. That is why the price tags on tractors have climbed.

Economists (genuine and phony) tend to maintain a strange double standard when they undertake to explain the movement of industrial goods and farm commodities into the domestic and foreign markets.

When discussing the difficulties of selling industrial goods in competition with the output from factories in other nations, the popular explanation is that "labor costs" have driven prices up to a point that American corporations encounter difficulties. The mention of farm commodities, on the other hand, brings the explanation that farmers are pricing themselves out of the market.

The inference here is that farmers should go ahead and produce to the limit of their capacity, then offer the commodities at whatever price they would bring. In view of the massive capacity of American agriculture, this would assure the United States a near monopoly on the world market.

By the same reasoning, if American factories should go ahead and operate their assembly lines at full speed, then sell their goods in the "free" market, their output would dominate world trade.

The only thing wrong with this approach is that it would send both groups into bankruptcy.

There remains an economic factor that must be considered: Profits.

Our whole system is predicated on the assumption that there must be something left over from the sale of goods and services after the producer has paid the costs. Industry knows this quite well and spends a considerable amount of money (for advertising and public relations) in making certain that its customers understand. Agriculture has not been so successful in explaining that profits are as essential to the continued operation of its business as they are to industry, which may be responsible—in part—for the belief that farms should be pushed to capacity and should sell at the market.

The real difficulty in understanding the problem stems from the fact that our economic system, and the theories about how it works, is rooted in a period when scarcity was the way of life. Consequently, we are unprepared to deal with ample supplies and surpluses. We are confounded by our abundance because we have not developed an economic theory for moving it into the hands of consumers.

The "classic" economic system was designed for the inequitable distribution of limited supplies of goods and services. No one has come up with an efficient system for the equitable distribution of ample quantities; consequently, we depend on artificial shortages to maintain price structures.

The steel industry, for example, creates an atmosphere of "shortages" by operating at 50 to 60 percent of capacity when this is necessary and selling at a price that will provide a profit. Executives in the industry protest, of course, that they do not earn enough and that their businesses are in danger of starving but their emaciated condition does not prevent further expansion in the face of excess capacity.

Bethlehem Steel Corp., for example, announced last week that it would build a fully integrated plant that just might end up as the biggest in the world. Company officials did not release an estimate of the cost but steel men said it could run as high as \$2,500 million.

By conservative estimates, the industry could have produced 160 million tons of steel this year if it had operated its furnaces at rated capacity. By the addition of a new gadget—an oxygen injection system that can be installed

without major changes in the furnace—the output could have been increased far above that. However, the output this year will be around 100 million tons. Even after paying fixed cost (maintenance, depreciation at a higher rate, debt service and other expenses) on this vast surplus capacity, the steel industry will show a neat profit this year on the limited sales. At the same time, the big companies continue to expand.

The steel industry manages to maintain the illusion of a “small shortage” even in the face of this surplus capacity, and so protects its price structure.

The petroleum industry encounters considerably more difficulty in maintaining the illusion of a shortage. Its problems stem from (1) the large number of independent companies and “wildcatters” who can upset the balance and (2) the threat of imports from fields where production costs are lower than those in the United States.

While the steel industry (and many others) need little help in maintaining the illusion of shortages, the petroleum companies call on the Government for help. By some strange coincidence, the system that has evolved is quite similar to some phases of the Federal farm program. A Government unit sets up production schedules for the individual wells at rates that will just about maintain a balance between supply and demand. One other gimmick is necessary: Import quotas. By using the two types of machinery, petroleum is able to maintain a price structure that will protect its profits.

Here the double standard of economic analysis works to perfection. No one questions the right of an established oil company with a major investment in leases and equipment to earn a profit, even if a unit of Government has to step in and prevent excessive competition from imports or control domestic production with a rigid system of supply management. When the same system is applied to agriculture, as, for example, in the rice program, it draws the criticism that someone wants to “interfere” with the free market and “enslave” agriculture.

Agriculture has demonstrated an amazing ability to improve its productive efficiency in the face of rising costs. On the basis of records for the past few years, the farm segment of the economy probably would outlast industry in an atmosphere of absolutely free competition.

The point of the whole line of reasoning is that, in an economy of abundance, profits would disappear at all trading levels if all the curbs were removed. Since profits provide the incentive for economic activity, they must be protected—regardless of whether the job has to be done by the Department of Agriculture, the concentrated bargaining power of major corporations, or the Texas Railroad Commission.

While many of us favor the so-called trade incentive plan, or some similar device, most of us who grow cotton without benefit of gin or oil mill profits are very much opposed to any type of choice program.

A choice program will solve absolutely nothing. It will not decrease the cost of cotton to the domestic mills. It will not change our competitive position abroad.

It does have the potential of taking cotton acreage from those who need it most for the benefit of those who need it least.

It has the potential of greatly adding to the surplus because the added acreage would be the most productive land. One million acres added through choice would no doubt produce 1,500,000 bales.

A choice program will definitely lower cotton farmer net income.

When the break-even point for those most highly mechanized and intergraded with gins and oil mills is not below 25 cents per pound, it is evident that no one will make any material gain from such program.

Most certainly those giving up acreage through a cut in their basic allotment to make room for the choice will lose.

A choice program will force many tenants, under penalty of loss of rental contract, to participate in such a program even though they know in the beginning that it is a losing proposition.

A choice program violates our time-tested and proven method of allotting acreage on a historical basis which is the only fair way.

The corn farmers have always had a choice without penalty. Look what a mess they are in.

The 15 acres of wheat which every farmer in America is permitted to plant with no reference to history has destroyed for all practical purposes, the wheat program.

A choice cotton program will "plant the seed" for destruction of the cotton program.

The cotton program's long-time success is due to the fact that cotton farmers have always been willing to fit production to demand. The main factor that has induced this attitude is that cotton acreage is and has always, with the exception of the A and B program, been allotted on a historical basis. We who farm cotton realize that the allotments are on as fair a basis as normal human judgment will permit.

If the contention be valid that because a farmer wants to plant a greater acreage to cotton he should be granted that privilege provided he is willing to plant the additional acreage without benefit of Government supports, then it might seem equally valid that he be permitted unlimited planting provided he forgo all Government benefits.

Such action would indeed destroy the program.

My point is that when we once violate the successful time-tested and proven method of allotment by history, then we have gone a long way down the path that may lead to ineffective controls which may in turn lead to no controls.

In my opinion, the theory of supply management is the only logical way to handle our potential food and fiber supply.

Operating under this theory, it would seem illogical to permit an individual to increase his acreage of cotton simply because he is willing to produce at a "bargain price".

I am confident that most individuals who are bona fide producers of cotton agree with me on this subject. I know there are some commercial ginner-farmers and some oil mill-farmers who disagree with my point of view.

I do believe that farm programs should be built for the primary benefit of those who till the soil. All others will receive a secondary benefit.

I cannot believe that the average cotton farmer can benefit by a program that provides the potential for as much as 1 million acres above the normal allotment being planted on the most productive land with a probable production of 1½ million bales above that projected as necessary to fill the domestic and export demand.

Thank you for the privilege of presenting my viewpoint on this most important subject.

We have great faith in the judgment of this committee.

MR. GATHINGS. I have a telegram from the Tennessee Agricultural Council to be inserted in the record.

(The telegram referred to follows:)

MILAN, TENN., December 12, 1962.

HON. E. C. GATHINGS,
House Office Building, Washington, D.C.:

The Tennessee Agricultural Council, at a meeting in Milan, Tenn., on December 10, 1962 voted unanimously in support of Under Secretary of Agriculture Charles S. Murphy's "prospects for cotton legislation" as he outlined in speech before Agricultural Council of Arkansas in Memphis on December 3, 1962, with the following provision: that if a choice program is ensued, the increase in acreage be not less than 20 percent.

TENNESSEE AGRICULTURAL COUNCIL,
JOHN A. SHOAF.

MR. GATHINGS. Is there any other statement the members have which should go in the record at this time?

(No response.)

MR. GATHINGS. We shall recess at this time until 9:30 tomorrow morning.

(Hearing recessed at 5:50 p.m.)

COTTON

FRIDAY, DECEMBER 14, 1962

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON COTTON OF THE
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittee met, pursuant to recess, at 9:30 a.m., in room 1310, Longworth Building, Hon. E. C. Gathings (chairman) presiding.

Present: Representatives Gathings, Grant, Abernethy, Jones of Missouri, Hagen of California, and Beermann.

Also present: Hyde H. Murray, assistant clerk; John J. Heimburger, counsel; Francis M. LeMay, consultant; and Robert Bruce, assistant counsel.

Mr. GAITHINGS. The subcommittee will come to order. Our first witness this morning will be W. L. Smith, Western Cotton Growers Association. Is anyone going to appear with you, Mr. Smith?

Mr. SMITH. No, sir. I am from that No. 1 State all by myself.

Mr. GATHINGS. You may proceed, sir.

STATEMENT OF W. L. SMITH, VICE PRESIDENT, WESTERN COTTON GROWERS ASSOCIATION, BUTTOWILL, CALIF.

Mr. SMITH. My name is W. L. Smith, a cottongrower from Buttowill, Calif. I am vice president of the Western Cotton Growers Association.

The national interest and the future of the cotton industry, in our opinion, require immediate action both by the Department of Agriculture and the Congress. The basic trouble with cotton is that it is no longer competitive in price. In the last few years the markets which it should have had have been gobbled up by cheaper synthetic fibers.

Rayon staple fiber consumption increased 64 percent from January 1961 through September 1962—

J. Craig Smith, president of Avondale Mills, Sylacauga, Ala., pointed out.

Cotton is losing ground at the mill door today because it is less competitively priced than it ever has been. Avondale has been spinning cotton for 65 years. We have recently built a new mill at Stevenson. This is the first textile products mill that has been built in Alabama in 12 years. It will make yarn from man-made fibers—

C. A. Cannon, chairman of the board of the Cannon Mills Co., at Kannapolis, N.C., warned of a further drastic drop in U.S. cotton consumption in the near future:

With the world price of cotton dropping and with the artificially high price of cotton to U.S. mills under the two-price system, it seems safe to say that we are going down to 3 million bales export and 7 million bales consumption in this country in a very short time unless something is changed.

Millions of dollars are being poured into the development of synthetic fiber capacity and millions of yards of goods are being poured into this country each year. You may have noticed in the press this week that the Du Pont Co. is putting \$346 million into plant expansion next year.

W. Gordon McCabe, Jr., vice president of J. P. Stevens Co., Greenville, S.C., said:

It is difficult for us so closely connected with cotton textiles to understand why growers of cotton fiber are not alarmed over the continuing trend away from cotton and toward synthetics. Cotton is a preferred fiber but not in any way competitive. The present trend will continue, and accelerate. Cotton is fighting a losing battle unless immediate steps are taken to reverse this trend.

To allow this trend to continue for even 1 more year would, in our opinion, be disastrous. In the first place, the cottongrowers themselves would suffer from a reduction in acreage when they need an increase in acreage to make possible lower per unit cost. In the second place, growers of other crops would find, even as they find it today, land which should be in cotton planted in other crops and thereby causing an imbalance in their former markets. In California this is already a real serious threat. To allow it to continue would create problems of a magnitude which, 5 years ago, would have been hard to envision.

The third group which would suffer from a continued decline in cotton acreage includes the allied and associated industries and businesses. These include all the cotton processors, merchants, warehousemen, and transportation firms directly involved in handling cotton. It also includes the manufacturers of equipment: Machinery, pumps, tires, insecticides, fertilizers, petroleum products. The blow would fall heaviest on hundreds of thousands of employees which these firms hire, throughout the Nation.

Finally, we call attention again to the fact that sales of American cotton abroad gain much-needed foreign exchange and help protect our dwindling gold supply. We feel very strongly that the cotton-growers of this Nation should be allowed to produce more export cotton at a lower cost to the Government to help protect our gold supply.

We feel so strongly in this matter that we urge the Department of Agriculture to act immediately to help meet the threat, and we urge the Congress to act as soon as possible after it meets in January.

Our association has believed that it would be better for the growers to have some choice plan, but we are fearful that hearings and legislation, disagreements, and problems on this matter may delay it too long. I am not a lawyer or economist; I am just a farmer speaking as a farmer.

As growers, we feel that we can make some contribution to a more competitive price to the textile mills which we desperately need in return for more acres. We therefore feel that the Department of Agriculture should consider exercising the authority which it has now to help make cotton more competitive by reducing the price and to

help maintain the cottongrowers' income by increasing the national allotment.

Since the Department of Agriculture and many growers seem to have indicated that a 30-cent level for the growers who took increased acreage would be acceptable, we suggest that this price support might be announced at once; and in order to fulfill the pledge of this administration to maintain the growers' income, we feel that some increase in last year's allotment is indicated, and we urge 19 million acres at the lower price. Even this, of course, will not keep the growers' income at last year's level.

We feel that the 19-million-acre figure would be justified by increased consumption of cotton which would result from this lowered price support and from the application of the offset fee. There is some risk in this, of course, in building up stocks, but we growers feel that if we are going to take a risk on lower price, the Government could take a calculated risk on supplies building up temporarily. All the testimony here has been that lower prices will stimulate increased use by the mills.

The Secretary of Agriculture has the power to do all this now, and in the national interest we urge that he act at once, so that farmers can intelligently plan their operations for next year. Any grower who will take increased acres needs to start getting ready right now.

When Congress meets in January we would support for immediate passage in the Congress of an acceptable choice plan whereby growers who wish to plant fewer acres could maintain their higher price.

By that we mean that any grower who elected to take a higher price on fewer acres would have to take a bona fide cut. To allow him to get a higher price on a lesser allotment and then rebuild his acreage up by means of released and reapportioned acres would destroy the purpose of a choice program and would cost the Treasury millions and millions of dollars additional.

Furthermore, we feel that any choice program should allow history for any grower who agrees to take the lower price for up to 40 percent more acres. We also feel that any grower who wants the higher price should have the further right to retire his whole allotment to the Federal Government for a lump payment in kind. This would, in the long run, be cheaper to the Federal Treasury and would give growers who were having a hard time a lump sum to help them along, in another business, to pay bills or buy things they need.

We would also support for immediate passage by the Congress legislation providing for the payment of an equalization fee which would make our cotton competitive to the U.S. mills, and thereby increase the consumption, and stop this spiraling loss of markets and slashes in acres.

We need time in the cotton industry to enable us to bring down our costs of production and thereby be more competitive in the world market and to reduce the cost of the cotton program to the taxpayers. The Cotton Producers Institute, which was started in California and which our growers are supporting with their own contributions to the tune of about \$1 million a year in California alone, can do a great deal along these lines.

The most important thing right now is to get cotton more competitive. If we don't do this, all growers, both those who would produce

on fewer acres at a higher price and those who would produce on more acres at a lower price, would suffer.

Already significant grants to carry on research to reduce the cost of production have been made. It will, of course, be several years before these start paying off in definite results by lowering the cost of treating insects, diseases, and the like.

In the meantime, the easiest way to reduce the cost per pound production of cotton is to increase the allotments. This is so, of course, because a grower could increase his production perhaps 10, 15 or 20 percent, using his same land, machinery and resources. The cost of increased production, in most cases, would be significantly lower per unit than the basic allotment cost would be.

Again, we in California urge, as earnestly and sincerely as we can, that the Department of Agriculture and the Congress recognize the need for immediate and prompt action, and take that action in the national interest.

MR. GATHINGS. We are grateful to you for giving us the benefit of your views. We have a question or two of you, sir. The Western Cotton Growers Association is composed of how many people from how many States?

MR. SMITH. We are in five States, under different names, but we all work under the name of the Western Cotton Growers Association. The boys in Arizona have another name, although we work along with them. I do not know what they call their organization, but we all work together along the same line.

MR. GATHINGS. You do have members in the five States in the Western Cotton Growers Association or are they largely from other States beside Arizona?

MR. SMITH. There is New Mexico and west Texas.

MR. ABERNETHY. Nevada.

MR. SMITH. They have a different name for their organization. Some of the boys from Arizona are here. I do not know what they call their organization. We do work along the same line together.

MR. GATHINGS. You brought out a real good point in the early part of your statement; that is, that the cotton business is big business and it is all-embracing. You included transportation, the facilities necessary to haul these products about over the country. You mentioned many of the supply people. I think we do not realize many times the importance to the general economy of cotton because it takes so many people in these various phases from the time the seed is planted until the finished garment is worn by the consuming public. There are so many people involved in between. You brought that point out very well.

MR. SMITH. I think somebody brought that up yesterday. More people are employed, directly and indirectly, in the growing and processing of cotton than in any other industry.

MR. GATHINGS. So if the cotton industry is not a thriving, strong, virile industry, it affects many people and that could have an adverse effect upon the general economy of the Nation.

MR. SMITH. That is right.

MR. ABERNETHY. Mr. Chairman, may I ask a question?

MR. GATHINGS. Mr. Abernethy.

MR. ABERNETHY. I am happy to see you back, Mr. Smith. You have been here many times in the past.

I missed the early part of your statement. As I understand, your immediate recommendation was to lower the support price at this particular time by Executive action; is that right?

Mr. SMITH. That is right.

Mr. ABERNETHY. To what level, or did you fix a level?

Mr. SMITH. No. I will tell you something that happened in our own little town where I live, Buttonwillow. There are about 50,000 bales of cotton grown in that area. We called a meeting together there of the growers. We got a wonderful response. We got about 80 growers at the meeting and I would say 95 percent of the cotton in that area was represented. We called them in to see what the farmers would say without anybody to coach them at all. Right there they all agreed to a 3-cent cut.

Mr. ABERNETHY. 3 cents?

Mr. SMITH. Yes, sir.

Mr. ABERNETHY. They did not authorize you, though, to recommend that?

Mr. SMITH. No.

Mr. ABERNETHY. That was from that immediate area?

Mr. SMITH. Yes, sir.

Mr. ABERNETHY. Did they do that in anticipation of an increase in acreage? In other words, was the consideration for reduction in price an increase in acres?

Mr. SMITH. That is right.

Mr. ABERNETHY. Were they of the opinion that the Secretary could do that now without any further legislative authority?

Mr. SMITH. I think they were of that impression, that he had the authority.

Mr. ABERNETHY. My information is that the Solicitor of the Department has held, his opinion is that, having announced the acreage, they cannot change it except by legislative act. If that be an accurate interpretation the attitude of your people would not be for the lower price unless that increase in acreage could be granted; is that right?

Mr. SMITH. I think they will want the increase in acreage with the lower price.

Mr. ABERNETHY. Following those two steps, you have a further recommendation, what you call an equalization fee. That is the type thing that was testified to on yesterday, payment to be made by the Government to somebody somewhere along the line from the farmer to the mill. Did you agree on any level of payment?

Mr. SMITH. No, I do not think they did.

Mr. ABERNETHY. In other words, the payment would be made just competitively, but competitive by whom, foreign markets, synthetic markets, or what?

Mr. SMITH. As near competitive with the world market as it could be. They realize that to get down to the world market they do not feel we could meet that much difference right now. But they do think, with a little time, maybe we could adjust ourselves to go even at a lower support price. They sure did not want the rug jerked right out from under them right now. They want a little time on this thing. They are very cooperative on the deal because they realize we have to do something or else be out of business.

Mr. ABERNETHY. You understand, do you not, that the problem of the domestic mills is certainly not because of the cotton that we are shipping in export under the export program, but that their problem is all cotton grown in the free world that comes into the United States in the form of manufactured goods, cotton which was purchased at 8½ cents a pound or thereabouts cheaper than American cotton. You do not take the position that our export program has been the cause of the problem of the domestic mills, do you?

Mr. SMITH. I want to think of that one a little.

Mr. ABERNETHY. Put it this way. If we did not export one single bale of cotton, cotton would still be available to foreign mills from the free world production, would it not?

Mr. SMITH. That is right.

Mr. ABERNETHY. My understanding is there are 19 to 20 million bales of that cotton available. That is all, Mr. Chairman.

Mr. GATHINGS. Mr. Smith, I believe you testified, if I heard it correctly, you are recommending a 19-million-acre allotment across the board. Did I hear you right?

Mr. SMITH. Yes, sir.

Mr. GATHINGS. Nineteen million?

Mr. SMITH. There would be no argument by us along that line. There have been others saying 18 million acres. The important thing in this business is letting people that want to grow more cotton at a cheaper price, let them do it, which would make it more near the world price.

Mr. GATHINGS. You mean in 1963 to expand production by 900,000 acres? That is, for 1963. Did I understand you want 19 million acres for next year?

Mr. SMITH. That is right.

Mr. GATHINGS. We had 18.1 million acres this year. We produced 1,200,000 bales more than we were able to consume here and abroad. We do not anticipate in 1963 a falloff in yield, I would not think. So we would produce quite a lot of cotton on 19 million acres, would we not?

Mr. SMITH. In a good year you would produce a lot of cotton. That is not the point we would argue on. That was the 18 or 19 million acres. It was the thinking of the boys that that would give those who wanted to grow cotton a cheaper price a chance to do it, and it would be more competitively priced cotton to sell. That is about it.

Mr. GATHINGS. What is the situation with regard to water in the State of California and the other Western States that are embraced in your association's membership?

Mr. SMITH. There are a lot of different conditions there in the same areas. In the county I live in, Kern County, for instance, I live in an area of what we call good water condition. There is a terrific difference in the cost of water per acre in the area where I live and 35 miles from there in another area.

Mr. GATHINGS. Is it higher or lower where you live?

Mr. SMITH. It is lower where I live. In these other areas it is sometimes even \$50 an acre difference in the water.

Mr. GATHINGS. \$50 an acre?

Mr. SMITH. That is right.

Mr. GATHINGS. How much does the water cost per acre in your county, Mr. Smith?

Mr. SMITH. In my county?

Mr. GATHINGS. Yes.

Mr. SMITH. I am saying in the counties there are different areas. In my area if we have a little ditch water along with the well water, the ditch water would be about \$12 to \$14 an acre. If we have to pump it all, it is about \$18. In some other areas in the same county it will cost them \$60 to \$70 an acre, lifting water 600 feet.

Mr. GATHINGS. You lift it 600 feet now. How far did you lift it 5 years ago?

Mr. SMITH. I wonder if I can answer that intelligently. It has been dropping about 10 feet a year in some areas. There is a terrific difference right there in the cost of the water alone in that area. That is more or less so in some other parts of the valley, too. There are good areas where water is fairly reasonable, and then there are the higher priced areas.

Mr. GATHINGS. Are there further questions? Mr. Jones.

Mr. JONES. Mr. Smith, you mentioned about this 19 million acres. What do you think about just holding this base at the 16 and then permitting those who are willing to accept this lower price to increase their plantings so that all of the increase would be at this lower price to bring you an average, a blended price?

Mr. SMITH. In other words, what you are saying is if somebody had the higher price, and took the support, and took a certain percentage of the increase at the lower price, they would get a blended average then?

Mr. JONES. Yes. Does that appeal to you?

Mr. SMITH. Yes.

Mr. JONES. In your particular area, just using you—you are a farmer, I presume.

Mr. SMITH. Yes.

Mr. JONES. Using your case, how much increase would you make if you could get a blended price, say, of 30 cents a pound, for your production? How much increase would you make?

Mr. SMITH. On my own property?

Mr. JONES. Yes; how much could you make on your own property?

Mr. SMITH. Twenty-five percent, not more than that, on my own particular place.

Mr. JONES. There has been some plan suggested here that we permit an increase of 30 percent above 16 million base, and it has been estimated that that would only bring into production something like 1 million acres, but that would give the people in your area an opportunity to increase all that they wanted to and without going to this 19 million where you would have more of this release and reapportionment.

Mr. SMITH. Yes.

Mr. JONES. That way you would only have about 17 million acres of cotton, and all of the increase would be at a lower price. It has been estimated they could pay the export subsidy, those people would pay that, so that would be at no cost to the Government. I hope you will study that and see what you think of that plan and carry it back to your people. Thank you, Mr. Chairman.

Mr. GATHINGS. Mr. Hagen.

Mr. HAGEN. I would like to welcome Mr. Smith. He is a constituent of mine. In addition to being a vice president of Western Cotton Growers, he is also a member of the county ASC committee of Kern County. I think he can be classified as a middle-range farmer, not large and not real small.

As I understand the California proposal—incidentally, the Western Cotton Producers is the only organization in California devoted entirely to the commodity of cotton. If a grower belongs to a cotton organization, he belongs to the Western Cotton Grower Association. As I understand the California proposal, they seek acreage increases for 1963 and thereafter which will permit a grower who wanted to take a lower price to increase, say 30 percent, as Mr. Jones indicated, or perhaps as high as 40. But whatever that acreage is, that is what they think it should be. If it is 18 million acres with the increase available only to choice growers a 30-percent increase might be possible.

Mr. GATHINGS. They are a little flexible on that score.

Mr. HAGEN. That is right. I think they visualize an opportunity to grow 30 percent more than we would normally grow under this 16-million-acre allotment.

As background of this, I should say when the quotas went in, California suffered one of the severest cuts of any State, I think about 50 percent, because of the formula for allocating history among States. There was a radical cut. The problem we have is that we have such tight fixed overhead costs that this constant reduction in acreage is a very real problem. If you have a tractor or a cottonpicker it costs you \$10 or \$20 a day just to have it sit there idle.

Mr. SMITH. The money is invested in it.

Mr. HAGEN. You are paying for that piece of equipment whether you are growing anything with it or not. If they cannot grow cotton, they will grow other crops even though it is less profitable. They are willing to accept, say, 30 cents a pound on a blended basis or any other basis for an opportunity to grow, say, 30 percent more. Probably their position is essentially that of the Delta Council, which was presented here yesterday. They may differ about the mechanics of it, but that is essentially their position. Is that not right?

Mr. SMITH. That is right.

Mr. HAGEN. Thank you.

Mr. GATHINGS. I just wondered about the growth of California. California will probably be the most populated State in the Union.

Mr. SMITH. It already is.

Mr. GATHINGS. A lot of our folks have gone to California. I hope we can get some of them back.

Mr. ABERNETHY. A lot of them I would rather not have come back.

Mr. GATHINGS. We need our people back home in Arkansas. They like California, too. I just wondered if we are going to be able to get some votes out of California to pass a reasonable cotton bill, Mr. Smith. That is the thing we need. You are getting up high in population. You will have a good many House votes. I wonder if those people in the cities of Los Angeles and San Francisco will go along with the Western Cotton Growers Association support of cotton legislation and help us get this bill passed in the House of Representatives.

Mr. SMITH. I think if they know what is good for them, they better help, because it will affect them all.

Mr. GATHINGS. Mr. Grant.

Mr. GRANT. Mr. Chairman, I notice Mr. Abernethy said they were sending some folks out there that he did not want. Perhaps Mr. Smith would agree with me that if you have a cotton problem, there is no use having another extra problem in addition to that cotton problem.

I do want to say this. Mr. Smith has been before the committee several times. We had the pleasure of seeing him out in California some years ago. It is always refreshing and interesting to have you as a witness before the committee, Mr. Smith.

Mr. GATHINGS. Mr. Beermann has a question.

Mr. BEERMANN. Mr. Smith, what kind of cotton do you grow in California?

Mr. SMITH. It is not what you call the real long-staple cotton, but it is longer staple cotton than a lot of cotton grown. It is an inch and a sixteenth, some is an inch and three-thirty-seconds, some an inch and an eighth.

Mr. BEERMANN. Is this kind of cotton you grow easier to sell than shorter staple cotton?

Mr. SMITH. I do not know whether it is easier or not, but it sells awful good; seems to be in demand.

Mr. BEERMANN. You do not have as much difficulty growing this kind of cotton as they might have in other areas; is that right?

Mr. SMITH. If the price is anywhere near right, this will sell. This was proven with the A and B plan. The cotton sold. We reduced our carryover a million bales or more. Cotton was cleaned up in California.

Mr. BEERMANN. Is the average production per acre higher in California than in other areas?

Mr. SMITH. The State average there last year was a little over a thousand pounds.

Mr. HAGEN. A little over a thousand pounds an acre.

Mr. BEERMAN. Almost 2 bales.

Mr. SMITH. A little over 2 bales.

Mr. BEERMANN. When you recommend this so-called equalization fee, do you foresee in cotton that you may not want to have this kind of program in the future?

Mr. SMITH. In talking with lots of our growers, and the way I feel myself, too, it will take some time to get out of this deal, but sometime I would like to see it where we have a lesser program than we have now and kind of run our own show.

Mr. BEERMANN. Can you cite any other area where the Government has been asked to step in, and where asked to step out, where the Government got out?

Mr. SMITH. I did not quite get that question.

Mr. BEERMANN. Once you have this kind of program, do you think the Government will ever get out of it?

Mr. SMITH. I do not know if they will ever or not. As far as I am concerned, they have been in it longer now than I had hoped they would be.

Mr. BEERMANN. Do you want some more of the same medicine? In asking for this kind of program, are we not asking for something that we are trying to get away from?

Mr. SMITH. Yes; but here is what I am trying to say. We were 25 or 30 years getting into this deal. You cannot get out of it in 1 day or 1 year. It will take a little time to work ourselves out.

Mr. BEERMANN. You would not call this a temporary problem?

Mr. SMITH. Would not call it a temporary program?

Mr. BEERMANN. Would you?

Mr. SMITH. No; if they pass legislation, I do not know that it would be temporary. They might have to pass something temporary to get by this year on. Time is limited.

Mr. BEERMANN. It might be just like a temporary tax. There is no such thing. I like your testimony and I appreciate the testimony. However, I have a deep fear of asking the Government to get deeper in the cotton business. I think it is time now to work them out a little bit instead of in deeper.

Mr. SMITH. I do not think we feel this is getting them in deeper. We are trying to work ourselves out of this deal. Is that not the way you take it? It will take time. We cannot just pull the rug out without doing a lot of people a lot of harm.

Mr. BEERMANN. I guess we are trying to work it out. It is either one philosophy or the other. I wonder if this is the best. Of course, that is what you are here to testify, which is the better program. Let us take the two, equalization fee or the lower price support. Would a lower price support with the normal production acres, 18,100,000 acres, be working the Government out of the cotton business better than going to the 16 million acres and the equalization fee?

Mr. SMITH. I do not know just how to answer that.

Mr. BEERMANN. That is the answer I have to have to help me make a decision.

Mr. SMITH. I would want to think about that a bit. I can give you an answer to it later.

Mr. BEERMANN. The answer ought to be in the record to help the rest of the people.

Mr. HAGEN. Would the gentleman yield at that point?

Mr. BEERMANN. Yes, sir.

Mr. HAGEN. California's position is that the price should come down. In other words, Mr. Smith is willing to go 30 cents a pound provided he can grow more cotton than he is permitted to grow now. This in itself would reduce the cost of the additional payment needed to the mills to make it competitive with foreign costs.

They also support that, but that is not a necessary and essential part of his program. He supports the proposition that the American mills should be helped to the extent necessary. He is willing to help to the extent of taking 30 cents a pound for his cotton rather than 32½ cents. If there is a further payment needed for equalization payment, they also support that. His part in the transaction is to accept the lower price support conditioned on a suitable increased planting opportunity.

Mr. SMITH. I could plan my farm program ahead a number of years if I knew where I was going to be and could save myself money in my operations, and all my neighbors could.

Mr. BEERMANN. Being a farmer myself, I feel in any area the Government is in a program now, that we have to withdraw gradually. I agree with you on that, Mr. Smith. Thank you.

Mr. HAGEN. Mr. Chairman.

Mr. GATHINGS. Mr. Hagen.

Mr. HAGEN. Since Mr. Smith is from my district, I would like to comment on some of the points you raised. We invite you out to California. I am certain Mr. Smith would be willing to act as our host.

Mr. SMITH. I sure would.

Mr. HAGEN. You asked about the quality of California cotton. They grew cotton in California back in 1900, but not in quantity. It was not really until just before World War II that they really started growing cotton. But California, I think, is the only State that has just one variety of cotton. You asked about cotton varieties. By State law you can only grow one variety. They developed this variety at the U.S. experimental station at Shafter, Calif., and for a long time they had a problem of getting acceptance of it by the cotton trade. Now it is recognized as having a higher tensile strength, for example, than most other varieties of cotton, not all other varieties, but the ones that are grown in quantity. It has a broad acceptance. The farmers, in cooperation with the USDA and the State, have achieved this.

Also by reason of the one-variety law, the product is uniform. When the mills buy it, they know exactly what they are getting from any area. This is an aspect of quality that they have achieved themselves, you might say. It does sell a little bit above the support level for that reason.

Mr. BEERMANN. Mr. Smith, let us say the support level for cotton is set at 30 cents a pound. Is there a way—would some cotton sell for less than 30 cents and some for more, determined by quality?

Mr. HAGEN. I think the support now is based on Middling inch.

Mr. GATHINGS. Middling inch. You have several hundred different grades and classifications of cotton.

Mr. BEERMANN. When these different grades of cotton go to the mill, does the mill blend the different lengths of cotton together?

Mr. GATHINGS. They buy the type of cotton they want for a particular purpose.

Mr. BEERMANN. You do not blend Middling inch—I know what I want to say, but I am not sufficiently conversant with the terms to express it.

Mr. HAGEN. To answer your question, I think they undoubtedly do on some products, but there are other end products where they do not.

Mr. GATHINGS. Off the record.

(Discussion off the record.)

Mr. HAGEN. Mr. Smith, you would like to have a program you can live under and that you knew would be in effect for 5 or 6 or even 20 years; is that right?

Mr. SMITH. Right.

Mr. HAGEN. To get to the immediate problem, when would you have to really start preparing your land for production in 1963?

Mr. SMITH. They are in that process out there now. Using my own place for an example, I talked to my son before I left. He says that if it stays good weather, we will have everything ready to plant by the first day of January. In our area the ground is very heavy. If it rains, you get a homestead on one foot and a preemption on the other.

Mr. HAGEN. Do you plant in January?

Mr. SMITH. About the 10th of March would be about the earliest.

Mr. HAGEN. What is about the last day you can plant cotton?

Mr. SMITH. They will plant cotton up until May, but they like to have it planted by the middle of April, if possible.

Mr. HAGEN. In other words, you have to know early so you can have your resources programed as early as possible.

Mr. SMITH. We have to know so we can get our ground ready.

Mr. GATHINGS. Mr. Beermann has another question.

Mr. BEERMANN. Mr. Smith, from some testimony yesterday, we got figures from the Department of Agriculture. In 1961 there were 18,400,000 acres and 930,555 farm allotments. They ranged from two-tenths of those allotments at 500 acres or over up to 38.3 percent of the allotments from one-tenth of an acre to 4.9. What would be the average allotment in California?

Mr. SMITH. I do not think I can answer you that.

Mr. HAGEN. Would the gentleman yield to me again? I can answer that. The University of California made a study about 3 years ago—is that not right?

Mr. SMITH. Something like that.

Mr. HAGEN. They found the average cotton allotment in California was 40 acres. Rather, average cotton farm.

Mr. SMITH. Average farm, not allotment.

Mr. HAGEN. When they did not have quotas, at least, took all the growers together, the average planting of cotton was 40 acres. We have very few farms that are devoted exclusively to cotton; I would say none. In accordance with your observation, they might grow alfalfa, potatoes, might even have grapes.

Mr. BEERMANN. That might help answer Chairman Gathing's question. If the average acreage is 40, you come in the 6.2 percent bracket.

Mr. HAGEN. We are a minority.

Mr. BEERMANN. We are in Nebraska, too. Thank you.

Mr. GATHINGS. Thank you, Mr. Smith.

Our next witness is the Texas Cotton Ginners, Mr. Ed Bush. He filed a statement. Does anyone want to represent the ginners association?

Mr. GATHINGS. We will go next to the National Farmers Union. Will Mr. Reuben Johnson please introduce all the members here.

STATEMENT OF REUBEN JOHNSON, REPRESENTING THE NATIONAL FARMERS UNION

Mr. REUBEN JOHNSON. Mr. Chairman, I have with me the Farmers Union Cotton Committee, with the exception of Mr. George Stone, president of Oklahoma Farmers Union, who had a convention this week and was unable to be with us. To my right is Mr. Lewis J. "Red" Johnson from Little Rock. He is president of the Arkansas Farmers Union. To my immediate left is Mr. Jay Naman, president of the Texas Farmers Union. To my far left is Mr. Jack Hall, A. J. Hall, of Windsor, Va., president of the Virginia Farmers Union.

Mr. Chairman, we have one man who is attempting to catch an airplane. For that reason, I will ask your premission that he be allowed

to present our views first. Then I would like to ask that Mr. Hall present a short statement. Then Mr. Naman will present his statement last. We have very brief statements. I do not believe it will be necessary to take very long to present these. Shall we go all the way through them and then have questions?

Mr. GATHINGS. That is fine. Do you have your statements available for the members of the committee?

Mr. REUBEN JOHNSON. Yes, sir.

Mr. GATHINGS. You may proceed.

Mr. REUBEN JOHNSON. I would like to say at the outset that all these statements are made in behalf of the National Farmers Union.

Mr. GATHINGS. You may proceed.

STATEMENT OF LEWIS J. JOHNSON, PRESIDENT, ARKANSAS FARMERS UNION

Mr. LEWIS J. JOHNSON. Mr. Chairman and members of the committee, for the record, I am Lewis J. Johnson, president, Arkansas Farmers Union. I appreciate very much the opportunity to appear before this committee today and to express the views of Arkansas Farmers Union in opposition to any proposed change in the cotton program.

The delegates to our 58th annual Farmers Union convention last July approved the following report of the Cotton Committee, which reads as follows:

From the producers' point of view our present cotton program, administered by a sympathetic Secretary of Agriculture, is entirely satisfactory. It should not be revised until we have assurance that a superior program has been developed.

We are opposed to any choice program such as the late A & B program for the following reasons:

1. The choice program will lower cotton producers' income by the amount of the support price reduced on the excess acreage.

2. The choice program has the potential of taking cotton acreage from those who need it most for the benefit of those who need it least.

The large operators, in the highest producing areas, who are most completely mechanized and integrated with cotton gins and oil mills are the most likely ones to choose to increase acreage under a choice program.

A choice program will greatly increase the cotton surplus. Even though the regular allotted acreage under any choice program must be decreased for the purpose of giving acreage to those taking the increase under the choice, it is evident that the increased acreage for those in the choice program will produce a much greater yield than would the same acreage if left in the regular allotment.

Arkansas has a cotton yield of a little more than 1 bale per acre. We believe that under those conditions we would lose our acreage to those States having a much greater yield per acre.

We do not believe a choice program will decrease the cost of cotton to our domestic mills, nor do we believe it will place us in a competitive position in world trade.

We would like to state again that we believe a choice program will only bring distress to the cotton farmers in Arkansas. Therefore, be it resolved that the Arkansas Farmer Union go on record opposing any change in the present cotton program.

Again, let me thank you for the opportunity of appearing before you today to present the views of Arkansas Farmers Union in opposition to the choice program.

Mr. REUBEN JOHNSON. Mr. Chairman, Mr. Hall will be next.

Mr. GATHINGS. Proceed, Mr. Hall.

STATEMENT OF A. J. HALL, PRESIDENT, VIRGINIA FARMERS UNION

Mr. HALL. Mr. Chairman and members of the committee: I am A. J. Hall of Windsor, Va. I am a farmer and president of Virginia Farmers Union.

Voting members of Farmers Union are required to be farmers.

It is my intention to summarize briefly both the objectives and the major provisions of the kind of a cotton program National Farmers Union would like to have Congress enact.

We seek the following objectives:

1. A one-price system applicable to all producers with the price support level set at not less than 100 percent of parity supported through the Commodity Credit Corporation loan program. (Multiple choice acreage proposals under which acreage in excess of the national allotment could be produced at a lower price to producers, perpetuates in principle a two-price or variable-price system. Farmers Union, therefore, rejects such plans.)

2. Continuation of provisions of existing law establishing a national minimum acreage allotment allocated on the basis of historic plantings of cotton producers.

3. Statutory authority to provide trade incentives to enable the U.S. cotton industry to compete on an equitable basis with the cotton industry of other nations. Direct or incentive payments made under such a plan to domestic cotton mills or to some other point in the marketing chain should be calculated so as to deduct freight costs to foreign mills.

4. Any transfer of allotments from one producer to another producer, allotments available due to condemnation of land, et cetera, increments in allotments resulting from increases in utilization, and the national acreage reserve established under the Agricultural Adjustment Act, to be allocated consistent with the objective of preserving and strengthening the family-farm structure of agriculture. In such allocations, priority should be given to families entering farming and so-called hardship cases where additional allotments are needed to make a fully sufficient family farm unit. Such allotments should be managed in such a way as to assure that they are not subject to becoming part and parcel of large, corporate-type farming operations.

The Tariff Commission has rejected the establishment of an import equalization fee on imported cotton textiles to offset the 8½ cents per pound export payment on raw cotton. This matter was referred to the Tariff Commission by President Kennedy upon the recommendation of the Department of Agriculture.

The trade incentive plan under discussion would provide the means of bringing the present difference in the cost of raw cotton to domestic mills in line with the cost to foreign mills. And we can see no objection to legislative provisions to make equalization possible.

However, inasmuch as this incentive payment is to bring relief to cotton processors, we raise the question of whether such a program is more appropriately a responsibility of the Commerce Department. In any event, Mr. Chairman, we do not believe that the funds expended for the relief of domestic mills should be charged to the budget of the Department of Agriculture.

The two witnesses following me will explain in greater detail the position of National Farmers Union concerning the choice proposals being discussed in the context of a long-range cotton program. Farmers have a direct interest in keeping the supply-percentage or carry-over of cotton to as low as level as possible at the beginning of each marketing year.

This is because of the formula set out in the Agriculture Act of 1949 under which the price support level is calculated. In our considered judgment, the choice program will result in increasing stocks of cotton and will therefore result in depressing the price received by farmers who do not choose to elect to expand acreage under a choice plan.

Furthermore, for this reason the choice program potentially could substantially increase the cost of the cotton program to the Government.

We, therefore, respectfully urge the committee not to approve a choice plan in the cotton program.

Thank you very much for your courtesy and attention. We assure the subcommittee that we in Farmers Union would like to be as helpful as we can as you determine the type of long-range cotton program under which farmers will operate.

MR. GATHINGS. Thank you, Mr. Hall.

MR. REUBEN JOHNSON. Mr. Chairman, now Mr. Jay Naman.

STATEMENT OF JAY NAMAN, PRESIDENT, TEXAS FARMERS UNION

MR. NAMAN. Mr. Chairman and members of the committee, my name is Jay Naman, from Waco, Tex., president, Texas Farmers Union, and I am here today to discuss the Farmers Union viewpoint on a future cotton program. I appreciate this opportunity to appear before you and give this testimony. At the recent 59th Annual Convention of Texas Farmers Union the following program for cotton was recommended by the delegates to the convention:

We recommend a cotton program pointed toward a one-price system with cotton at a competitive price to U.S. and foreign mills through a plan which—

A. Maintains the loan at the present U.S. producers income level.

B. Provide a trade incentive through p.i.k. certificates to the last handler, this incentive to be equal to the current difference between U.S. and world price level until a long-range program can be adopted.

C. We oppose any multiple-choice acreage plan on cotton.

In the discussion on the cotton program the farmer delegates to the convention explored the possibility of including a choice plan in this program and decided against this for the following reasons:

1. The present problem of overproduction which is causing the present carry-over of 9.1 million bales of cotton, or a 1-year's supply, can in no way be alleviated by the adoption of such a program but rather would be intensified by it.

2. Such a plan can in no way decrease the cost of cotton to domestic mills sufficiently to make them competitive without the additional assistance of some sort of trade incentive plan in conjunction with the increase in acres.

3. It will only temporarily reduce Government costs until such times as supplies build up, resulting in increased storage costs which could well offset any saving which might be accomplished.

4. Any increase over the present 16,250,000 acres of cotton production will necessarily go to that production area which will produce the most efficiently, thereby multiplying surplus. The possibility is that the expansion of every acre in the area which will exercise the choice plan would increase by $1\frac{1}{2}$ times the production on the added acres over the present national average production.

5. Any benefit which will derive to the producers who exercise the choice for additional acres must be paid for by the producers who comply with the present acreage allotment because eventually increasing carryovers and the inherent cost will bring pressure on the present national acreage allotment.

6. If the choice is available it is only reasonable that there will be pressure brought by landlords on their tenants to exercise the option rationalizing that the tenants can produce cheaper than they factually can.

The growers of cotton on the south plains of Texas, which is one of our most efficient cotton-producing areas, realize that it would be short-sighted for them to use their water resources to produce a crop for which there is no market. Their position is that this irrigation water which is so precious would be better used on a crop for which there is a market or conserved in the wells on their farms. As the disappearance from the carryover increases through the operation of the trade incentive plan, which will provide a means for making the domestic mills competitive, and through a broadening demand from foreign sources, it should be possible to increase the national cotton acreage allotment over the present 16 million acres, which it is anticipated will produce as much cotton as will be used in the 1963-64 season.

At such time as this additional cotton is needed, we feel that it should be allocated on the basis of historic plantings and should be allotted to the producers consistent with preserving and strengthening the family farm structure of agriculture.

We also believe that additional acres for the production of cotton when needed should be equitably given to young farmers entering farming and to those who will qualify as hardship cases, or who need the additional cotton acreage to meet the needs of a family farm unit.

Should the choice plan materialize, it is apparent that the additional acres that will result therefrom will be added to the acreage of large corporate-type farms. The choice cotton program will undermine and erode the foundation upon which our successful program for cotton has been built and will eventually result in its destruction. The producers have always been willing to exchange their prerogative of growing more cotton for a stable price and any flexibility in this will eventually be the "hole in the dike" that will inundate the whole program and drown the cotton farmer.

I hope that what I have said here will contribute something toward your effort to arrive at a sound and feasible long-range cotton program.

Mr. GATHINGS. Thank you so much, Mr. Naman.

Now, Mr. Reuben Johnson, do you have a further statement?

Mr. REUBEN JOHNSON. No; I do not, Mr. Chairman. We will be very happy to submit ourselves to any questions the members of the subcommittee may have.

Mr. GATHINGS. I would like to say that your group has brought us for the first time since these hearings started yesterday one particular item that ought to be taken into account and into consideration by this subcommittee and by the Congress: that is the statement as made here by Mr. Hall on page 2. He says this:

Direct or incentive payment made under such a plan to domestic cotton mills or to some other point in the marketing chain should be calculated so as to deduce freight costs to foreign mills.

That is a most important statement. That is a thing we need to know.

Mr. REUBEN JOHNSON. In this regard, Mr. Chairman, we estimate that the freight cost is approximately $2\frac{1}{2}$ cents. This amounts to about \$12.50 a bale which could be saved in the incentive payment to domestic mills should this kind of a proposal be approved.

Mr. GATHINGS. That figure is higher than the figures that I have seen.

We will go into that phase rigidly. We want to get some estimates from the Department and other sources. We do appreciate your testimony.

It is the position of the Farmers Union that you do favor a domestic equalization fee?

Mr. REUBEN JOHNSON. That is right, Mr. Chairman.

Mr. GATHINGS. But you are opposed to a choice program for the reasons stated.

Mr. REUBEN JOHNSON. Yes, sir.

Mr. GATHINGS. Questions?

Mr. GRANT. Yes, Mr. Chairman.

With further reference to Mr. Hall's statement, the second paragraph of page 3, he states:

We do not believe that the funds expended for the relief of domestic mills should be charged to the budget of the Department of Agriculture.

To me that rings a bell. However, that is not going to be possible because this committee has attempted for years to keep the billions and billions of dollars of relief funds, I might say, in the form of agricultural commodities that are sent to foreign nations from being charged against the Agriculture Department when as a matter of fact it is a relief fund, but at the same time the taxpayers of the country look at the budget of the Department of Agriculture and the CCC program and say, "Look how we are subsidizing for food," the farmer, I should say, and which is not a fact at all. Most members of the Agriculture Committee, I think, believe that that type of appropriation should be charged to the Department of Welfare or the Department of State, which administers the foreign fund.

Of course, we are faced here with a great problem in addition. Our friend from Arkansas, the Farmers Union in that State is satisfied with the present program. They believe the program is working very satisfactorily insofar as the farmer himself is concerned, but we have an issue here which this Congress and this committee is going to have to face; and that is for some relief for the textile industry of this country because the Tariff Commission has not given that relief; if we are to have any kind of fair economy in the cotton industry in this country we will have to do something about imports of textile products from foreign countries.

I do not believe under the scheme of things it is going to be possible to charge that to the Department of Commerce or any other department of this Government through the agricultural program.

Do you have further comments on that?

Mr. HALL. Mr. Congressman, I agree with you that possibly it is politically not feasible at the present time to get these things charged, or to get the bookkeeping on the right method. However, the industry of agriculture—I like to use that term—the entire industry of agriculture employs in our Nation somewhere around 40 percent of our people, engaged in either the production, the servicing to farmers or

the buyers and sellers and processors and packaging and handling of agricultural commodities and getting it eventually to the consumer in the marketplace. The concept has been established. I would like to use the term "our people have been brainwashed previously," to the effect that all of this is going to farmers. It is a misconception. I hope someday we will be able to get this bookkeeping established in the right procedure whereby these costs can be charged to actually what they should be charged with. The entire industry of agriculture, it is true, profits from this, just as the gentleman told us. I heard some of the testimony yesterday of some of the textile mills that are in trouble. We have no way as farmers of determining how much profit the textile mills are making or whether they are in trouble, or not. We believe them but I believe the Department of Commerce would be in a position to find out just how much relief they do need. That was why we merely suggested this.

We are not going to make an issue of it. I think justice demands that at some future date, if not now, that we will have to get our bookkeeping on a little more sound basis or the agriculturally producing farmer is going to suffer from it.

Mr. GRANT. I think the Administration has already found out and it was so reported by the President that the textile industry of the country is in danger from the foreign imports. We talk about subsidizing the textile industry.

I think that is a misnomer because under the plan we would be subsidizing foreign textile mills and those in foreign countries instead of subsidizing our local mills.

Thank you, sir.

Mr. HAGEN. Mr. Chairman.

Mr. GATHINGS. Mr. Hagen.

Mr. HAGEN. Mr. Johnson [addressing Mr. Ruben Johnson] how many members do you have in Arkansas?

Mr. LEWIS JOHNSON. Approximately 30,000.

Mr. HAGEN. I would like to address myself to Ruben Johnson. You do not have any members in California, do you? You do not have an organization in California?

Mr. REUBEN JOHNSON. We have no chartered organization in California. We have a number of members in California who pay dues to the National Farmer's Union.

Mr. HAGEN. In your statement—the three statements I might say—you make constant reference to corporate-type farmers. What is your idea of a corporate-type farmer?

Mr. REUBEN JOHNSON. Mr. Chairman, in our definition in our program, and I think I have read this into the record before, we have a definition of a "family farm."

Mr. HAGEN. What is your definition of a "corporate-type farm"?

Mr. Smith from California testified—he probably farms 200 acres of cotton—is he a corporate-type farm?

Mr. REUBEN JOHNSON. We feel a farmer who furnishes most of his own labor except at peak labor season is a family farmer, Congressman, and anybody bigger than that we put in the "large farm" category. Many of the real large operations in cotton, as you know, have their own gins and they have therefore a vested interest in trying to expand cotton production, not from the standpoint of the production end but

because they have a way to make a further income on the processing end of it, at least a part of the processing of it.

We realize that you have some very large farms in California.

Mr. HAGEN. Some very small ones, too.

Mr. REUBEN JOHNSON. There are some very small ones.

Mr. HAGEN. You were here today when Mr. Moss put the evidence in the record that there are different categories of cotton, were you not?

Mr. REUBEN JOHNSON. I was not here, unfortunately.

Mr. HAGEN. I think he attempted to show that probably less than 6 percent, we will say, of the cotton farmers grew over 15 acres. Do you exclude that 6 percent from the pale of your interest in a sound cotton program?

Mr. REUBEN JOHNSON. I do not believe we suggested this; no. We have suggested that in the operation of the cotton program and I think the record will show that we have more or less followed the procedure of trying to give some additional consideration through the ASCS committees through small farmers who depend in large part on cotton as a means of livelihood for themselves and their families.

Mr. HAGEN. I would like to know whether your position on these matters excludes the interest of all California farmers.

Mr. REUBEN JOHNSON. It does insofar as the choice program is concerned. I think we made that emphatically clear.

Mr. HAGEN. Apparently you are against efficiency, too.

Mr. REUBEN JOHNSON. No, sir.

Mr. HAGEN. You say the increased acreage will go to the most efficient areas and that you protest.

Mr. REUBEN JOHNSON. Mr. Hagen, we have supported for years the extension program, land grant college programs, which have brought about this efficiency. The record is very clear on this point.

Mr. HAGEN. Why do you make such a statement, then, that you are opposed to the choice program?

Mr. REUBEN JOHNSON. As a matter of fact, Congressman, I do not know whether the farmers, the large farmers, for example, in California, would benefit over the long run because they are having their—they are taking a blended price. They elected to take a choice price which means they are going to grow more cotton but they are going to get less for it.

Mr. HAGEN. That is the idea of America, producing a product cheaper for the consumer and by reason of efficiency you can produce more at a cheaper price with a larger total profit.

Mr. REUBEN JOHNSON. We know, Congressman, that the average net yield per acre in California is two bales, for example.

Mr. HAGEN. That is right. Is there anything wrong with that?

Mr. REUBEN JOHNSON. In Arkansas it is one bale. We do not object to your farmers because of their efficiency, perhaps making more money than a farmer in Arkansas but we do object to a plan whereby you are going to move some acres of cotton under a choice program into these areas at the expense of some of the historic and traditional cotton producing areas.

I happen to be from Georgia and in Georgia we have seen cotton move west. It has been a continuing trend.

Mr. HAGEN. Actually Georgia has been better off. If they cannot grow cotton efficiently you are not doing them a favor by insisting they grow it.

Mr. REUBEN JOHNSON. That is the point, Congressman, but let us not set up some artificial means by which we move this cotton acreage.

Let's let it move as efficiency moves it, but let's don't set up an artificial means here in the cotton program like a choice program.

Mr. HAGEN. I would say to you that all the artificial means in the present law are designed to keep cotton from the most efficient areas. I think this is wrong. I think efficiency is something we ought to achieve in agriculture rather than setting up traps to prevent it. I am a little concerned about your attitude with respect to this program because I think you would exclude all these 40-acre farmers and larger in California.

Mr. REUBEN JOHNSON. Exclude them in what way?

Mr. HAGEN. The whole burden of your testimony is against helping them.

Mr. REUBEN JOHNSON. We are not against them. We are just against the choice plan. If you think they would elect to take the choice plan I suppose you might have a point to make. However, let me point out another fact which may be of some interest. I discovered recently that under the old A and B plan we expanded acres the first year under that program a million acres; the second year it jumped to 1.2 million. That was the end of it. What would it have been the third year? I have an idea we would have had an expansion of acreage over the national minimum allotment, even more the third year, and what would it have been the fourth year? I think this committee acted very wisely in putting a 2-year limitation on the old A and B program and I think it would be well to study some of the things that happened under that program in terms of carryover buildup. We had the highest carryover we ever had in 1956 but we continued into a period where we maintained a relatively high carryover under A and B.

Mr. HAGEN. You seem concerned about costs, too. Don't you think it would cost the Government less if we lowered the support level? Don't you stipulate to that?

Mr. REUBEN JOHNSON. The people who favor the choice plan are concerned about cost, too, Congressman. They say the choice plan would cut Government costs. We have some serious reservations about that. The fact of the matter is I think the whole crux of the problem that this committee is dealing with, and that the administration is dealing with, is that cost of the cotton program. I learned a long time ago that farmers do not worry too much about what programs cost. I think they all have a concern as citizens of the Nation on what the farm program costs and they want to see these programs fairly allocated to where other groups are benefiting from the programs. It has been pointed out very clearly by Congressman Grant, we do have a number of areas where the people are happy. But we are not willing in the Farmers Union to make a judgment here or to base our position on what kind of a farm program we ought to have solely on the basis of cost, and especially if you are going to make a sacrifice in terms of farm income.

Red Johnson told me the other day about the expense of welfare programs in cities, of people who moved off cotton farms in Arkansas. It is just a matter of where you are going to spend the money. We want to spend it on the farm. Red, do you want to comment further?

Mr. LEWIS JOHNSON. I do not want to get into this conversation. I think that is true, Mr. Hagen. Our farm people that have been crowded off the farms, whether it is by automation, mechanization or what, have moved into our cities. Then we come up with the urban rural development program. You come up then with the enlargement of your sewer systems and you have got Government grants all across the board. Our contention in the Farmers Union is simply this: If you move people off of the farm and say, "Seek employment somewhere else," that does not settle the question. You do not get rid of people, and after all the program must deal with people, so you merely shift him to another location and it becomes a budget burden for another Department of your Government.

Actually, I would want to make it clear that we have fought just as hard to keep 10 acres of cotton for our farmers because to him, with other outside income, either in timber or in some small industry, that 10 acres of cotton is just as precious to him and his family for a livelihood as 100 acres or 500 or 1,000 acres is to someone else. We have fought just as hard for that type of a farmer as we have for anyone.

I would like to go further and make this one statement so the record will be clear: To our farm producers in Arkansas—and we have got some farms of 500 acres, 100 acres, 40 acres and all the way across the board—there have never been any discussions about limiting a man on his initiative to keep growing larger. If we have got a 40-acre farmer, bless your heart, he wants to have 60 acres and we want him to have them if he can get them. For that type farmer, if he has got 500 or 1,000 acres we have no objection but what you are talking about on your cooperative type farmer is where your corporations come in or your big banking interests come in, all outside interests come in, doctors that use farming as a hobby, as a tax write-off, and for other incentives, which is tough competition for our independent type of family farmer that has made this country, we think, great, and that we have fought for and will continue to fight for.

Just one further thing: I want to be perfectly frank, Mr. Gathings. You know farm people are all actually directly competing with each other. Our farmers certainly are competing with your farmers in California but I think we are all selfish in what we demand.

I heard Mr. Smith here make this statement which I do not agree with, no part of it, that the Government ought to buy up all of this cotton allotment, and I assumed he was talking about small acreage or something, pay him a flat price for it and get him out of production. He did not go this much farther. He would move it to California. That is what I would assume. Now my thinking is this: I also heard him say that they have got a water problem. I thought we could solve this problem for a year or two if you would be willing to go along with Mr. Abernethy and Mr. Gathings. We have got plenty of water. If the Government will buy up California's cotton, give it to Mississippi and Arkansas, we will take the same acreage, cut down the production of the total amount and that will solve our prob-

lem. That is our selfish aspect and we recognize that. That always comes into our testimony, gentlemen, and we cannot help but get our personal, selfish interest in it.

I want to say this: Our farmers in Arkansas feel this way. Heretofore we have been coming in and saying to this committee, "Gentlemen, we are in trouble." This time we come in and say to you, "We have had a good crop year. We have made money. We have made enough money to pay off our debts. We have paid for a lot of combines, a lot of tractors and a lot of cottonpickers," and actually from the producers' end we will say, "Yes, we would like to keep it that way. We want to have a good deal next year." We discussed this. We did not realize that the producers of cotton did not know whether it was proper for them to come in here and say to you gentlemen, who we realize have all the information and all the understanding of the whole cotton industry and come in and say to you, "Give the mill so much," or "Give Tom, Dick and Harry so much." We have no objections to it but we did not feel like it was proper as a producer of the cotton to come in and tell you what to do with the other fellow if he was in trouble. Right now we are not in trouble. It has been a good year. We are well pleased. Thank you.

Mr. HAGEN. It is not my desire to argue with a gentleman from Arkansas. I can assure you I have a good many people from Arkansas who live in my district and whom I might add raise cotton. You are concerned about the welfare of the family farmer. Yet I assume you supported the changes in the release and reapportionment law which practically forced the small man to release his acres every year and create a deterioration in the supply situation so he would probably get a worse price for his cotton next year if he grew it. Do you support those provisions?

Mr. LEWIS JOHNSON. What was that again?

Mr. HAGEN. The release and reapportionment provisions.

Mr. LEWIS JOHNSON. That is where one cotton farmer releases his acres?

Mr. HAGEN. Do you support that?

Mr. LEWIS JOHNSON. Yes.

Mr. HAGEN. We wrote a provision into law that practically forced him to do that in spite of the fact that in his better judgment he realized he is deteriorating his own supply position next year.

Mr. LEWIS JOHNSON. We realize this. It is not only now. It has been in the past. I heard a man say yesterday, who came out of the hearing—I did not know him—but he made this statement which I did not agree with. He said, "It is true. Everything is in. It is what happens when the Government gets into something."

I grew up in the early thirties on the farm when the Government was not in something. We were in one terrible mess. I do not agree with him at all.

We realize that there cannot be a perfect program. Now, Mr. Hagen, it seems what we come down to, and we will have to discuss in the future as you have in the past, is this: When you are setting up a program it looks like the intent is, of course, to help as many people as possible, which will affect your total economy. We know there are some folks who must be hurt in this thing. There is no other way. It will continue to be that way in the future.

Mr. HAGEN. My concern is do not hurt the people from Arkansas who live in California.

Mr. LEWIS JOHNSON. If you would accept my proposition it would help us a bit. You would not be bothered about a water shortage.

Mr. HAGEN. Consistent with the Farmers Union policy would you advocate a minimum wage?

Mr. REUBEN JOHNSON. I think this is kind of an academic question in California.

Mr. HAGEN. Would you support a minimum farm wage?

Mr. REUBEN JOHNSON. As a matter of fact, we have supported the minimum wage. The reason for it is we know the farmers we represent are competing with cheap hired labor who work for less than the minimum wage. If you will look at the record you will find the average hourly wages for farmers on cotton farms is about exactly what the average per hour earnings of cottonpickers are.

Mr. HAGEN. In other words, if we include a minimum wage provision in whatever cotton legislation we produce you would support and advocate it?

Mr. REUBEN JOHNSON. I do not think there is much chance you will do that but if you decide to do it we will support it.

Mr. HAGEN. Do not evade the question. You support it, is that right?

Mr. REUBEN JOHNSON. That is what I just said.

Mr. LEWIS JOHNSON. Would you like my version on that, Mr. Hagen?

Mr. HAGEN. I would like to have your version.

Mr. LEWIS JOHNSON. I would like to say this: We feel for years if we could get any type of this labor situation considered in setting our farm price on our cotton, we realize that people who work in the field spend money and need money, so the labor situation, if you will build it into our cotton support price, where the farmers would be able to pay it, then certainly we will go along 100 percent.

Mr. HAGEN. How high a support level do you want in order to get your support for the minimum wage?

Mr. LEWIS JOHNSON. We have got to come up with a whole complete new set of facts and statistics to answer that question and I do not have them with me today.

Mr. HAGEN. I just want to say to you with regard to what your personal position is, this is the position of the Farmers Union. We have been talking about competition in California. Our growers are looking toward a minimum wage to equalize some of these inequities that exist in this cotton law for example. There is a large body of sentiment for that. In this area we are in agreement with the Farmers Union.

Mr. LEWIS JOHNSON. We may operate a little different in the Farmers Union. In Arkansas we set our own farm program and we are selfish, what is best for Arkansas. That is what Arkansas fights for. We have always had this privilege, that the National Farmers Union has said, "You cotton boys develop your program and that is what the National Farmers Union will fight for," but it comes from the cotton grower, from that level up, not from the top down. That is the way we operate.

Mr. Chairman, may I be excused? I have a plane to catch.

MR. BEERMANN. Mr. Chairman—do you have a couple of minutes?

MR. LEWIS JOHNSON. Yes, sir. I am not trying to run Mr. Beermann.

MR. BEERMANN. I think before you go since you made the statement, and maybe Mr. Reuben Johnson wants to comment on it, too, but you said, "From the producer's point of view our present cotton program administered by a sympathetic Secretary of Agriculture is entirely satisfactory. It should not be revised until we have assurance that a superior program has been developed."

Are you talking about the 1962 cotton program that is satisfactory?

MR. LEWIS JOHNSON. Yes, sir. I am talking about from the producers. Those boys that passed that were producers and they said, "We are coming along fine this year." We are not talking about mills, but about the program as applied to the grower out there at the present time.

MR. BEERMANN. You are not talking about what the Secretary of Agriculture might recommend for 1963?

MR. LEWIS JOHNSON. I will go a little further and say this: Our growers made this statement, and in their discussion and deliberations on this question, that if the cotton surplus was building too high, the carryover was too high, then they had rather keep the support price where it is, or go up a little because we are only 81 percent of parity, and reduce the acres a small amount.

That was what their thinking was. They are the boys that grow it.

MR. BEERMANN. Then if the Secretary, as we understand the testimony yesterday and today, has the authority to regulate this program on a price support basis, wouldn't it be reasonable that you would communicate with this one person who can do this? You have a sympathetic ear, do you not?

MR. LEWIS JOHNSON. Mr. Beermann, we certainly shall communicate with him.

MR. REUBEN JOHNSON. We have communicated with him.

MR. BEERMANN. Is this why he is recommending a new program? Didn't he announce 18.1 million which you were satisfied with, down to 16 million?

MR. LEWIS JOHNSON. Let me go one step further, and say this: As we understood it this hearing today was to consider whether we would have a choice program. That was our understanding.

MR. BEERMANN. The announcement I got was there would be a cotton subcommittee hearing. You get better information than I did on the committee.

MR. LEWIS JOHNSON. We have tried to cover it from this standpoint and to pin it right down. Our growers in Arkansas simply stated, "Leave us alone. If you have got to, reduce our acres something ahead, to keep us from producing a surplus, but keep the support price up." That in essence is what they have said. There is no objection.

MR. BEERMANN. You like the program, 18.1 million acres?

MR. LEWIS JOHNSON. I believe the program will be cut back, I believe the Secretary announced, to 16.

MR. BEERMANN. I understand he announced it would be 16. My point is that you should go see the Secretary about the support level.

MR. LEWIS JOHNSON. That is why we are with this committee. After all, you know, we know in Arkansas that this committee knows all the facts. Sure, the farmers would like to have 19 million acres if

they could get it without increasing the surplus and then knocking the bottom out of all of it but we know this: That if the Secretary's calculation is wrong, this committee is going to see that the farmers get all the acreage that they possibly can and keep our program within bounds of reason on our carryover. We have got a check and a double check, if you please.

Mr. BEERMANN. Then this little item, "Administered by a sympathetic Secretary of Agriculture." Now you want a sympathetic committee on it?

Mr. LEWIS JOHNSON. We have always had a sympathetic committee here and so far we have had a sympathetic—this is my personal thinking—Secretary of Agriculture, but it does not mean that we would not oppose him if we felt like his program was detrimental to our growers in Arkansas.

Mr. BEERMANN. When he cuts you from 18.1 million to 16 million he was a sympathetic Secretary of Agriculture, is that right?

Mr. LEWIS JOHNSON. Let's say we are making money under the cotton program, Mr. Chairman.

Mr. BEERMANN. Are you going to make money under the 16 million acres?

Mr. LEWIS JOHNSON. Of course there are a lot of factors involved.

Mr. HAGEN. Would the gentleman yield? If you are making money, why are you complaining about this 82 percent of parity price support?

Mr. LEWIS JOHNSON. I think if you will check what we said it was this: Our ultimate goal is 100 percent of parity.

Mr. HAGEN. How much money do you want to make?

Mr. LEWIS JOHNSON. There are so many factors involved—cost of machinery and things that are going up until eventually we will have to have 100 percent.

Mr. HAGEN. I am glad to hear you say that you are now making money at 82 percent of parity.

Mr. GATHINGS. The witness has to catch a plane. Let's let some of these other witnesses answer the questions.

Mr. LEWIS JOHNSON. Thank you a lot.

Mr. GATHINGS. Maybe Mr. Reuben Johnson can take over.

Mr. REUBEN JOHNSON. Mr. Chairman, I have two stalwarts over here who have been relatively quiet. We would like to have any questions you have.

Mr. GATHINGS. Mr. Naman——

Mr. BEERMANN. Mr. Hall or Mr. Naman, do you agree with the statement that Mr. Johnson made?

Mr. HALL. What statement?

Mr. BEERMANN. When he discussed "From the producers' point of view our program administered by the present Secretary of Agriculture is entirely satisfactory."

Mr. NAMAN. As far as the Texas growers are concerned, our people at the convention were diametrically opposed to this choice program. We feel that we cannot afford to produce more acres, deplete our water supply, and this is in efficient producing areas on the south plain; we cannot continue to deplete our water supply to produce a crop in surplus.

I said this in my statement. Anything I would say following Red would be anticlimatic because Red made such a fine statement, but it

was agreed at our convention that we do not want more acres. We are willing to take an acreage cut in return for a price. We of course do not want 81 percent of parity that the cotton producers are getting. We would like to have more but we are happy to have that 81 percent of parity rather than 75 or less.

Mr. HAGEN. Will you yield at that point? I do not know how much longer the Congress and the public will tolerate this. You are making money at 81 percent of parity, yet you want more, through a Government price-support operation. The position of California is they do not want to look entirely to the Government to get rich. They are willing to accept the lower price support, provided they are given the opportunity to produce more efficiently. I think this is a reasonable proposition and I think it should be supported by you.

Mr. NAMAN. I think that is all right as long as they do not do it and at the same time put the Central and South United States in jeopardy.

Mr. HAGEN. I say cotton should be produced where it can be produced efficiently and it can be produced efficiently in Arkansas also. I do not think an inefficient farmer in California or in Arkansas should be kept in the business by Government activity. That is as simple as that.

Mr. NAMAN. Mr. Hagen, I do not believe there are any people producing cotton in Texas, Arkansas, or anyplace else who are inefficient any longer. I think these are efficient farmers who are producing cotton.

Mr. HAGEN. I disagree with you. There are inefficient farmers, there are inefficient acres and unfortunately some of these incentive type support levels have kept every inefficient acre in business. We have got them in California just as you have in Arkansas.

Mr. REUBEN JOHNSON. Congressman, because of the efficiency of the California farmers, though, haven't they been doing rather well under the program?

Mr. HAGEN. But they are not greedy. They are willing to take 30 cents, or perhaps even lower if actually the question were presented to them. They do not insist on getting 33 or 32½ cents. They are not that greedy.

Mr. GATHINGS. Are there further questions?

(No response.)

Mr. GATHINGS. Thank you, gentlemen, very much for your appearance.

Mr. REUBEN JOHNSON. Thank you very much, Mr. Chairman, for allowing us to appear.

Mr. GATHINGS. The Imperial County Growers Association, Mr. Rudolph Miller, secretary, El Centro, Calif.

Mr. Miller?

Mr. HAGEN. Mr. Chairman, I would like to introduce Mr. Miller. He is a farmer from down in Imperial Valley, in the district of our colleague, Congressman Saund, who unfortunately has been in the hospital for many, many months. In addition to being a cotton grower, Mr. Miller has a brother I believe who is in the textile spinning business in Switzerland and he knows many aspects of the cotton problem for that reason.

Mr. GATHINGS. We are delighted to have you, Mr. Miller.

STATEMENT OF RUDOLPH MILLER, SECRETARY, IMPERIAL
COUNTY GROWERS ASSOCIATION

Mr. MILLER. Mr. Chairman and gentlemen, my name is Rudolph Miller. I live in El Centro, Calif. I am the secretary of the Imperial County Growers Association and I have been farming there since 1919.

Gentlemen, you have heard detailed discussion of the different proposals on new legislation for cotton.

May we therefore be brief.

Our group in the desert irrigated area consists of 621 growers who contributed 15 cents per bale toward our organization. We have 51,000 acreage allotment and plant just about all of it.

We firmly believe in and support a trade incentive plan, so designed that the two price system to the American textile industry be eliminated.

We equally firmly believe that such a program be formulated with freely negotiable payment in kind certificates issued to the last handler.

We strongly recommend that this trade incentive plan be combined with a choice program along the blended price line so ably presented by the group from Missouri.

We must confess that a program as outlined by the Mississippi farmers, namely an 18 million-acre-plus allotment, has certain appeal to us, simply because such a plan would give us more history. With 18 million acres we would have the same allotment we had in 1962 but we would have a price support of 2 cents less per pound.

Please also keep in mind that Arizona and California have a freight differential of 180 points.

Which for all practical purposes prices our Middling $1\frac{1}{16}$ cotton at the same value as southeastern Middling 1 inch.

Since we have no release and reapportionment we would just have a lower price. Without more acres this would lower our income.

These are mighty important considerations. However, to us out in the desert area, one other factor outweighs all of these. We live immediately adjacent to Baja California and Sonora, Mexico. We can see firsthand the cotton plantings south of us are increased.

There is no question that we will use a choice program to the fullest, we will benefit by it. We also think that this choice works in more than one way. You can give the choice for more acres to the American farmer or you can give the choice south of the border.

Much has been said about an industry that needs help. We are so convinced that we must help ourselves that most growers contributed \$1 per bale toward the Cotton Producers Institute. This money is to be used for promotion and research. We think that we have to blow our own horn and help ourselves.

Mr. Chairman and gentlemen, we thank you very much for your kind attention and your devotion to this cause.

Mr. GATHINGS. Thank you, Mr. Miller.

Mr. Beermann?

Mr. BEERMANN. Mr. Miller, on the bottom of page 2, in the next to the last line, you mention the growers contribute \$1 per bale toward the Cotton Producers Institute. "This money is to be used for promotion and research." What percent of the price that you get per bale of cotton is this?

Mr. MILLER. I beg your pardon?

Mr. BEERMANN. How much do you get for a bale of cotton?

Mr. MILLER. Around \$156 to \$160 a bale; that is, the grower's price.

Mr. BEERMANN. That is about three-quarters of a percent.

Mr. MILLER. Something like that.

Mr. BEERMANN. Do you think this is sufficient to do the job that you want to do?

Mr. MILLER. We hope that we can collect about \$2 million this year and use it for promotion.

Mr. BEERMANN. About how much?

Mr. MILLER. \$2 million in Arizona and California. We hope to increase it over the years.

Mr. BEERMANN. I have had some experience in this field, in promoting farm commodities and I feel that three-quarters of a percent is a pretty low figure to try to make a promotion with. I am not trying to tell you what to do, but you bring up the point. I think it is a very minimal program. Most industries who have to promote and sell a product maybe get up to 4 and 5 percent.

Mr. MILLER. Maybe we will have to go that high.

Mr. BEERMANN. I think it is a very commendable program. I did not mean to bring it up on a derogatory basis. It is working in the direction of helping industry. I think it is very commendable.

Mr. GATHINGS. Thank you, Mr. Miller. We appreciate your appearance.

Mr. MILLER. Thank you, Mr. Chairman.

Mr. GATHINGS. The next witness is Mr. C. B. Ray, El Paso Cotton Growers Association. Mr. Ray has sent a telegram regretting that he could not be here today. I would like to submit this telegram for the record, stating the views of Mr. Ray.

Without objection, it will go in the record.

(The telegram follows:)

EL PASO, TEX., December 13, 1962.

HON. E. C. GATHINGS,
House Agriculture Committee,
Washington, D.C.:

Condition beyond control prevented my appearing in person before the committee as planned; however, would state for the record we are firmly convinced that the price support for cotton must be reduced for 1963. We recommend 30 cents for Middling inch. We further feel that unnecessary hardship can be avoided in part by increasing the national allotment by 2 million acres. We strongly support the view that cotton must ultimately be competitive in price and this is a step in the right direction. Continued high support will inevitably force repeal of the 16-million acre floor and ultimate destruction of the industry. We hope for prompt action by the Congress; however, early planters should be allowed the history even though unable to plant in 1963 any additional allotment granted by Congress.

Thank you for granting us the opportunity to express our views on so vital a question.

C. B. RAY,
Executive Vice President, El Paso Valley Cotton Association.

Mr. GATHINGS. The next witness is Mr. Frederic H. Heidelberg, North Carolina Cotton Promotion Association.

Mr. HEIDELBERG. Mr. Chairman, Mr. Long would like to come up with me.

Mr. GATHINGS. Very good. Bring him right along.

Mr. HEIDELBERG. Mr. Long is president of the American Cotton Producers Association and he wants to testify in that respect, and

also make a statement as a farmer from North Carolina and immediate past president of the North Carolina Cotton Promotion Association.

Mr. GATHINGS. Very well. Suppose you proceed first, and then we will hear from Mr. Long.

STATEMENT OF FREDERIC H. HEIDELBERG, NORTH CAROLINA COTTON PROMOTION ASSOCIATION

Mr. HEIDELBERG. Mr. Chairman, my name is F. H. Heidelberg, of Raleigh, N. C. I am the executive vice president of the North Carolina Cotton Promotion Association. This association is the recognized grower association in North Carolina under an enabling act of our State legislature, which allows growers of commodities to vote for a self-assessment program for their own benefit once each 3 years.

I am very happy to report that on last Tuesday we had our 3-year grower self-assessment program and 26,539 cotton farmers voted and 95.5 percent of them reaffirmed their self-help program for cotton by deduction of 10 cents a bale.

That is immaterial to this committee, but we are kind of proud of that vote, so I think we do represent here an organized grower program.

As I understand it, the purpose of this hearing is to obtain viewpoints as to how competitive relief can be obtained by legislation for our cotton manufacturers. It has certainly been well established by previous speakers that the situation is such that this relief needs to be accomplished if possible.

I would like to say first of all in my opinion that such legislation will not be easy to obtain, and second, it will be accomplished only by united industry support of a bill, simply framed, to embody this objective.

The viewpoint of the area which I represent is that the best chance to accomplish this objective lies in the direction of a legislative proposal stripped down to these provisions: First, a trade incentive payment procedure in an amount which will provide the relief necessary for our cotton manufacturers; second, in view of the estimated 9 million bale carryover by August 1, 1963, that the acreage allotment be left at 16 million acres in 1963 and that this be accompanied by a 32.47-cent base support price.

I say this in light of point 5 in the ATMI resolutions, passed by that body in October 12, and read to us yesterday:

An increase in cotton acreage realistically geared to the increase in the demand for U.S. cotton that will result from a sound long-range cotton program.

It is our feeling that it would be realistic, Mr. Chairman, to hold the allotment at the 16 million acre level until we know that there is a demand for increased bales of cotton rather than presuming in 1963 that there is going to be an increase in allotment and run the risk of adding to the carryover.

The third point that we have in mind is that this payment be made by p.i.k. certificates and would go to the last handler.

This is our simple viewpoint. It is predicated not upon any selfish interest but our desire to see a solution accomplished that will alleviate some of the problems that industry faces.

I would like to make a couple of observations that we feel right deeply over my way. The first is we do not want this Committee to give us any special consideration as a hardship area, and second, we do not propose nor do we seek legislation which will deprive any State or area in the Cotton Belt of its current cotton production potential, resources, or assets. However, we do intend to insist most vehemently and with polemic vigor, if necessary, upon retention of our cotton production potential in North Carolina. I believe that in saying this I am in accord with similar feelings in the States of Virginia, South Carolina, Georgia, Alabama, and Florida.

To go back to the main point I wanted to make, it is simply that if we are going to get legislation that will accomplish the objective we have in mind, I do believe sincerely that it must be simple. It must be held to the trade incentive procedure and devoid of all controversial matters.

This is said in the interest of the total cotton industry, without any particular selfish proposal that would be of any particular benefit to my State. Thank you.

Mr. GATHINGS. Thank you, Mr. Heidelberg.

As I see your recommendation, you would feel that the first and foremost consideration for the Congress to make would be to eliminate the discrepancy and the difference in what our mills have to pay for the cotton as against the foreign mills, to cover some type of a program to do that.

Mr. HEIDELBERG. Yes, sir.

Mr. GATHINGS. And to leave the acreage as set by the Secretary of Agriculture for 1963 at 16 million and the support level at 32.47 for Middling inch cotton where it is today. It would be a simple one-paragraph bill to accomplish that result according to your recommendations as I see them; is that right?

Mr. HEIDELBERG. With the payment being made by p.i.k. certificates to the last handler.

Mr. GATHINGS. That would only take about 10 words.

Mr. HEIDELBERG. About 10 words.

Mr. GATHINGS. Are there any questions?

Mr. Grant?

Mr. GRANT. I just want to compliment the gentleman and his association for this program which has been inaugurated by the cotton-growers of the State of North Carolina. I know that a good many other groups, for instance, cattle groups, and, I think, in some States the hog groups, and the peanut people in my section, have a similar program. I certainly believe it is having some advantage in increasing the demand for cotton. I believe that is the prime purpose of this 10 cents per bale tax—you would not call it a tax—a fee placed on cotton—

Mr. HEIDELBERG. We call it a self-assessment or self-help program.

Mr. GRANT. Thank you.

Mr. GATHINGS. Mr. Beermann?

Mr. BEERMANN. Mr. Heidelberg, we have a 9 million bale carryover now!

Mr. HEIDELBERG. No, sir. It is estimated by the Department that it will likely reach 9 million by August 1, 1963. This is an estimate.

Mr. BEERMANN. Isn't it healthy to have a carryover?

Mr. HEIDELBERG. Yes, sir. We must have some carryover.

Mr. BEERMANN. Then what figure would you set as the normal necessary figure?

Mr. HEIDELBERG. I believe, sir, that in the law the normal carryover is prescribed at 30 percent of the offtake. The offtake is 14 million bales for domestic use and export. Then you would multiply that by 30 to get the figure. It runs somewhere around $4\frac{1}{2}$ million bales. However, there is some feeling within the industry that this is no longer quite adequate but you get varying opinions as to what is adequate. I do not believe I have heard anybody say that 9 million bales is a normal carryover. This is getting over toward the dangerous side.

Mr. BEERMANN. Let us take the figure of 5 million bales. Five million bales should be our normal carryover.

Mr. HEIDELBERG. Under the formula of the law, about 5 million bales would.

Mr. BEERMANN. Who carries this?

Mr. HEIDELBERG. Various places. Some of it is in mill stock, some in merchants' hands, some CCC stocks. Its location varies and moves about. You cannot say today it will all be in the same place tomorrow because it is moving all the time through channels of trade.

Mr. BEERMANN. Do the growers carry any of this?

Mr. HEIDELBERG. Well, there may be some growers who carry it, sir, but I think most of them either sell it to a merchant or put it in the CCC stock. It moves various ways. It can move from the merchant hands into the mill stocks. Most of the mills carry pretty sizable reserve supplies on hand to feed into their opening room. All of this is figured into the carryover.

Mr. JONES. Mr. Heidelberg, am I correct in believing there is no inclination on the part of any growers in North Carolina to increase their production of cotton?

Mr. HEIDELBERG. I didn't get the first part of the statement.

Mr. JONES. Am I correct in my belief that the people in North Carolina are not interested in increasing their production of cotton; that is, expanding their production?

Mr. HEIDELBERG. That is not quite true. We are deeply interested in many areas of our State in increasing production, but we want it to be along lines of a healthy cotton industry situation. We just don't want more acreage regardless of the welfare of the Nation and the welfare of the industry.

Mr. JONES. You made a statement that you wanted to have the 16 million acres and you didn't want to increase the acreage until there was an increased demand.

How do you anticipate there will be any opportunity to have an increased demand for cotton if we retain the support price where it is now?

Mr. HEIDELBERG. If the trade incentive payment procedure is adopted by the Congress, Mr. Jones, let us say somewhere—and I wouldn't try to set the figure—at 5 cents a pound, this would result in cotton being made available to the mills at 5 cents below what it is available now, would it not, sir, around $26\frac{1}{2}$ cents?

Mr. JONES. But you are still not competitive with the rayon.

Mr. HEIDELBERG. I use that as a figure. You can go down to eight and a half if you want.

If it is true that a reduction of the price of raw cotton would result in a dramatic increase in consumption, then there would begin to be some reason for increasing the allotment realistically, but we still have this 9-million-bale carryover to look at, and if we work it back down this is a cushion between the 16-million-bale allotment production and what might be in demand.

However, I have seen somewhere, and I am sorry that I do not have it, an indication from some of our very able manufacturers that it would be unwise for producers to anticipate any dramatic and immediate increase in consumption as a result of the trade incentive plan going into effect. It will have to gradually take hold and move cotton into consumption. It may be several months, and it could be a year.

That is why I think we need to be realistic in this thing.

Generally, as a matter of principle, I like to spend my money when I get it. I don't like to spend it before I get it, anticipating that I am going to get it. It is the same principle here.

We spend our resources in cotton production, and then the market does not react as vividly as we anticipated it. All we will do is to add to the burden some carryover.

Down our way we would rather make the adjustment now and then come on through on a good, sound, realistic basis rather than anticipating something which may not happen.

Mr. JONES. But I understand you believe that your people are not willing to accept any part of this reduction in price, that it should all be made by the Government. Is that correct?

Mr. HEIDELBERG. I would say that that is correct in view of the fact that over the past 15 years, I believe, if you will study the record, the price of cotton to the farmer has been dropping down.

At the same time if you look at the cost index it has been going up. It is just a matter of preference. We would rather not take the reduction in price, and make the adjustment in acreage.

We would be taking a reduction in price if we took our proportionate discount in acreage from an 18-million to a 16-million-acre allotment.

Mr. JONES. In other words, you do not recognize the fact there are many areas of the country where they say they can produce cotton at a lower price?

Mr. HEIDELBERG. I have heard that said, sir; yes.

Mr. JONES. Do you accept that as a fact?

Mr. HEIDELBERG. I believe the men who say it; yes, sir. I accept it as a fact.

Mr. JONES. In other words, you evidently take the position, then, that there should be no competition among the domestic producers of cotton?

Mr. HEIDELBERG. There is considerable competition. I don't exactly know what you mean. Are you saying that I am saying we would be against a choice plan?

Mr. JONES. Yes.

Mr. HEIDELBERG. We would be against such a plan for various reasons already given by others in the testimony of this hearing.

Mr. JONES. Is North Carolina one of those States which relied greatly on the release and reapportionment in order to satisfy those people who do want to increase their production?

Mr. HEIDELBERG. It is one of the 12 States which have used this in order to make some adjustments in the acreage available for planting; yes, sir.

Mr. JONES. That is all.

Mr. HEIDELBERG. We feel we have made only those adjustments which have been justified in light of years of attrition which our more able farmers have suffered in light of the minimum acreage provision which has been in the law throughout these years.

Our acreage has drifted down, also, from about an 800,000-acre allotment in 1940 to about 432,000 acres in 1962.

We have been making these adjustments downward.

Mr. GATHINGS. The gentleman now testifying brought to us this release and reapportionment legislation. I say you were really the author of the idea. You presented it to us, and I am grateful to you for the fine work you did in connection with that law.

Mr. JONES. Mr. Chairman, I want to take exception to that statement because I do not think in these hearings we are foreclosed, are we, from making suggestions? Are we to understand that we are coming here and we have only the opportunity of accepting what the chairman or Mr. Heidelberg might feel is proper?

Mr. GATHINGS. It was hoped we would not bring in so many of these issues that would be controversial and that we could agree on most of the more significant items.

Mr. JONES. I want to say this with all due respect: While Mr. Heidelberg was very properly looking after his own people, and I think he is to be congratulated for evolving a plan which was very beneficial to certain areas of the country, on the other hand it has developed it has done great damage to other areas of the country and if we are considering this entire program we should not exclude the consideration of things which will contribute to an improvement. After all, what I thought we were here for was to try to keep people in the cotton business, and you will not stay in the cotton business unless you do become competitive.

Mr. GATHINGS. I agree with the need to meet competition.

Mr. Hagen?

Mr. HAGEN. Mr. Heidelberg, I was very much interested in your testimony. You are here speaking for the State which has the greatest number of cotton spindles in the industry, as I understand it. It is a great manufacturing State. You have expressed an attitude of austerity with respect to increase in acreage in the interest of economy.

To be consistent, how can you support your position on release and reallocation program? It seems production would disappear without that.

In view of the surplus situation how do you explain your position?

Mr. HEIDELBERG. Mr. Chairman, I didn't know I would be put on the spot on this particular matter. It was not part of my testimony. However, since it has come up, I have some tables here which summarize the release and reapportionment acreage for the years 1960, 1961, and 1962. This table was prepared in July of 1962, and the 1962 figures are preliminary but close to what the final figures were.

If Mr. Hagen would like to have a copy of this, and Mr. Jones, I would be glad to give them copies, and we can take a look at some of these things.

Mr. Hagen has said that all farmers in North Carolina do not want to plant their cotton, but that is not true.

Mr. GATHINGS. Since it is part of this hearing, and this was discussed all day yesterday and today, I don't see why the table should not be made part of the record.

Without objection it will go into the record so we can have the information.

Mr. HEIDELBERG. I don't care about its going into the record particularly.

(The table referred to above follows:)

A composite table—Upland cotton: Summary of released and reapportioned allotment acreage (from figures supplied by Cotton Division, USDA-ASCS), 1960-62

State	1960				1961				1962 ¹			
	Released acreage		Reapportioned acreage		Released acreage		Reapportioned acreage		Released acreage		Reapportioned acreage	
	Farms (1)	Acres (2)	Farms (3)	Acres (4)	Farms (1)	Acres (2)	Farms (3)	Acres (4)	Farms (1)	Acres (2)	Farms (3)	Acres (4)
Alabama.....	27,239	136,947	26,405	135,774	26,627	152,223	33,792	150,841	29,759	183,776	28,889	181,931
Arizona.....	217	3,387	517	3,358	252	4,580	927	4,580	158	2,023	564	2,023
Arkansas.....	8,284	51,437	11,005	51,244	10,657	82,679	12,528	82,487	9,942	66,121	11,810	64,843
California.....	1,187	13,510	2,175	13,434	1,279	15,495	3,549	15,479	1,167	11,211	3,598	11,151
Florida.....	2,330	9,759	1,299	9,212	2,227	11,112	1,193	9,050	1,448	9,035	706	6,428
Georgia.....	17,965	108,906	19,928	105,887	20,567	140,857	17,623	137,513	19,856	153,705	15,285	150,532
Illinois.....	60	412	40	412	151	1,221	68	1,041	128	777	42	758
Kansas.....	1	2	1	2	2	10	1	8	1	8	1	8
Kentucky.....	292	651	211	645	266	699	298	690	198	509	215	474
Louisiana.....	12,610	78,823	11,445	78,082	15,233	84,059	12,332	83,539	13,412	85,463	10,023	85,172
Mississippi.....	35,807	185,862	24,446	184,785	32,279	173,058	31,181	171,758	32,155	175,347	27,132	174,076
Missouri.....	457	2,066	1,066	2,045	872	6,426	1,485	6,286	624	2,330	981	2,138
Nevada.....	2	97	11	96	1	100	10	100	2	73	10	73
New Mexico.....	149	1,439	655	1,439	183	1,795	810	1,795	197	1,748	759	1,748
North Carolina.....	16,435	61,158	13,505	58,764	21,864	90,661	14,330	82,306	24,598	103,500	16,063	97,721
Oklahoma.....	6,960	59,696	9,184	58,182	8,555	74,013	9,678	72,771	7,885	75,710	8,176	74,307
South Carolina.....	11,423	65,469	12,507	62,607	12,515	85,148	15,209	82,389	13,945	100,016	13,538	96,431
Tennessee.....	3,381	18,846	9,720	18,651	5,777	21,218	11,053	21,050	7,013	23,679	12,230	23,369
Texas.....	34,942	446,431	37,753	435,423	36,600	557,431	44,466	543,246	43,352	691,824	52,865	679,359
Virginia.....	659	1,817	574	1,749	726	2,154	801	2,129	724	2,264	850	2,242
United States.....	182,400	1,246,715	182,447	1,221,791	195,633	1,504,939	211,334	1,469,053	206,564	1,688,119	203,737	1,654,784

¹ The 1962 figures are as of May 22, 1962. Final figures may alter these slightly.

Source: North Carolina Cotton Promotion Association, July 1962.

Mr. HEIDELBERG. Certainly it does not indicate North Carolina farmers don't want to plant cotton. What it shows is that what we have in North Carolina is cotton released from 24,598 farms in 1962, but we had 83,000 farms in the State, and all the acreage which was released was reapportioned to the remainder of the farms.

This did not provide any great windfall because if you divide the amount of acreage involved, which was 97,000, among 60,000 additional farms, it adds up to about an acre and a half or 2 acres to each farm.

Mr. HAGEN. Nonetheless, that is 97,000 acres. Is that the figure you used?

Mr. HEIDELBERG. That is it. You have the table. I am reading from it.

Mr. HAGEN. You have this cotton surplus. Why these 97,000 acres? Why add these 97,000 acres to it?

Mr. HEIDELBERG. Mr. Hagen, I believe that the national allotment is predicated on a formula that assumed it would be planted. You do not set a national allotment and then presume a certain percentage of it will not be planted. It is out there as an asset to the industry, particularly to agriculture, to bring farm income into various States.

Mr. HAGEN. If we eliminate the minimum acreage proviso and release and reapportionment plan would you support such elimination?

Mr. HEIDELBERG. Would I support it?

Mr. HAGEN. Yes.

Mr. HEIDELBERG. I strongly doubt I would. Let us look at release and reapportionment. You talk as if this were a North Carolina boondoggle of some sort.

Mr. HAGEN. I didn't state that.

Mr. HEIDELBERG. If you look at column 4 on this page, the last column on the right, Alabama reapportioned 182,000 acres approximately. This is all in the table. Arizona had 2,023, Arkansas 64,843, California had 11,151. The only reason you didn't have more is because you are in a healthy condition out there of acreage distribution. We envy you. We would be glad to trade places with you. We are trying to get into a position of being an efficient cotton-producing area. We cannot do it on a 4- or 5-acre allotment program. This enables us to move toward efficient production.

Mr. HAGEN. I am with you in eliminating the minimum acreage allotment in the law. This got you into trouble, but your people sought it.

Mr. HEIDELBERG. That was way back before my day. It started in 1938.

Mr. HAGEN. It was increased and your people sought it. I remember some of the real cottongrowers in North Carolina were complaining about the effects of it because when it was originally written part of the requirement for the minimum acreage came out of their hides, so to speak.

Mr. ABERNETHY. I think you got it back on skip row planting. About 500,000 bales or more.

Mr. HEIDELBERG. The skip row planting has been as much of an advantage to irrigated areas as the release program has been in the rain-grown areas, if not more so.

Mr. ABERNETHY. If we took a look at the act we could find a lot of advantages to many farmers.

Mr. HAGEN. To get back to my question——

Mr. HEIDELBERG. On this matter of the minimum acreage provision, I have here a historic and chronological summary from 1938 through 1961 of the minimum farm cotton acreage allotment provisions which have been put into the law. Any study of these by a man who has an objective mind, which certainly includes everybody in this room, can see what this has done to discourage efficient cotton production in many areas of the rain-grown belt. I would like Mr. Hagen to have one of those.

Mr. GATHINGS. Do you wish to briefly summarize the information on that sheet?

(The sheet referred to above follows:)

MINIMUM FARM COTTON ACREAGE ALLOTMENT PROVISIONS—A CHRONOLOGICAL SUMMARY 1961 FROM 1937

1961—The smaller of 10 acres or the 1958 allotment, provided at least 75 percent of the 1960 Choice (A) allotment was planted or regarded as planted to cotton. Otherwise the 1958 allotment for this purpose is adjusted to the average of such 1960 allotment and the sum of the acreages planted and regarded as planted to cotton. A total of 60,000 acres was allocated from the national reserve in providing minimum farm allotments.

1960—The smaller of 10 acres or the 1958 farm cotton acreage allotment. A national reserve of 310,000 acres was available for use in providing minimum farm allotments.

1959—Same as for 1960.

1958—The smaller of (1) 4 acres, or (2) the highest acreage planted or regarded as planted to cotton on the farm during the 3-year base period 1955, 1956, and 1957. A national reserve of 100,000 acres was available for use in providing minimum farm allotments.

1957—The smaller of (1) 4 acres, or (2) the highest acreage planted or regarded as planted to cotton on the farm during the 3-year base period 1954, 1955, and 1956. A national reserve of 100,000 acres was available for use in providing minimum farm allotments.

1956—(a) If the cropland basis for establishing farm allotments was used in the county: The smaller of (1) 5 acres, or (2) the highest acreage planted or regarded as planted to cotton on the farm in any of the base years 1953, 1954, and 1955.

(b) If the historical basis was used in the county: The ASC county committee had the option of establishing minimum farm acreage allotments as described in (a) above.

1955—Same as for 1956 except that the base years were 1952, 1953, and 1954.

1954—The smaller of (1) 5 acres, or (2) the highest acreage planted to cotton on the farm during the 3-year base period 1951, 1952, and 1953.

1950—The same as for 1954 except that the farm base years were 1946, 1947, and 1948 (the year 1949 was specially excluded by law) and acreage devoted to designated war crops were counted as planted to cotton pursuant to Public Law 12, 79th Congress. The allotment base for each State was increased by the estimated additional acreage required for establishing minimum farm allotments in the State.

1938 through 1943—The smaller of 5 acres or the highest number of acres planted to cotton and diverted from cotton production under the cotton adjustment programs for the 3 years immediately preceding the year for which the allotment was determined. The law authorized an acreage equal to not more than 4 percent of the State allotment to be used each year in connection with establishing minimum farm allotments.

Mr. HEIDELBERG. It is rather lengthy. It starts way back in 1938 and goes through 1943.

There are changes made in various years here. In 1955 it shows it the same as in 1952, 1953, and 1954. In 1961 it is changed again.

When this takes place, Mr. Chairman, we have exactly what happened in North Carolina this year, and it is very injurious and detrimental to this industry moving toward efficient-sized farming operations for which we can tool up.

We had a drop from 18 million to 16 million acres, but the provision of the law is that all of these 10-acre farmers have to get 10 acres regardless of whether the allotment is 5 million acres or 50 million acres, so many of the cotton farmers with allotments above 10 acres had to take as much as a $33\frac{1}{3}$ -percent reduction in his 1963 allotment against the 1962 allotment.

Mr. GATHINGS. That is right, you have to take away from the larger allotment.

Mr. HEIDELBERG. If Congress had provided that no allotment would be cut below its previous year's figure then we would have been all right, but it penalized efficiency in production. This has been going on.

We have many such farmers in North Carolina. I think Mr. Long can testify later for his own case. They, in many cases, had 120-acre allotments 10 years ago, and have suffered this attrition until they are down now to 20 or 25 acres.

That is why, Mr. Hagen, we feel the release law has done nothing more than to get this acreage back to these able farmers who want to go to efficient cotton production. We do not feel there is any injustice in it whatsoever in light of the fact we went along here a year or so ago with you people in getting skip row planting, and it has done as much for you as this has done for us over our way.

Mr. HAGEN. I think part of your program should contain an elimination of the minimum acreage provision and the release and reapportionment.

Mr. HEIDELBERG. I have not proposed that. I proposed nothing more than some 10 or 12 words to go into a bill. That is about the only thing we can hope to get through. This sort of thing is what will muddy the waters and keep us from doing it.

Mr. HAGEN. Getting back to the main question, let us assume the incentive plan would not pass Congress, which is a possibility. Would you support lowering the price support $2\frac{1}{2}$ cents? This would give $2\frac{1}{2}$ cents worth of relief per pound. This the Secretary can do that himself. Would you advocate such a course of action?

Mr. HEIDELBERG. Would I advocate to the Secretary of Agriculture that he lower the support price to 30 cents a pound? I would not, sir.

Mr. HAGEN. This is $2\frac{1}{2}$ cents a pound to the mills.

Mr. HEIDELBERG. The main burden in my statement is that the way to get it done is through a trade incentive plan. That is what I have said and that is what the record will say.

Mr. HAGEN. But the other plan is more practical. It can be far more immediate. The Secretary would act to reduce this price support $2\frac{1}{2}$ cents. That is $2\frac{1}{2}$ cents worth of relief for the mills.

Mr. HEIDELBERG. That is your opinion. I am here to give you the viewpoint of my folks. It is that we would not endorse such a plan.

Mr. HAGEN. Even though the mills in North Carolina are also involved in this price problem?

Mr. HEIDELBERG. We are deeply interested in the welfare of our mills, to the point we are willing to do what we can to get a trade incentive plan through, giving the largest amount of assistance possible.

The mills have to live, but we have to live, too.

Mr. BEERMANN. Mr. Heidelberg, on this deduction of 10 cents a bale, does the grower pay that to the association?

Mr. HEIDELBERG. Yes, sir; this is a State-level program. We have this in North Carolina on tobacco, peanuts, cattle, eggs, cotton.

Mr. BEERMANN. This puts you fairly close to the grower, then.

Mr. HEIDELBERG. Just as close as a guy can live.

My board is composed, sir, of farmer representatives elected. We have voting delegates appointed by the Farm Bureau, Grange, and the Cotton Growers Cooperative Association. These delegates meet once a year and elect farmer directors.

Our president always has been a farmer.

In order to round out our program we do have one designated director appointed by agricultural-business groups, but the farmers are always predominant on the board of directors. It is farmer supported. We have never solicited any funds from these agribusiness groups because we are afraid to take the money since it would put us under obligation to them. I am sure you know what I mean.

As far as North Carolina is concerned this is the voice of the farmers.

Mr. BEERMANN. Since you know these farmers so well, do you know whether the farmers know what it costs to grow cotton?

Mr. HEIDELBERG. Oh, yes. I have some tables here showing production costs. Would you like to have them?

Mr. BEERMANN. I certainly would. Many of us in farming don't know what the costs are but just know at the end of the year we have no money.

Mr. HEIDELBERG. These tables were developed by the Extension Services in the States of South Carolina, North Carolina, Arizona, and California. It shows estimated cost of producing cotton on various bale levels.

Would you like to have a copy?

Mr. BEERMANN. I think it would be helpful.

Mr. HEIDELBERG. You can make it part of the record if you want to.

Mr. GATHINGS. It has been brought up and it is a very appropriate question. Without objection it may be inserted.

(The record referred to above follows:)

TABLE 1-A.—*Estimated cost of producing cotton in South Carolina, 1961:
1 bale, 1½ bales, and 2 bales per acre*

	1 bale	1½ bales	2 bales
Preharvest costs:			
Lime (1 ton each 3 years).....	\$2.00	\$2.00	\$2.00
Seed (registered or certified).....	2.40	2.40	2.40
Fertilizer.....	17.48	20.13	26.84
Chemical weed control (preemerge).....	3.00	3.00	3.00
Insecticides.....	8.40	10.80	14.40
Labor (resident and hired).....	10.12	10.57	11.02
Tractor cost.....	7.97	8.65	9.22
Other machines.....	3.24	3.24	3.24
Machinery overhead.....	3.52	3.52	3.52
Total preharvest cost.....	59.13	64.31	75.64
Harvesting and ginning costs:			
Defoliation.....	3.00	3.00	3.00
Picking.....	32.50	48.75	65.00
Ginning (B & T, hauling).....	14.50	21.75	29.00
Total harvesting costs.....	50.00	73.50	97.00
Miscellaneous costs:			
Land use (6 percent×\$200, per acre).....	12.00	12.00	12.00
Interest on operating capital.....	3.83	5.07	6.31
Taxes, social security, etc.....	2.70	3.37	4.04
Total miscellaneous cost.....	18.53	20.44	22.35
Total all costs.....	127.66	158.25	194.99
Gross receipts:			
Lint, at \$0.34.....	170.00	255.00	340.00
Seed, at \$50 per ton.....	21.25	31.87	42.50
Total returns.....	191.25	286.87	382.50
Less total cost.....	127.66	158.25	194.99
Net returns to management.....	63.59	128.62	187.51
Cost per pound of lint.....	.2553	.2110	.1950

Source: Data taken from South Carolina 5-acre cotton improvement contest records and AE 202, "Production Requirements and Estimated Returns from Selected Crop and Livestock Enterprises in the Piedmont Area," tables 8-B and 8-C.

TABLE 1-B.—*Estimated costs and returns of producing cotton mechanically in North Carolina, 1961: 1 bale, 1½ bales, and 2 bales per acre*

	1 bale	1½ bales	2 bales
Preharvest costs:			
Lime (1 ton each 3 years)	\$2.00	\$2.00	\$2.00
Seed	1.60	1.60	1.60
Fertilizer	16.00	20.00	26.00
Chemical weed control	1.25	1.25	1.25
Insecticides	6.40	8.40	10.40
Labor (total required, at \$1 per hour)	28.00	30.00	32.00
Tractor costs	9.00	10.00	11.00
Other machines	1.94	1.94	1.94
Machinery overhead	4.90	4.90	4.90
Total preharvest costs	71.09	80.09	91.09
Harvesting and ginning costs:			
Defoliation	2.10	2.10	2.10
Picking (mechanically)	40.00	50.00	62.00
Ginning	14.37	21.55	28.74
Total harvesting costs	56.47	73.65	92.84
Miscellaneous costs: Land use (6 percent × \$200 per acre)	12.00	12.00	12.00
Total all costs	139.56	165.74	195.93
Gross receipts:			
Lint, at \$0.34 per pound	170.00	255.00	340.00
Seed, at \$50 per ton	21.25	31.87	42.50
Total returns	191.25	286.87	382.50
Less total costs	139.56	165.74	195.93
Net returns to management	51.69	121.13	186.57
Cost per pound of lint .....	.2791	.2209	.1959

Sources: Data based on Agricultural Economics Miscellaneous Publication No. 1, Department of Agricultural Economics, North Carolina State College, Raleigh, N.C., December 1960.

TABLE 2.—*Estimated cost of producing cotton in Arizona, 1961, 2 bales per acre under different irrigation requirements*

Cost items	Salt River Valley	Arizona pump areas		
		200-foot lift	300-foot lift	400-foot lift
Preharvest costs:				
Land preparation.....	\$15.00	\$15.00	\$15.00	\$15.00
Seed (22 pounds).....	3.30	3.30	3.30	3.30
Planting.....	4.00	4.00	4.00	4.00
Cultivation (5 times).....	10.00	10.00	10.00	10.00
Hoeing and thinning.....	13.00	13.00	13.00	13.00
Irrigation and ditch labor.....	10.00	10.00	10.00	10.00
Fertilizer and applying.....	24.13	24.13	24.13	24.13
Insecticides and applying.....	22.77	22.77	22.77	22.77
Total, preharvest cost.....	102.20	102.20	102.20	102.20
Harvesting and ginning costs:				
Defoliation.....	5.45	5.45	5.45	5.45
Picking (machine and hand).....	48.10	48.10	48.10	48.10
Ginning (B. & T., hauling, etc.).....	35.24	35.24	35.24	35.24
Total, harvesting and ginning cost.....	88.79	88.79	88.79	88.79
Miscellaneous costs:				
Production credit.....	4.50	4.50	4.50	4.50
Insurance and social security.....	2.00	2.00	2.00	2.00
Land use.....	36.00	25.50	20.00	14.00
Water (5 acre-feet).....	21.00	27.00	40.00	53.00
Taxes and other overhead.....	16.55	14.24	13.85	13.47
Total, miscellaneous cost.....	80.05	73.24	80.35	86.97
Total, all costs.....	271.04	264.23	271.34	277.96
Gross receipts:				
Lint, at \$0.34 per pound.....	340.00	340.00	340.00	340.00
Seed, at \$50 per ton.....	42.50	42.50	42.50	42.50
Total returns.....	382.50	382.50	382.50	382.50
Less total cost.....	271.04	264.23	271.34	277.96
Net return to management.....	111.46	118.27	111.16	104.54
Cost per pound of lint.....	.2710	.2642	.2713	.2780

Source: Bulletin A-10, "Arizona Agriculture," 1961, Department of Agricultural Economics, Arizona Agricultural Experiment Station.

TABLE 3.—*Estimated cost of producing cotton in Tulare County, Calif., 1961, 2 bales per acre*

	2 bales
Preharvest costs:	
Land preparation (machine and labor).....	\$10. 40
Planting (machine and labor).....	1. 32
Seed (30 pounds at 10 cents).....	3. 00
Irrigate: 1 pre and 6 crop (including labor).....	13. 50
Water: power to pump 3½ acre-feet at \$3.50.....	12. 25
Cultivate (machine and labor).....	7. 80
Fertilizer and applying: 120 pounds nitrogen at 10 cents.....	14. 25
Hoeing and Weeding.....	12. 60
Insect control, insecticides and application.....	22. 00
Miscellaneous labor, equipment and materials.....	4. 00
Total, preharvest cost.....	101. 12
Harvesting and ginning costs:	
Defoliation.....	4. 70
Picking (machine and hand).....	44. 00
Ginning (B. & T. etc.).....	30. 80
Total, harvesting cost.....	79. 50
Miscellaneous costs:	
County taxes.....	7. 50
Interest on operating capital, etc.....	7. 50
Repairs, irrigation system and equipment.....	3. 00
Depreciation on irrigation system and equipment.....	15. 60
Land use (6% times \$700 per acre).....	42. 00
Interest on investment (except land).....	6. 35
Total, miscellaneous cost.....	81. 95
Total, all costs.....	262. 57
Gross receipts:	
Lint, at \$0.34 per pound.....	340. 00
Seed, at \$50 per ton.....	42. 50
Total returns.....	382. 50
Less total cost.....	262. 57
Net returns to management.....	119. 93
Cost per pound of lint.....	. 2626

Source: Data taken from leaflet prepared by Alan G. George, farm adviser, and Burt B. Burlingame, extension economist, of the California Extension Service.

Mr. GATHINGS. Further questions?

Mr. JONES. I don't want to prolong this any more than you do, but I don't understand this. You mentioned how North Carolina has lost its base. In 1962, 24,598 farmers released their allotment and they released 103,500 acres. Yet there were only 16,000 farmers who wanted to pick that up, and they picked up only 97,000, which means there are approximately 6,000 acres there which were available but apparently nobody wanted to plant them.

Mr. HEIDELBERG. Mr. Jones, let me point out a little provision of law which perhaps slipped your mind. We are still suffering from the soil bank. We have about 23,500 acres of our cotton allotment which is frozen in whole conservation farm contracts. This may or may not be known to you, but where a farmer has put a portion of his farm in a conservation reserve contract—let us say a man has a 40-acre farm, for example—if he puts 1 acre of it way over here on the back side in the conservation reserve and he has a cotton acreage allotment at the front end here of 5 acres, he can plant that 5 acres on that farm himself as long as he wants to. If he releases that 5 acres it cannot be reapportioned. It is frozen.

A lot of this acreage you see here in the table is this frozen conservation reserve acreage from partial CR farms.

Mr. JONES. It is not all in that category.

Mr. HEIDELBERG. Around 4,000 acres were. Due to the time factor we had about 2,000 acres available which was not reapportioned, but that was on an 18-million-acre allotment.

We have the feeling there will be a real scramble for it next year and nobody will get all he wants.

Mr. JONES. I thought that should be pointed out. It seems to me that where any State has farmers who do not want to grow cotton, they turn it back and still do not have enough farmers who want to pick it all up, it would seem to me that would be prima facie evidence they are not interested in growing cotton.

Mr. HEIDELBERG. I don't think you can say that about North Carolina where only 2,000 acres are involved. I am glad you brought up the point. This is true in every State. The conservation reserve program is keeping cotton out of production.

Mr. ABERNETHY. That situation is due to the soil bank program. In fact, every State listed on this page showing acreage surrender actually reallocated less acreage than was surrendered except one, Kansas, and that involved only 8 acres.

Mr. HEIDELBERG. The reason is because of this thing I just pointed out. This was a ruling that any partial CR farm which released cotton acreage allotment, that acreage could not be reapportioned, and it may tie up more acreage down your way than you realize.

Mr. HAGEN. That was one of the beneficial aspects of the soil bank. I would have like to see it continue.

Mr. HEIDELBERG. That is a matter of opinion, too.

Mr. GATHINGS. Thank you very much, Mr. Heidelberg.

We would be delighted to hear from Mr. Long at this time.

STATEMENT OF WILEY J. LONG, JR., PRESIDENT OF THE AMERICAN COTTON PRODUCERS ASSOCIATION

Mr. LONG. I do not have a written statement but I have a short presentation.

I am Wiley Long, Jr. I am a cotton farmer and president of the American Cotton Producers Association. I wish to report to you gentlemen that ACPA unanimously agreed at the last regular meeting to recommend to you gentlemen the trade incentive equalization fee for the domestic mill approximately equal to the export fee to establish a one-price plan for cotton and still allow the farmer a reasonable income.

We also agree that the payment of the equalization fee should not be to the first buyer but rather at a point more remote from the farmer.

Most of the interested organizations comprising the ACPA are making individual reports and other matters will be dealt by them in their testimony.

That completes my report for the ACPA.

I have a personal report from the cotton farmer. I would like to report to you that as an individual farmer I, together with my fellow cotton farmers in North Carolina, strongly endorse and support the release and reapportionment law. It is a good law and has worked satisfactorily and receives the unqualified support of North Carolina farmers.

This law has done much and is doing much to correct the abuses brought about by several years of operation of the minimum allotment law.

The areas worse hit by the minimum allotment are the areas helped most by the acreage transfer law.

Remember that under the acreage transfer law we do not seek to take acres from any one. We only ask an opportunity to get our own house in order and to place back the acres that were taken from these persons who have the history of growing cotton before it was taken from them by the minimum allotment law.

That concludes my statement. Some of it is repetitious but perhaps some would bear repeating.

Mr. GATHINGS. Thank you, Mr. Long.

Mr. JONES. In other words, you are opposed to a choice plan, then. Is that correct?

Mr. LONG. Very conclusively. It is my judgment that any choice plan would result in an increase in the carryover and in my judgment the carryover was more than sufficient at the present time to take care of our immediate needs for another year.

Mr. JONES. Is not the release and reallocation or reapportionment a choice plan, in effect?

Mr. LONG. No, sir, very clearly not. I interpret the release and reapportionment law as an opportunity for farmers who have had cotton taken from them under the minimum allotment law to have an opportunity to get it back.

Remember one thing—no man has any cotton taken from him under this law unless he doesn't want to plant it. There is an opportunity provided for that cotton to return to where it originally came, and we in North Carolina, and in most of the Southeastern States and in certain portions of all the States, require and need this opportunity to get our own house in order, to be in a position where we can compete more equally with the areas which have not suffered the inconvenience of the minimum allotment law.

Mr. JONES. How about the State which has suffered from it and still has no release and reapportionment to get it back? What happens to him? Does he have an opportunity to recover his from some place?

Mr. LONG. Congressman Jones, I am sure you are very much aware of the statistics concerning that but I have looked them over and I personally have not found a State which suffered under it which has not been able to receive an opportunity to correct that abuse.

I am familiar with most of the States and represent many of them in the ACPA.

If you have a State in mind I should be glad to look into that particular one and discuss statistics with you.

Mr. JONES. We don't want to delay the hearing longer, but to me a release and reapportionment is a choice plan. It gives the person who wants to produce more cotton an opportunity to get acreage. A choice plan does it the same way except he pays for it, but accepting a lower price.

Mr. BEERMANN. Mr. Long, do you mind telling us how many acres of cotton you plant each year?

Mr. LONG. I thought that might come up. I have a rough approximation. I have it for three 10-year periods. This is not exactly right but materially correct. In 1942 my operation was approximately 900 acres.

In 1952 we planted approximately 725 acres.

In 1962 we planted 550. That is approximately 61 percent of what I planted in 1942.

Mr. BEERMANN. The number of acres is irrelevant so far as my question is concerned. What I want to know is whether you have to plant your entire allotment each year to participate in the cotton program.

Mr. LONG. No, sir.

Mr. BEERMANN. In other words, you have a cotton allotment of, say, 500 acres this year. If you didn't want to plant all that, could you plant 200 acres this year and next year 800 acres?

Mr. LONG. No, sir, I could not. I could plant less than my allotment in any given year but if I failed to plant any cotton for a 3-year period I would lose my allotment.

Mr. BEERMANN. Once every 3 years you have to plant your entire allotment?

Mr. LONG. You would have to release it 2 years and plant it at least 1.

Mr. BEERMANN. What is that?

Mr. LONG. If you fail to plant and did not release it, you would have to lose it. That is a question which has no bearing. I love to plant cotton and we have planted it for many years. We were planting cotton in North Carolina and in Virginia long before any of the other States which are now large factors in the cotton business.

Mr. BEERMANN. There have been programs in the past in the farm area where if you did not plant your allotment in other areas each year you would lose it for the next year, so it meant you had to plant each year.

Mr. LONG. There is no accumulative effect in cotton.

Mr. HAGEN. In 1961 and 1962 how much of your acreage was derived from the reapportionment and reallocation?

Mr. LONG. I haven't the exact figure. I believe it is 120 acres, sir.

Mr. HAGEN. Each of those years you got an additional 120 acres?

Mr. LONG. No, sir, not exactly.

Mr. HAGEN. Approximately?

Mr. LONG. Only if it is available from those who didn't want it.

One other thing: My allotment included more than what I am planting before they started taking it out for the minimum allotment. With release and reapportionment I am still planting less cotton than I had allotted.

The reason I do that, and this has happened in many cases, and I can give you one illustration that is outstanding. I have one farm in Virginia. I farm on the line between North Carolina and Virginia. There my family started to grow cotton for many generations. It is a fairly large farm for my area. Yet in 1953 under the minimum allotment law, regardless of the size or history of that farm, no farmer in the State of Virginia received more than 5 acres. Think of what that would have done to California if you had that happen to you. Then you would have needed relief, also.

Mr. HAGEN. If you didn't have these approximately 120 acres available to you through the release and reapportionment what would have been your position on the choice program?

Mr. LONG. It is a difficult question. There are many alternative uses for land. In order to make a sound evaluation of the situation all factors must be considered.

I can say generally my decisions have been in the past, when I was able to produce cotton, and I had good land and wanted to produce cotton, I am listed as one of those individuals in the State of Virginia who didn't want cotton and sent it away, but that was not true.

I was the victim of certain technicalities in the operation of the law. I maintain what happened to me individually as a cotton farmer happened repeatedly throughout the Southeast.

That is why we in the Southeast are suffering a loss yearly, the total value of the total production of the State of South Carolina.

Mr. HAGEN. You are fortunate to be in a State which has these available acres. If you didn't have these available you would be seeking, along with these other growers, the choice program and even be willing to accept a lower price support to get that choice. You might not make it in a given year but you would like to have that avenue opened to you, I suspect, if you were in the position of some of the Missouri growers or some of the California growers.

Mr. LONG. I pride myself in thinking that I am trying to think of the total overall cotton operation when I make a decision or recommendation. Perhaps I don't but I think I do.

I sincerely believe at this time a choice program is ill advised for the reason we have sufficient carryover to justify any expected need during the next 12 months.

If at any time this carryover is reduced, I certainly favor increasing the acreage allotment to produce additional bales.

When it is done I personally would recommend it be done across the board.

Mr. ABERNETHY. Mr. Long, whether right or wrong, Congress a long time ago maintained the policy of fixing a minimum allotment for every cotton farmer. That is right, is it not?

Mr. LONG. That is right.

Mr. ABERNETHY. In other words, it determined that no farmer—and I think that is true in wheat and other crops—no farmer should be cut below a particular acreage if he was planting that much acreage. That is what Congress determined; is that right?

Mr. LONG. Yes, sir.

Mr. ABERNETHY. But Congress did not make that minimum the responsibility of the entire belt, did it?

Mr. LONG. No, sir. I agree with you.

Mr. ABERNETHY. In other words, the responsibility for that minimum was placed upon the individual States?

Mr. LONG. Right.

Mr. ABERNETHY. Instead of the entire belt?

Mr. LONG. That is right.

Mr. ABERNETHY. The national policy was that no allotment should be less than a certain number of acres, but they did not apply the same yardstick to the entire belt. They applied it just to the individual States. So North Carolina, being a State which had so many, many small cotton farms, those small farms took up all the acreage and left you fellows with very little, cut you down to their size. In other words, you paid the entire penalty.

Mr. LONG. And that one technicality is the one thing which brought on this hardship which we are seeking to alleviate through release and reapportionment.

Mr. ABERNETHY. Then if Congress revised that situation and made the minimum acreage allotment the responsibility of the entire Cotton Belt, the minimum acreage surrender would mean nothing to you. Is that right?

Mr. LONG. That is right; except the harm now has been done.

Mr. ABERNETHY. That is right.

Mr. LONG. Had it not been done, you are exactly right. It is still being done to some extent, too.

Mr. GATHINGS. You have a lot in that briefcase, Mr. Heidelberg. I wonder if you could give us the unplanted acres and abandonment for 1962.

Mr. HEIDELBERG. I shall remember the request and bring it next time.

Mr. BEERMANN. Mr. Long, you answered more than I asked for, so it brings up other questions. You planted 900 acres of cotton in 1942.

Mr. LONG. Roughly.

Mr. BEERMANN. How many acres of other commodities did you plant in 1942?

Mr. LONG. That is a good question. I am sorry I cannot answer you correctly, and would rather not answer under those circumstances. I planted tobacco, corn, and peanuts, and some hay crops.

Mr. BEERMANN. Then in 1952 you planted 700 acres of cotton?

Mr. LONG. Roughly 725.

Mr. BEERMANN. What did you put that other 175 acres into?

Mr. LONG. Some in pine trees. That was not through the soil bank program, and I might also add that I don't believe in it in the sense it was originally presented.

Mr. BEERMANN. Did you plant any corn?

Mr. LONG. Yes; a great deal in 1942 and in 1952. I am not planting as much now.

Mr. BEERMANN. Then you had 542 acres last year.

Mr. LONG. I have increased cattle acreage during that time.

Mr. BEERMANN. Did you increase corn acreage?

Mr. LONG. Not materially. We increased yield per acre, but we have not materially increased acreage. We have gone more to grain.

Mr. BEERMANN. So your farm is more diversified with livestock today than it was in 1942?

Mr. LONG. Yes, sir.

Mr. BEERMANN. I wondered how many of our midwestern crops you were growing.

Mr. LONG. Actually, I am not a person who has increased the crops at all in surplus supply. It happens that is true in my particular case. We have increased substantially the areas devoted to pine tree growing.

Mr. BEERMANN. I believe last year in this committee—Mr. Chairman, you might want to bear this out—Mr. Cooley, chairman of our committee, brought out the fact that substantial acreage was taken out of production in the feed grain program in North Carolina.

Mr. LONG. That is approximately correct. It was tree acreage.

Mr. BEERMANN. Why was this done?

Mr. LONG. Many of us regret it was done. I guess it was done because they felt that in doing that they would assist the Government in alleviating the situation and would receive a fair remuneration for what they did.

It resulted in a very difficult situation for cattle and hog growers. We bought corn that was costing the Midwest somewhere around 89 cents a bushel, and it cost us from \$1.34 to \$1.36 for the same corn. It put our hog, cattle, chicken, and egg growers at a distinct disadvantage because of the fact that in our area we were not planting the feed grains that were being used in our State and we had to buy from other areas to continue the feeding program.

Mr. BEERMANN. When we cooperated with the Government on our farm at one time we found that under the program we could not survive, so we got out of the Government program and we have been far better off since.

I wonder if perhaps some of the reasons this feed grain program was sold to Congress in 1961, in a sort of fast shuffle in the first 2 or 3 months, was because other areas were growing commodities under strict controls. The philosophy was there had to be controls on feed grains too.

I felt if we didn't try to regulate feed grains, they would be grown in the area where needed, both through price and local consumption.

Mr. LONG. I might say one other thing. In North Carolina we have found it is essential to control the supply of commodities. If we

bring unburdenable surpluses on our hands it results in an unprofitable operation for everyone. With that philosophy and background we looked at the feed grain situation and we felt there was an excess supply of feed grain, and we had the cooperation of all of our agencies in the State in trying to alleviate this situation.

Mr. BEERMANN. What do you call an excess supply?

Mr. LONG. I don't know, but I presume it is a situation where you have more than you really need with reasonable reserves, whatever that is.

Mr. BEERMANN. It doesn't sound as though we had too much supply.

Mr. LONG. In our area there was not. We were short.

Mr. BEERMAN. The Department of Agriculture quit selling commodities a couple of months ago, with the situation in Cuba. With a 4-month supply of feed grains, we have not even a bare reserve in my opinion.

Mr. LONG. I am not qualified to answer that, sir.

Mr. GATHINGS. Thank you, gentlemen.

Mr. LONG. Thank you for the opportunity to appear.

Mr. GATHINGS. We shall recess until 1:30.

AFTERNOON SESSION

Mr. GATHINGS. The subcommittee will come to order. Mr. Grant.

Mr. GRANT. Mr. Chairman, I believe Mr. Craig Smith, president of the Avondale Mills, has a statement that he wishes to file.

Mr. GATHINGS. Do you want to present Mr. Smith?

Mr. GRANT. I do not think he cares to make a statement. It is just to file the statement. Is that correct, Mr. Smith?

STATEMENT OF J. CRAIG SMITH, PRESIDENT, AVONDALE MILLS, ALABAMA

Mr. SMITH. That is right, Mr. Chairman. This statement has to do with a very complete analysis of handling and marketing costs of cotton and cotton textiles here and abroad. It is directed to the point you commented on this morning as to whether the measure of the inequity or burden referred to by the President is something less than the 8½ cents export subsidy. This statement is very complete and was prepared at the request of the Department of Agriculture, Under Secretary Murphy, and has been presented to Mr. Murphy. We would like to make it a part of this record.

Mr. GATHINGS. Without objection, it will be made part of the record. I wondered if you could give us a synopsis. Could you brief it and give us your findings?

Mr. SMITH. I can tell you what we find, sir. It is a rather voluminous statement that I would be happy to read, if you like, but I thought it would serve the purpose to put it in the record.

The conclusion is if there is any advantage of location between the American mill and the foreign mill in respect to their cotton and cloth transportation costs, the advantage lies with the foreign mill. In our view, this proves conclusively that the measure of the disadvantage that the American mill is under is certainly no less than the amount of the export subsidy in respect to the raw material cost. This is the

conclusion. The documents and exhibits prepared by transportation and other experts are attached to this document. It has been filed with Secretary Murphy, at his request. We would like to have it available for the benefit of this committee.

Mr. GATHINGS. We want it in the record word for word. How much effort has gone into this work?

Mr. SMITH. It is a very large effort, Mr. Gathings. We have really worked at it. We think we have a very complete statement here in respect to transportation costs in various parts of the belt and various mills. There is a variance between locations. It obviously costs more to ship cotton from Fresno, Calif., to North Carolina than it does to ship it from some neighboring North Carolina point. The location of the mill, whether the mill be in Texas or in New England or in Alabama or North Carolina, the figures vary as between those locations. But, taking into account the whole belt, and taking into account the cost of shipping both the cotton and the cotton cloth, not just the cotton, from the mill that makes it to where it is consumed in this country, the conclusion is, as supported by these figures, that whatever difference there is is not a substantial difference, but whatever difference there is is in favor of the foreign mills rather than domestic mills.

Therefore, if we are to remove the unique burden President Kennedy referred to in respect to the difference in this raw material cost, you cannot remove it except by taking the export subsidy into account completely. To be precise, you cannot remove it by making a payment to somebody of 6 cents if the export subsidy is $8\frac{1}{2}$ cents or by 8 cents or 7 cents or any other difference. It must be as much as the amount of the export subsidy in order to remove the inequity.

Mr. HAGEN. Mr. Chairman.

Mr. GATHINGS. Mr. Hagen.

Mr. HAGEN. That is going to be hellishly expensive, is it not? How many millions of dollars is that?

Mr. SMITH. I am not prepared to say how expensive it is because I do not know what the figure is. I am just saying the figure must be the same if the result is to be accomplished.

Mr. HAGEN. The figure is about 9 million bales now, is it not?

Mr. SMITH. We are currently using that.

Mr. HAGEN. At $8\frac{1}{2}$ cents a pound, how many pounds are represented in 9 million bales? In light of that, do you not think there should be some large appeal to the Secretary to reduce this support level to knock out $2\frac{1}{2}$ cents of that cost?

Mr. SMITH. I am not going to testify on that point, if you will excuse me, Mr. Hagen. I am saying if you are going to remove it, it must be equalized completely and not partially.

Mr. HAGEN. I should think there should be some large appeal to the Secretary. The idea should have appealed to the White House to knock out $2\frac{1}{2}$ cents of the price support to cut it down to 6 cents a pound. I think the textile industry might well apply a little pressure on that point.

Mr. SMITH. We do not think we have any pressure to apply.

Mr. HAGEN. You got as much as we have.

Mr. GATHINGS. As I understand it, Mr. Smith is just bringing us the results of a study. We want the facts. We want the record to speak the truth. We are delighted to have that data, and I wish we had it on our desk here, and that each of us had a copy of it.

Mr. SMITH. We just have the one copy here, but we can make copies available to each member.

Mr. GATHINGS. It will be available to us. Without objection, the study will go in the record at this point.

(Mr. Smith's prepared statement, with attachments, follows:)

STATEMENT OF J. CRAIG SMITH, PRESIDENT, AVONDALE MILLS, ALABAMA

ANALYSIS OF HANDLING AND MARKETING COSTS OF COTTON AND COTTON TEXTILES

Presently, the Federal Government subsidizes the purchase of U.S. cotton by foreign buyers in the amount of $8\frac{1}{2}$ cents per pound. This creates a two-price system for U.S. cotton. It is well known that a substantial quantity of upland type raw cotton is exported under this subsidy plan and later shipped back into this country in a manufactured form to compete with the output of U.S. mills. In seeking relief from the disadvantage caused by payment of this subsidy, domestic cotton textile manufacturers have been told that extra transportation and handling charges borne by foreign users of U.S. cotton serve to counteract a part of the $8\frac{1}{2}$ cent per pound subsidy enjoyed by the foreign mills.

The purpose of this exhibit is to show that this is not the case. To illustrate the point it will be shown that textile manufacturers in the Southeastern United States do not have a freight advantage over Japanese textile merchants buying U.S. cotton and shipping cotton cloth to major U.S. markets located in either the East, West, or South. Fresno, Calif.; is used as the point of origin of the raw cotton for both the foreign mills and the domestic manufacturers. Eastern, western, and southern market points of New York, New Orleans, and San Francisco are used to compare the landed cost of cotton cloth. These examples will show the cost of taking raw cotton from the producing area to the manufacturing areas and the cost of returning cotton cloth to the U.S. markets.

In preparing this exhibit, costs for the freight, handling, and other services for textiles were computed on a basis considered most representative of actual movement of goods to and from the areas named. Freight on raw cotton to the domestic mills was considered by rail carload. From Charlotte, N.C., freight on textiles was figured by motor truck to New York and New Orleans, since the eastern and southern markets require truck service for delivery of cotton fabrics. To San Francisco from Charlotte, N.C., freight is shown via freight forwarder or motor truck because these services are demanded and carry most of the tonnage. Also, the costs for movement of cotton to Japan and cotton cloth from Japan are based on quantities and conditions considered most common.

Various import charges are based on flat charge per entry. Therefore, a typical shipment of 24,000 pounds of cotton cloth was used to measure these entry costs. In computing ocean freight from Japan to the United States, nonconference steamship rate quotations were used, and while these rates may appear low, in many instances they are considerably higher than the rates actually paid by the Japanese shippers. It should be pointed out that various schemes are employed in making ocean freight charges on shipments to and from Japan—wherein part of the cost of transporting cotton is used to further reduce negotiated "tramp" rates on cotton cloth returned to the United States.

The conclusion reached by the following examples A, B, and C is (1) that the foreign mills have a cost advantage in freight and handling to the San Francisco market of more than $3\frac{1}{3}$ cents per pound; and (2) that the difference between foreign mill cost and domestic mill cost for freight and handling to New York is only two-tenths of 1 cent per pound and to New Orleans only one-tenth of 1 cent per pound.

EXAMPLE A

Comparison of costs for delivery of cotton cloth to the San Francisco market using as nearly as can be determined the typical conditions of transportation

	Amount (cents per pound)	For detail see
To and from Japan:		
Cost of delivery of raw cotton Fresno to Japan.....	4.660	Exhibit 1.
Cost of delivery of cotton cloth from Japan to San Francisco.....	1.998	Exhibit 2.
Total to and from Japan.....	6.658	
To and from Charlotte, N.C.:		
Cost of delivery of raw cotton from Fresno to Charlotte.....	4.040	Exhibit 1.
Cost of delivery of cotton cloth from Charlotte to San Francisco.....	5.990	Exhibit 5.
Total to and from Charlotte.....	10.030	
Excess cost to domestic mill for delivery to San Francisco market.....	3.372	

EXAMPLE B

Comparison of costs for delivery of cotton cloth to the New York market using as nearly as can be determined the typical conditions of transportation

	Amount (cents per pound)	For detail see—
To and from Japan:		
Cost of delivery of raw cotton from Fresno to Japan.....	4.660	Exhibit 1.
Cost of delivery of cotton cloth from Japan to New York.....	1.859	Exhibit 4.
Total to and from Japan.....	6.519	
To and from Charlotte, N.C.:		
Cost of delivery of raw cotton from Fresno to Charlotte.....	4.040	Exhibit 1.
Cost of delivery of cotton cloth from Charlotte to New York.....	2.270	Exhibit 5.
Total to and from Charlotte.....	6.310	
Excess cost to foreign mill for delivery to New York market.....	.209	

EXAMPLE C

Comparison of costs for delivery of cotton cloth to the New Orleans market using as nearly as can be determined the typical conditions of transportation

	Amount (cents per pound).	For detail see—
To and from Japan:		
Cost of delivery of raw cotton from Fresno to Japan.....	4.660	Exhibit 1.
Cost of delivery of cotton cloth from Japan to New Orleans.....	1.877	Exhibit 3.
Total to and from Japan.....	6.537	
To and from Charlotte, N.C.:		
Cost of delivery of raw cotton from Fresno to Charlotte.....	4.040	Exhibit 1.
Cost of delivery of cotton cloth from Charlotte to New Orleans.....	2.390	Exhibit 5.
Total to and from Charlotte.....	6.430	
Excess cost to foreign mill for delivery to New Orleans market.....	.107	

EXHIBIT 1

Comparison of analysis of cost of purchasing, assembling for shipment, and delivery of raw cotton from origin to Japan through San Francisco and from Fresno, Calif., to Charlotte, N.C.

	Fresno, Calif., to Japan	Fresno, Calif., to Charlotte
	<i>Points</i>	<i>Points</i>
Buying commission.....	20	20
Invoicing charge (seller).....	10	10
California ad valorem tax.....	3	3
Interest (45 days at 5 percent).....	21	21
Insurance (interior).....	2	2
Receiving and 1 month's storage.....	19	19
Loading and/or marking.....	10	10
Interior compression.....	38	34
Freight to port or group 201.....	48	181
Forwarding.....	2	
Wharfage.....	4	
Patches.....	10	
Unloading at port and dock handling.....	7	
Exchange.....	3	4
Overhead.....	50	50
Ocean freight.....	171	
Tare.....	(1)	(1)
Controller (foreign).....	5	
Insurance (marine and war-risk).....	11	
Insurance (country damage).....	(2)	
Selling agent's commission.....	32	20
Quality exactness as against claims system under export contracts.....		30
Total charges.....	3 466	4 404

¹ No allowance is made for tare in order to equalize selling terms of export and domestic shipments.

² No allowance is made for country damage insurance as most sales now are made for delivery at shipside with country damage insurance eliminated.

³ Or 4.66 cents per pound.

⁴ Or 4.04 cents per pound.

EXHIBIT 2

Cost of delivering cotton cloth—printed, dyed, or colored, carded—to San Francisco from shipside, Japanese port ¹

	Tariff charges in dollars per unit shown	Tariff charges converted to cents per pound of sheeting
(a) Ocean freight (nonconference rate quoted Oct. 25, 1962).....	\$28 per 2,000-pound ton.....	1.400
(b) Marine and war-risk insurance.....	\$0.3375 per \$100 valuation.....	.327
(c) Wharfage.....	\$0.80 per 2,000-pound ton or 40 cubic feet.....	.060
(d) Dock handling fee.....	\$1.35 per 2,000-pound ton.....	.068
(e) Customs broker fee.....	\$15 per entry.....	.063
(f) Forwarding agent's fee.....	\$7.50 per entry.....	.031
(g) Surety bond.....	\$0.50 per \$1,000.....	.049
Total charges (cents per pound of sheeting).....		1.998

¹ In order to convert tariff charges (which vary with size of shipment, valuation and method of packaging) to cents per pound of cloth, an example is shown of a shipment of 24,000 pounds of sheeting valued at 97 cents per pound at shipside, Japanese port. The price of 97 cents used was taken from Department of Commerce FT-110, July 1962, as the valuation of this type of cloth imported from Japan during July 1962.

EXHIBIT 3

Cost of delivering cotton cloth—printed, dyed, or colored, carded—to New Orleans from shipside, Japanese port¹

	Tariff charges in dollars per unit shown	Tariff charges converted to cents per pound of sheeting
(a) Ocean freight (nonconference rate quoted Oct. 23, 1962).....	\$28 per 2,000-pound ton.....	1.400
(b) Marine and war-risk insurance.....	\$0.3375 per \$100 valuation.....	.327
(c) Wharfage.....	\$0.15 per 2,000-pound ton.....	.008
(d) Customs broker fee.....	\$14 per entry.....	.058
(e) Forwarding agent's fee.....	\$8.50 per entry.....	.035
(f) Surety bond.....	\$0.50 per \$1,000 valuation.....	.049
Total charges (cents per pound of sheeting).....		1.877

¹ In order to convert tariff charges (which vary with size of shipment, valuation, and method of packaging) to cents per pound of cloth, an example is shown of a shipment of 24,000 pounds of sheeting valued at 97 cents per pound at shipside, Japanese port. The price of 97 cents used was taken from Department of Commerce FT-110, July 1962, as the valuation of this type of cloth imported from Japan during July 1962.

EXHIBIT 4

Cost of delivering cotton cloth—printed, dyed, or colored, carded—to New York from shipside, Japanese port¹

	Tariff charges in dollars per unit shown	Tariff charges converted to cents per pound of sheeting
(a) Ocean freight (nonconference rate quoted Oct. 23, 1962).....	\$28 per 2,000-pound ton.....	1.400
(b) Marine and war-risk insurance.....	\$0.3375 per \$100 valuation.....	.327
(c) Wharfage.....	None.....	
(d) Customs broker fee.....	\$20 per entry.....	.083
(e) Forwarding agent's fee.....	Included in customs charge.....	
(f) Surety bond.....	\$0.50 per \$1,000 valuation.....	.049
Total charges (cents per pound of sheeting).....		1.859

¹ In order to convert tariff charges (which vary with size of shipment, valuation, and method of packing) to cents per pound of cloth, an example is shown of a shipment of 24,000 pounds of sheeting valued at 97 cents per pound at shipside, Japanese port. The price of 97 cents used was taken from Department of Commerce FT-110, July 1962, as the valuation of this type of cloth imported from Japan during July 1962.

EXHIBIT 5

Freight rates on cotton cloth from Charlotte, N.C., to—

	Freight rate per hundred-weight	Shipment via—
New York.....	\$2.27	Motortruck. ¹
New Orleans.....	2.39	Do. ²
San Francisco.....	5.99	Freight forwarder ³ or motortruck. ⁴

¹ Tariff authority for rates quoted: Southern Motor Carriers Rate Conference, agent, motor freight tariff No. 9-R, MF-I.C.C. 1186.

² Tariff authority for rates quoted: Southern Motor Carriers Rate Conference, agent, motor freight tariff No. 514-H, MF-I.C.C. 1179.

³ Tariff authority for rates quoted: Freight Forwarders Tariff Bureau, Inc., tariff No. 6-B, I.C.C.-F.F. No. 54.

⁴ Tariff authority for rates quoted: Rocky Mountain Motor Tariff Bureau, tariff No. 25-B, MF-I.C.C. No. 133.

Mr. GRANT. I would like to say, Mr. Chairman, that the organization Mr. Smith represents here is, in the main, an old family organization. I do not know of any organization of textile plants or other manufacturers with a better relation with its employees than his organization. We are proud of it in the State of Alabama. It means much to our economy.

Mr. GATHINGS. Mr. Smith, how many employees have you lost in your mill as a result of the cutback in sales?

Mr. SMITH. We have not lost any, Mr. Chairman. We have kept our mills running, and they are still running. We hope to continue to keep them running.

Mr. GATHINGS. What particular type product do you make?

Mr. SMITH. We make a wide range of products from yarn to ticking, dress goods, denim, work clothing. We make a very wide range of cotton textiles.

Mr. GATHINGS. I wish that situation existed all the way across the various States, that we did not have such a large loss; some several hundred thousand have been thrown out of work.

Mr. SMITH. Those mills have had to close. A number of our neighboring mills have had to close. I am happy to say that we have maintained our operations. If we had to make this appeal on the basis of sympathy, we would not have any appeal. We make it purely on the basis of fairplay. We do not think it is fair to charge us more for our cotton than our foreign competitors pay and ship that cotton back in here and take our markets.

Mr. HAGEN. The bill would be about \$328 million annually at 81½ cents a pound.

Mr. GATHINGS. The testimony is here there would be a saving to the consuming public of from \$600 to \$800 million.

Mr. HAGEN. Actual cost of this would be about \$328 million.

Mr. GATHINGS. Off the record.

(Discussion off the record.)

Mr. GATHINGS. Mr. Jones has a question of Mr. Smith.

Mr. JONES. I want to apologize for being late getting here. Mr. Smith, is it your belief that if this payment could be made to the mills, that that would be reflected in the price of your product to the trade? Would there be any reduction in the price of your product to the trade?

Mr. SMITH. There certainly would. Mr. Cannon's statement——

Mr. JONES. I know Mr. Cannon's statement.

Mr. SMITH. I concur with that completely. I believe he estimated \$600 to \$800 million, if I remember the figure.

Mr. JONES. That is what I recall. I wanted to be sure everybody is in agreement about that. Thank you.

Mr. SMITH. I am in complete agreement. I would like to make this one clarifying point. You referred to paying subsidy to the mills. We definitely would hope that would be the way you would work this arrangement out.

Mr. JONES. Everybody refers to it as a subsidy. We can call it anything you want to, incentive payment or whatever it is.

Mr. GATHINGS. Equalization payment.

Mr. HAGEN. Will the gentleman yield?

Mr. JONES. Yes.

Mr. HAGEN. Why do the mills object to getting the payment?

Mr. SMITH. It is not our payment. We do not think that we want the Government sending us a check.

Mr. JONES. They are not going to send you a check. They are going to give you some more cotton.

Mr. SMITH. That would be fine.

Mr. JONES. Buy two and get one free. That is what it boils down to, something along that line.

Mr. HAGEN. As long as the Government has some cotton to give away.

Mr. JONES. We are not going to run out of it for a while.

Mr. GATHINGS. Thank you so much, Mr. Smith, for that information.

Our next witness will be Mr. Langenegger. We will hear from you at this time.

STATEMENT OF A. W. LANGENEGGER, PRESIDENT, NEW MEXICO FARM AND LIVESTOCK BUREAU

Mr. LANGENEGGER. Mr. Chairman and distinguished members of the committee, I am A. W. Langenegger, a cotton, grain, and livestock farmer in the Pecos Valley of New Mexico. I am the president of the New Mexico Farm and Livestock Bureau, representing the greater part of New Mexico agriculture.

I appreciate the opportunity to appear here in behalf of the New Mexico Farm and Livestock Bureau, representing the cotton farmers of New Mexico.

Cotton farmers in New Mexico feel that the interests of cotton producers and all related industries, and of our entire American economy, can best be served by a program which will allow the growing of cotton in the low-cost producing areas that can realize a profit by selling their product in the market at prices somewhat lower than those presently established by the CCC loan program. A price support of 30 cents per pound for M-1-inch would satisfy this objective.

Farmers in New Mexico are willing to accept a reduction in price supports if the acreage cut for 1963 can be restored.

We firmly believe that if the cotton industry in all its phases is to survive and prosper, and be a vigorous contributor to our general economic well-being, that we must have a quality product at reasonable price. The cotton mills at home and abroad must have a dependable source of cotton that will be available for years to come.

We firmly believe that a continuation of the unrealistic high support prices will not allow the cotton industry to again establish itself on a sound footing and regain its rightful place in American agriculture.

The high cost to the Government caused by support prices that are unrealistically high is difficult to justify and cannot be continued indefinitely.

If price supports are lowered and acreage is increased, allowing production to move to the efficient low-cost producing areas, the cost to the Government, as well as the cost to the consumers of the finished product, will be reduced.

If the present laws regarding release and reappointment are continued, along with unrealistic pricing policies, it will tend to perpetuate production in the high-cost producing areas. This will be detri-

mental to the long-time interests of the cotton industry and of the Nation.

The cotton industry will decline from year to year if we continue our present program and pricing policies, which are causing the loss of markets. If markets are lost and further acreage cuts are imposed on the cotton producer, this acreage taken out of cotton will compete very strongly for markets of other commodities. None of these commodities are in short supply. The growing of greater acreage of cotton will materially assist in reducing supplies of other commodities.

Cotton has been an important factor in our export program and has made a significant contribution in maintaining our balance of payments. We must have greater volume and realistic pricing if we are to maintain and expand our exports of cotton, thus further helping minimize this problem.

The producers of cotton in the West and Midsouth have instituted a self-help program. This program is grower financed in its entirety. It is known as the Cotton Producers Institute. Their program calls for production and utilization research and for promotional activities. Their goal is to lower the cost of production and produce a wider variety of fabrics containing the many desirable features that will please the consuming public and to promote the sale of more cotton products. It appears that significant progress is being made and that the goals could be reached with the help of the proper program and pricing policies.

The cotton farmers that are financing this self-help program are doing so because they know that if they cannot grow a sufficient volume of quality cotton at a competitive price and still make a profit they cannot survive in the production of cotton.

In summary, we recommend passage of legislation that will provide for the restoration of acreage cuts which have been announced for 1963 and that price supports be set at a level that will allow cotton grown on this acreage to move into the channels of trade with the help of a reasonable export subsidy.

We believe that any grower that is not willing to help build the market for cotton and demands the present high price supports should not be eligible for any acreage released for reapportionment.

We would ask that any new legislation pertaining to cotton should contain provisions for expanded production and end use research. Basic economies should be given due consideration.

The cotton industry should be given the opportunity to grow and expand with the rest of our economy. If given this opportunity it will make the vital contribution that it can and should make to our national welfare.

Again I wish to thank the committee for permitting the New Mexico Farm and Livestock Bureau to present its views on this matter which is of such great importance to the agricultural economy of New Mexico.

Mr. Chairman, that concludes my statement. I would welcome any questions or comment that might be directed to me.

Mr. GATHINGS. We had some information about the self-help program in North Carolina as to the scope of it. How many people and bales are involved here and how much money is derived as a result of this program in the areas which you represent?

Mr. LANGENEGGER. The Cotton Producers Institute was in operation for the first year in 1961; \$1,350,000 was collected. This only represented producers in the West. The program was extended to the Midsouth this year; it appears we are going to have a greatly expanded participation. We hope to collect possibly \$4 or \$5 million this year to be used for these purposes.

Mr. GATHINGS. You have a laudable objective there if it can be done in such a manner as to enhance and increase the use of cotton.

I wanted to ask you about whether or not it is the viewpoint of the New Mexico cottongrowers that the Mississippi Delta plan presented here yesterday is the one you favor. Is that it?

Mr. LANGENEGGER. Mr. Chairman, I was not present yesterday. I have heard of the plan of the Delta Council. I have not seen it. From what I have heard, I would say we would be in substantial agreement. But I have not seen the plan. I would hesitate to make an unqualified statement for this reason.

Mr. GATHINGS. It was similar to your testimony here, that they thought maybe 30 cents a pound support on Middling inch cotton and start with 18.1 as the allotment in 1963. They started with 18.1 and 30 cents, and if the cotton farmer would desire to cut back his acreage a given percentage, he would get more support—if he would cut back from 18.1, rather than starting at 16 and going up. It is the other way around.

Mr. LANGENEGGER. I would be in substantial agreement with that. I surely would agree on the 18,100,000 acres and with the 30-cent price support basis for Middling 1 inch. I don't know that I would wholeheartedly agree with the idea that if some areas were willing to cut their allotted acres that it would be in the best interests of the cotton industry that they receive a higher price, because I think we are all aware of the fact that in some areas the allotted acres are so large in relation to the harvested acres that they would have a cut in allotment but not a cut in acreage grown.

Mr. GATHINGS. You refer to the high cost production areas. Just specifically what areas would that include?

Mr. LANGENEGGER. Mr. Chairman, I have discussed with a number of people from Georgia, Alabama, parts of Tennessee, the Carolinas. They indicate that they cannot take a reduction in price and continue to operate with a reasonable margin of profit. I would assume that these are the high cost areas because I know that in the West we can take this reduction in price and still realize a reasonable profit.

Mr. GATHINGS. Your plan would reward them if they were to cut under 18.1?

Mr. LANGENEGGER. No, sir; I do not believe that is in my statement, sir.

Mr. GATHINGS. That was the Delta Council's plan.

Mr. LANGENEGGER. Yes, sir; but that was not in my statement.

Mr. GATHINGS. Are there any questions?

Mr. JONES. Let me ask you what you think about this. In other words, you say if you could keep your 1963 acreage, you would be willing to accept a price support of 30 cents per pound, the base for the Middling inch cotton. You say that in your statement, I believe.

Mr. LANGENEGGER. I intended to convey the impression that if our 1963 acreage could be restored to the level of 1962—

Mr. JONES. Yes; the 18.1.

Mr. LANGENEGGER. Yes, sir.

Mr. JONES. You say you are willing to accept the 30-cent price on that. Do you not think it would be better to keep it at 16 and allow you to go up to 30-percent increase, which would bring your portion of that allotment above the 18.1 and take a 30-cent price? That is what the Missouri plan envisions.

Mr. LANGENEGGER. Mr. Jones, I believe that that would depend to a great extent on whether the increased acreage that you might receive would be given due consideration in determining future allotments.

Mr. JONES. No; it would not. It would do this: Instead of having 18 million production, you would only have about 17 million acres because we feel that is all it would attract, but anyone who wanted to produce cotton at the lower price and accept 30 cents could get it, so everybody who wanted to produce cotton could, but still you would not get up to 18, and you would keep a million bales from going into this surplus.

Mr. LANGENEGGER. Yes, sir, I believe the plan has merit. However, I would point out that this still would tend to perpetuate production in the high-cost areas. In my opinion—

Mr. JONES. No; the Secretary has already said we are going to bring this down for 1963 to 16.1. Unless we do something about it, that's what we are going to produce.

Mr. LANGENEGGER. I understand that. When you have a two-price system, which is what this would be arbitrarily, the people that take the higher support price are people that at least have indicated to me that they need this higher support price to stay in business. You are encouraging inefficient producers to stay in business by this method. I think that for the longtime interest of cotton we need to allow the cotton to be produced in the areas that can produce it the cheapest and become more competitive with your world fiber markets and with the synthetic producers.

Mr. JONES. Thank you, sir.

Mr. GATHINGS. Mr. Langenegger, what proportion of your cotton acreage in the State of New Mexico is used in the extra long staple type of production?

Mr. LANGENEGGER. It is a very small percentage, Mr. Chairman. I would say roughly 15 percent.

Mr. GATHINGS. Mr. Beermann.

Mr. BEERMANN. Mr. Langenegger, you are a producer of cotton, grain, and livestock. Do you keep your books so that you know your costs in each area that you farm?

Mr. LANGENEGGER. I certainly do.

Mr. BEERMANN. If cotton loans were based on a loan rate instead of a support price, or what becomes a support price or market price, what loan rate would you have to have in order to produce your cotton crop and then hold it through the marketing year from harvest time to the next harvest time, so that you could pay off your loan, your interest, storage, handling charge, and get the difference?

In other words, I think I am taking you back to cotton farming before Government controls. I first would like to know what percent of the cost of production did the Government loan you when they first put the cotton program into effect.

Mr. LANGENEGGER. When the cotton program was first put into effect, I was a very young man. I wasn't farming cotton.

Mr. BEERMANN. You are not as old as I am.

Mr. LANGENEGGER. I could not say, sir. I will say I believe that if you clarify it to some extent, are you getting at what it costs me to produce cotton now?

Mr. BEERMANN. That comes into it; yes. OK. What loan rate would you like to have if it did not set the market price? In other words, a loan you could borrow on based on cost of production, and then sell your commodity when you paid this loan off so you would have something between production cost and market.

Mr. LANGENEGGER. If based on the cost of production, we had a support price of 24 cents for Middling 1 inch, I could not make money, but I could hold my money together.

Mr. BEERMANN. This is what I am getting at. If there were a support price of 24 or 25 cents, would a cottongrower hold his cotton and sell it or sell it on the futures at a figure above that so that he could figure the difference between his costs and future sale to get his profit?

Mr. LANGENEGGER. I could not answer for anybody but myself. I certainly would think that I would be able to sell my cotton for substantially more than the loan. In fact, even under the present support prices, I have placed no cotton in Government loan in several years, because we have a specialty cotton that is in great demand by the mills, and we do not know for sure yet whether we are going to complete this marketing year because I have a substantial amount of cotton on hand that was produced this year. Last year all my cotton sold for \$15 to \$18 a bale more than the Government support price.

Mr. BEERMANN. Then you are recommending or your organization is recommending 30 cents per pound for Middling inch, you feel that this figure would allow many cottongrowers to get more than 30 cents a pound?

Mr. LANGENEGGER. Yes, sir, I think it possibly would. But in our area we can have not a large margin of profit, but we can make a reasonable profit with a support price of 30 cents a pound for Middling 1 inch. I am sure you are aware that in the growth of this specialty cotton, we have made Middling inch and one-eighth, and even longer cotton, that our support price would be substantially more than 30 cents on account of the quality of our cotton.

Mr. BEERMANN. Because you know your operation and your costs, you are looking at this type of Government program on the basis of bringing supply and demand closer together.

Mr. LANGENEGGER. That is correct, sir. I feel that whenever you lower the price, it has been proven—the 1958 program proved, without doubt, that when the price came down, the offtake went up. That is the approach we would use. We realize that we are asking for a couple million more acres of cotton, but if we get the price lowered, I think you will take the production from that extra 2 million acres and a great deal more and put it into channels of trade.

Mr. BEERMANN. What would the export subsidy be at 30 cents a pound? Is this geared together?

Mr. GATHINGS. Certainly.

Mr. LANGENEGGER. That depends on the level of subsidy. If it is 8½ cents, as presently it is, with about \$42.50 a bale, at 6 cents it would be \$30 a bale.

Mr. BEERMANN. I do not wish you to be any older than you are, but I guess I missed the opportunity to talk to some growers who grew cotton before there were Government price supports or working with the Government. This might be a little unfair to you, but I am going to ask it anyhow.

In the future, not what we are discussing now, because I do not think there is any chance of it, but in future programs if cotton legislation were written so that it would help take care of the production cost or a large percent of the average production cost, then the grower could carry his cotton from harvest time to the next harvest time, or even longer if he wanted to, and that loan rate, if that were low enough so that he could pay the interest and get his crop in, do you think that by your being able to sell that at any future time—I say this because in the original concept of Government programs, it was to provide orderly marketing—do you think that the cotton producer would be better off in the long run, that there would be more production, there would be more consumption, that he would get enough increase in the market price over his loan rate so that this kind of program could be in effect and there would be less Government intervention in the cotton industry?

Mr. LANGENEGGER. I certainly do. I feel that this approach would allow the production of cotton to move to the areas where they could produce it at a more or less competitive price. They could compete in world markets and domestic fiber markets, even with rayon and your other synthetics. We would tend to take these high-cost areas that have gone into production of cattle, they would further go into production of cattle. The areas that have gone into the production of cattle are competing with the West. We used to be producers of cattle. This was allowed through basic economics. Cattle moved South and cotton has trended to move West. But we have erected barriers that have not allowed this to happen.

I believe for the well-being of the entire economy, if we let the markets determine where cotton should be grown, we will be better off in the long run.

Mr. BEERMANN. As I observed, the Congress in the last 2 years, there are more city Congressmen than there are rural. So they can write the legislation the way they want to write it. Very few city Congressmen represent people in the manufacturing industry, whatever manufacturing program it might be, who are permitted to borrow and use the Government to make this loan at a rate higher than cost of production of whatever they are manufacturing. This might start with the raw material, the first manufactured product, the assembly, or whatever it might be. But each person who borrows money to finance his operation borrows from the normal channels of financing and borrows a percent of his cost of production.

This makes sense to our city people, and I think it makes sense to our farmers, too, provided that loan rate does not get jimmied and fooled around with on a political basis and put high enough so that it encourages more production than we have use for. I believe I would go for a consumer market rather than selling to the Government.

If we could sell this kind of program to the majority, those from the large population centers, do you think the farmers, if they understood what we are doing, would go along with it?

Mr. LANGENEGGER. When you say go along with it, I got lost a little in your approach.

Mr. BEERMANN. As simply as I can say it, loan rates based on a percent of cost of production instead of market prices.

Mr. LANGENEGGER. It depends upon what percent.

Mr. BEERMANN. You recommend 30 cents, and you will have a 5- or 6-cent spread and get along with this program all right, and you feel that the increased consumption of cotton will help take care of the problem we have today.

Mr. LANGENEGGER. That is correct, sir.

Mr. GATHINGS. You are speaking for yourself but not for your neighbor, are you? Is every operator in your State as efficient as you are, sir?

Mr. LANGENEGGER. Well, I would hesitate to say that I was a better operator than most of my neighbors. I am speaking for myself, but I am also speaking for a majority of the cotton farmers in New Mexico. This has been thoroughly discussed in numerous meetings. We do have a policy in regard to this developed from the grassroots up.

Mr. GATHINGS. I understand, but you testified you could grow cotton for 24 cents a pound and make money or break even.

Mr. BEERMANN. He said he would not make money.

Mr. GATHINGS. You would still be in business at 24-cent support level?

Mr. LANGENEGGER. Yes, sir.

Mr. GATHINGS. I did not quite get it right if you did not say you could make money. What did you say in regard to 24 cents?

Mr. LANGENEGGER. I said 24 cents was my cost of production.

Mr. GATHINGS. That was actual cost of production?

Mr. LANGENEGGER. Yes, sir.

Mr. GATHINGS. Does that hold good all the way across the State of New Mexico?

Mr. LANGENEGGER. A good portion of the cotton produced in New Mexico, I think this would hold true. There are variations from farm to farm and from area to area. But, generally speaking, I believe, based on Middling 1 inch, we can produce cotton for 24 cents a pound in the irrigated areas. We have a little dry land cotton, a very small amount in New Mexico. It is doubtful that they could do this.

Mr. GATHINGS. Inch and one-sixteenth will bring what? You grow that type cotton?

Mr. LANGENEGGER. No; I grow 1 inch and one-eighth, inch and five thirty-seconds, up to inch and three-sixteenths.

Mr. GATHINGS. That is quite a difference between you and the person who just grows seven-eighths Middling and inch as compared to yours.

Mr. LANGENEGGER. I do not get up to five-sixteenths. It is five thirty-seconds.

Mr. GATHINGS. Let us follow up on this a moment. Who can furnish us with the price?

Mr. LANGENEGGER. I have it.

Mr. GATHINGS. Give us the price on those various grades of cotton.

Mr. LANGENEGGER. I presume you are talking of white cotton. We have here white cotton, light spotted cotton, tinged cotton, yellow stained, light gray, and gray. We can spend a lot of time on this.

Mr. HAGEN. Confine it to white.

Mr. LANGENEGGER. In white cotton, middling 1 inch, presently that is 32.26. This is the El Paso market. It would be a little more here close to the mill area on account of freight differentials. This is based on the El Paso market; 32.26 for middling 1 inch. Middling inch and one-eighth is 34.61. Inch and five-thirty-seconds is 35.31. Inch and three-sixteenths is 36.01.

Mr. GATHINGS. Growing the type of cotton you are producing, is it correct that you could afford to have the support level reduced? At 34 cents and 36 cents for some of your cotton, that is about 4 cents a pound more than the Middling inch support.

Mr. LANGENEGGER. That is correct. Mr. Chairman, I would hasten to point out this is the cotton the mills want. It is not going into the Commodity Credit loan. It is being consumed because it is the type of cotton they desire, and they are willing to pay for it, even though it is a higher priced cotton. The Government is not getting this type cotton.

Mr. GATHINGS. We grow good cotton, too, in Arkansas. I just wanted to ask a while ago why it was that you had used the term high-cost production areas. I wondered whether you included the Midsouth in that territory of high-cost production areas. What we have done in recent years is cotton has moved out of the places where it is high cost to produce it and has moved within the State to areas that can grow cotton more economically.

If we have irrigation, the land in the Mississippi Delta and St. Francis Valley area could increase the yield appreciably. We grow cotton by rain largely. How much of your land is irrigated?

Mr. LANGENEGGER. All of our land is irrigated.

Mr. GATHINGS. How much is it over the State generally?

Mr. LANGENEGGER. The cotton acreage in the State, I would say, was 90 percent, 95 percent irrigated probably. It is practically all irrigated.

Mr. GATHINGS. Do you use the stripper?

Mr. LANGENEGGER. No, sir. The small amount of dry land cotton and a small portion in extreme eastern New Mexico is harvested with strippers. Most is picked with spindle pickers.

Mr. BEERMANN. Mr. Chairman.

Mr. GATHINGS. Mr. Beermann.

Mr. BEERMANN. This 30 cents is based on Middling inch. I do not know how long I am going to be around here, but if we discuss cotton legislation again and we get supply and demand closer together, would it be feasible and proper to have this loan rate set below the actual cost of production or about at the average cost of production?

Mr. LANGENEGGER. I think it would be feasible to set the loan rate slightly below actual cost of production because I do not believe any farmer should be insured all of his production costs or a profit. I think in a free enterprise system we need a certain amount of competition and incentive to really get out and do this job well and increase our efficiency. Consequently, I would not recommend any loan rate that guaranteed you cost of production or guaranteed a profit. I do not believe that is proper.

Mr. BEERMANN. This would also be incentive for all growers to belong to these organizations that are trying to help develop better cotton and better promotional systems.

Mr. LANGENEGGER. That is correct. There is a huge potential here. I think that, given a little time, we can solve our problems. We need time to learn how to produce cotton cheaper, and there are many significant fields where we can reduce cost of production possibility up to 10 or 12 cents a pound. This would really put us in the cotton business. We could chase the rayon people, they would have a hard time competing were we able to accomplish this. We believe it can be done.

Mr. BEERMANN. Is it possible for these other areas you talk about, little higher cost production, is it possible for them to grow the same quality cotton as you grow?

Mr. LANGENEGGER. I could not answer that, sir. I know they do not grow this type cotton.

Mr. GATHINGS. Maybe someone from some other section can say.

Mr. SHEELY. My name is Joe Sheely, and I am from Peoria, Ariz. I know they can grow their type cotton there because of elevation. I am in a lower elevated area. I cannot grow 15.17, which is their basic cotton in that area.

Mr. HAGEN. Mr. Chairman.

Mr. GATHINGS. Mr. Hagen.

Mr. HAGEN. For the record, I might state that one of these growers from a State east of the Mississippi told me that last year he grew cotton and he figured his cost was 17 cents a pound. He got a bale and a half to the acre. That means about \$112 net profit per acre. There are other areas that can grow cotton cheaply, too. It reflects on what should be a proper support price. Your cotton is not known as Supima cotton, is it?

Mr. LANGENEGGER. No; we grow some Supima cotton in New Mexico, but I have not referred to Supima cotton in regard to grade, staple, or price.

Mr. HAGEN. We, too, in California would like to have this increased acreage and would like to have it count as history, but in lieu of an absolute history count, would it satisfy this aspect of your demand just to have a trend calculation restored in the cotton law, trend among States, and count this increased acreage in that trend formula?

Mr. LANGENEGGER. I would say we would not be satisfied, but operating on the assumption of half a loaf is better than no loaf at all, we would probably go along with it.

Mr. HAGEN. To get back to Mr. Jones' question, the so-called Missouri plan would reach the same end that you seek, to contemplate a 16-million-acre basic national allotment with growers who wanted to take a lower price support being given the opportunity to increase their acreage above their share of the 16 million figure for example for a period of 5 years.

If we wrote a 5-year program, you would have assurance for at least 5 years that you could plant, say, 30 percent or 40 percent more than your allotment. That would seem to meet part of the need that you present.

Mr. LANGENEGGER. Yes, sir, that would be of great assistance to us if this procedure were followed.

Mr. HAGEN. I assume this choice program implies that any increases above the 16 million figure will go to growers who are willing to accept a smaller margin of profit guaranteed by the Government.

Mr. GRANT. Mr. Chairman.

Mr. GATHINGS. Mr. Grant.

Mr. GRANT. I recall you stated a moment ago we could drop the price 10 or 12 cents a pound and drive the rayon people out of business. You could also drive a lot of cotton planters out of business, could you not, in other sections of the country?

Mr. LANGENEGGER. I believe that my intention was to convey that across the belt all cotton producers could achieve a significant reduction in production costs. This was not for any particular segment of the country.

Mr. GRANT. I noticed a moment ago you talked about a shift of cotton and a shift of cattle. I heard a fellow talking the other day in regard to this. He might have a solution. He says it will work itself out. He says that cattle are all moving East and cotton is moving West, the Negroes are moving North, the Yankees are moving South. Maybe in time it will work itself out.

Mr. GATHINGS. Counsel has a question.

Mr. BRUCE. Are you from the upper or lower Pecos Valley?

Mr. LANGENEGGER. I am considered in the lower Pecos Valley, 25 miles south of Roswell, N. Mex.

Mr. BRUCE. I am very familiar with that part of New Mexico. Are you not limited in the amount, even though you are very productive and very efficient, as they are around Lubbock, are you not definitely limited in your area to the amount of cotton you can carry by water resources in your area?

Mr. LANGENEGGER. No, sir. This is not true. We are limited as to the total number of acres in cultivation by the amount of water that we have. We have water for more acreage, but we have a strict water control law. We cannot expand our acreage, but we are presently planting only about 25 to 27 percent of our cropland in our county to cotton. We could increase. Our other crops take more water. For example, alfalfa is a major crop in our area. Alfalfa takes a great deal more water than cotton.

Mr. BRUCE. Is it not true in your area of the State of New Mexico that you are limited in the number of wells you can put down in a certain given space of land and you are limited as to how much water you can produce and enlarge acreage thereby?

Mr. LANGENEGGER. We are not limited as to number of wells. That is, for a given amount of acreage. We are supposed to be limited on the quantity of water that we use. Whatever number of wells it takes to produce this quantity of water is allowed.

Mr. BRUCE. How much has your water table fallen in the Roswell area in the last 25 years?

Mr. LANGENEGGER. They have fallen substantially. However, many wells still flow free. I have a number of wells that will flow 1,200 to 1,500 gallons a minute at the present time without benefit of pumping.

Mr. BRUCE. I realize that, the big artesian wells. But, for example, how much have your water costs gone up in the Roswell area per acre over the last 10 years?

Mr. LANGENEGGER. You mean the cost of pumping the water?

Mr. BRUCE. The cost of putting the water on the cotton per acre or any other agricultural product you want to grow. What I am getting at is that as you increase your cotton acreage, if you go into additional acreage, open new land in the Pecos Valley below Roswell,

you are going to lower your water table and increase your water cost per acre. We have done it in the South Plains area of Texas. This is a problem.

You are limited by your water resources. In other words, you cannot open 2 million new acres to cotton production in the South Plains of Texas or eastern New Mexico because you do not have the water. Is that not correct?

Mr. LANGENEGGER. No; this is not correct. We are limited as to putting in additional acres of land.

Mr. BRUCE. That is right.

Mr. LANGENEGGER. But we do have a great deal of acreage that is adapted to cotton production that is presently in cultivation, growing alfalfa, grain sorghums, oats, barley, et cetera. We could make a great deal more money growing cotton and it would take less water, because we figure it takes a great deal more water to grow alfalfa, for example, than to grow cotton.

Mr. BRUCE. I agree. I am saying this. What is the acreage available in your area of the Pecos Valley that can be immediately thrown open to cotton if you could get the acreage? It is not unlimited, is it?

Mr. LANGENEGGER. Not by any means. We could not expend—we never want to grow too large a percent of our land in cotton because we like to follow a good rotation program. We probably, where we have 25 percent now, we would like to go up to 40 percent. If we were allowed to produce all the cotton we wanted to, probably 40 percent of our cropland is all we would ever utilize for cotton.

Mr. BRUCE. Thank you.

Mr. BEERMANN. On this rotation, do you grow cotton year after year on the same land or do you rotate with alfalfa and small grains?

Mr. LANGENEGGER. We rotate with alfalfa.

Mr. BEERMANN. Do Government programs tend to interrupt rotation programs?

Mr. LANGENEGGER. They would if we participated in them. We let the Government run its business. We try to run ours.

Mr. BEERMANN. Thank you.

Mr. GATHINGS. Thank you so much. We would like to hear from Mr. Joe Sheely of the Arizona Cotton Growers Association, who is a neighbor of Mr. Langenegger.

STATEMENT OF JOE A. SHEELY, ARIZONA COTTON GROWERS ASSOCIATION

Mr. SHEELY. Mr. Chairman and members of the committee, my name is Joe Sheely. I am a resident of the Beardsley area near Peoria, Ariz., in the Salt River Valley of Arizona, where I produce both cotton and other crops.

I am here representing the Arizona Cotton Growers Association, of which I am a member and director. I am also one of the Arizona directors of the Southwest 6-States Cotton Growers Association and, to a certain extent, am able to speak for that organization also.

Mr. Chairman, you and your fellow members of the subcommittee have called this hearing in order that we cotton people may present our views on cotton legislation and the price support program for cotton, both existing and proposed.

The Arizona Cotton Growers Association and our farmers generally believe that the future of the raw cotton industry lies in volume, both of production and of consumption.

We believe that the Agricultural Act of 1958 was an excellent piece of legislation and that under the provisions of that act the U.S. cotton industry was on pretty firm ground through December 1960. Markets for our cotton were increasing; the Secretary of Agriculture saw fit to increase allotments for 1961 over 1960; foreign cotton plantings had reached a leveling off place; and our most serious synthetic competitor was losing ground to us.

Since January of 1961 we have seen a rather complete reversal of that favorable outlook. Our acreage has been cut; foreign plantings have increased; and at home consumption of cotton is losing ground rapidly to rayon.

So we have to determine what to do about it.

We in Arizona believe that if present price support policies are continued, there are only two end results in sight: (1) cotton in the hands of Commodity Credit will increase at a rapid rate, or (2) the Secretary of Agriculture must reduce cotton acreages, as he has already asked Congress to permit him to do.

Every time we give ground to the competition we have lost a market or an end use that is extremely difficult to recapture.

It is our idea in Arizona that an aggressive policy of reclaiming our markets is the desirable way to go.

To do this we would first say reduce the price support a little bit; perhaps to 30 cents for Middling inch. A further drop would be more effective in recovering markets but our farmers would not agree to much lower supports than 30 cents. We also feel that an increase in the 1963 acreage allotment to not less than the 1962 level should accompany this reduction.

We feel that the promotional program of the Cotton Producers Institute will have an opportunity to be effective. In Arizona we strongly support CPI and have a lot of faith in the theory of promoting our own product but we feel that at the moment price supports are a little too high so that the promotional effort is to some extent neutralized.

However, we do like the idea that has been proposed of a trade incentive through p.i.k. certificates as a means of reducing the present terrific price differential of cotton at the mill door between U.S. mills and foreign mills. Presently for domestically grown cotton this is the amount of the export subsidy of $8\frac{1}{2}$ cents per pound.

Starting with the idea of a 30-cent price support level, we believe a trade incentive payment of about 5 cents per pound would move a lot of cotton into domestic mills. This, we feel, would help us regain much of the domestic market we are losing to manmade fibers and would put American mills in a much stronger competitive position in relation to imported cottons.

We have read in the papers and have heard here the proposal that the farmer with 19 acres of cotton or less be given protection of a price support above the level provided for larger producers. We would not object to this provision but we would urge that such farmers not be entitled to any reapportioned acres. We can also see a possibility that such cotton may end up in the hands of Commodity Credit while that cotton carrying a lower support price moves into the

mills. There has been some mention at one time or another of a "blended price" program. If we understand this proposal correctly, we are opposed to it. To us this is nothing but a charge against the farmer for growing additional acres of cotton and would be of no value in increasing consumption.

In conclusion, I wish to say that we in Arizona would like to have our acreage restored to the 1962 level or even slightly above. We believe that such an increase over present allotments for 1963 can only be justified by a lower price which would move cotton into consumption and we are prepared to accept a 2½-cent cut in the support level.

We recognize that writing new legislation is difficult and writing legislation that will please all growers is impossible, but we hope the committee will agree with us that the American cotton industry can only be strengthened by providing for larger volume of production, of consumption, and of exports and that any legislation considered will have this goal. To engage in a policy of belt tightening through reduced acres and higher supports will only result in the death of our great industry.

Mr. GATHINGS. Thank you so much, Mr. Sheely. What is the percent of cotton acreage in your State that is extra long staple cotton?

Mr. SHEELY. About 25 percent.

Mr. GATHINGS. Are there any questions?

Mr. HAGEN. What was the 1959-60 price that prevailed, market price, for Middling inch?

Mr. SHEELY. About 36 cents for Middling inch. I could not say in 1958.

Mr. HAGEN. In 1959, when you had the choice, what was the market price on Middling inch? The Government resold the cotton at what price?

Mr. SHEELY. I do not know, sir. Maybe somebody here would know.

Mr. YOUNG. The market price generally was about 32 cents a pound on the 1959 crop and about 30 cents a pound on the 1960 crop. In 1960 the price started moving up after the 1961 crop price support was announced in February of 1961.

Mr. HAGEN. Was there in fact an increase in the offtake during 1960 and 1959?

Mr. YOUNG. The question is about the offtake?

Mr. HAGEN. 1959 and 1960. Was there an increase?

Mr. YOUNG. I cannot remember when this cycle turned. May I get the figures and give them to you in a little bit? We had a 9-million-bale domestic consumption. I will get the figures. Mr. Moss, from the Department, has them.

Mr. HAGEN. One of the witnesses made that statement. I wondered whether it was true or not.

Mr. GATHINGS. Mr. Moss, could you read that information into the record, please?

Mr. MOSS. Mr. Chairman, the mill consumption in 1959 and 1960 market year was 9,017,000. In 1960-61 it was 8,279,000. I believe the drop there is partly due to the textile cycle. Somebody else might want to comment on that.

Mr. HAGEN. Was there not an increase in the offtake over the previous years during those 2 years?

Mr. MOSS. I did not understand.

Mr. HAGEN. Do the figures of those years represent an increase in offtake over prior years and subsequent years?

Mr. MOSS. 1957-58, for example, mill consumption was right at 8 million bales; 1958-59 it was up to 8.7. Then, as I said, it was up further to 9,017,000 in 1959-60, then turned down in 1960-61.

Mr. BEERMANN. Mr. Chairman.

Mr. GATHINGS. Mr. Beermann.

Mr. BEERMANN. Mr. Sheely, what kind of cotton do you grow?

Mr. SHEELY. Basically short staple variety.

Mr. BEERMANN. Is that Middling inch or less?

Mr. SHEELY. About inch and one-eighth.

Mr. BEERMAN. Can you grow other kinds? Can you grow the longer staple cotton?

Mr. SHEELY. I could grow extra long staple.

Mr. BEERMANN. You grow two kinds of cotton?

Mr. SHEELY. Yes, sir.

Mr. BEERMANN. Inch and one-eighth?

Mr. SHEELY. That is short staple cotton.

Mr. BEERMANN. What is the other?

Mr. SHEELY. Extra long staple or Supima.

Mr. BEERMANN. How long is that?

Mr. JONES. If the gentleman will yield, you should understand that they come under different laws. You have two kinds of cotton. We are not dealing with that particular long staple cotton he is talking about. We are concerned with upland cotton.

Mr. SHEELY. There are two different commodities altogether.

Mr. BEERMANN. I thought I was straightened out. Now I am confused.

Mr. JONES. It is a different law. Those people asked for a reduction in price.

Mr. GRANT. Just forget about what you were going to ask.

Mr. BEERMANN. I like the idea of somebody growing something to sell instead of selling something to the Government. Does it cost you a different amount to grow each kind of cotton?

Mr. SHEELY. Yes, sir; it does.

Mr. BEERMANN. Do they produce the same?

Mr. SHEELY. No; not in my area.

Mr. BEERMANN. I assume then that the inch and one-eighth costs less to grow than Supima; is that right?

Mr. SHEELY. That is about right. Supima cotton, or extra long staple cotton, is worth approximately 52 cents a pound. Short staple cotton in our area is worth somewhere between 30 and 32 cents.

Mr. BEERMANN. You get about the same production of each?

Mr. SHEELY. No. My long staple cotton, I do well to raise a bale and a half. With short staple, I raise two and a half bales per acre.

Mr. BRUCE. It takes more water.

Mr. SHEELY. Short staple takes more water.

Mr. BEERMANN. Does short staple take more water?

Mr. SHEELY. Yes.

Mr. BEERMANN. You get two and a half bales versus the long staple at a bale and a half?

Mr. SHEELY. Yes, sir; but the differential is about 20 cents a pound.

Mr. BEERMANN. This loan rate we talk about does not affect either of these?

Mr. SHEELY. The loan rate, this loan rate we are discussing here does not affect the long staple cotton.

Mr. BEERMANN. If we were to go to this 30 cents for Middling inch, would it affect the price of these two types cotton you grow?

Mr. SHEELY. It would affect our short staple cotton, but it would have no effect whatsoever on the long staple cotton.

Mr. BEERMANN. I guess I do not have any more questions, except that on page 2, next to the last paragraph, you say that if we could follow this philosophy and get the job done, I think it is the simplest solution. I thank you for your testimony.

Mr. GATHINGS. Are there any other questions? Thank you so much, Mr. Sheely.

Mr. BEERMANN. Before he leaves, since we discussed this, would you care to tell us what it costs you to produce cotton? It really does not affect you. I suppose it is not right to go on this record.

Mr. SHEELY. Being a member of the board of directors of the Farm Credit System in Arizona, I am quite familiar with loans throughout the State. In our area it costs, actual out-of-pocket cost, somewhere between \$150 and \$175. The differential depends entirely on cost of water.

Mr. BEERMANN. Per acre?

Mr. SHEELY. Per acre; yes, sir.

Mr. BEERMANN. Do you have it down to pounds?

Mr. SHEELY. No; I know if you raise two bales at \$150 a bale, it is \$300; and if you have \$170 growing cost, the balance can go toward picking and machinery, and so forth—and, we hope, a profit.

Mr. GATHINGS. We appreciate your appearance Mr. Sheely. We will now hear from Mr. Homer C. Berry of New Mexico.

STATEMENT OF HOMER C. BERRY, PRESIDENT, SOUTHWEST FIVE-STATE COTTON GROWERS ASSOCIATION

Mr. BERRY. Mr. Chairman and members of the committee, I am Homer C. Berry. I live on my farm located in the Pecos Valley near Roswell, N. Mex. My farming activities are based upon the production of cotton and livestock, cotton being the major source of agricultural income for myself, my neighbors, and the State of New Mexico.

I am speaking to you today not only on my own behalf, but also as President of the Southwest 5-State Cotton Growers Association. This organization is made up of cotton farmers, like myself, from the States of California, Nevada, Arizona, New Mexico, and district 6, lower Rio Grande Valley and high plains of Texas. All together, this organization represents the cottongrowing industry of an area that produces over 50 percent of American cotton production.

Now a short summary stating the views of this organization.

First, we feel that we in the West must have at the minimum a restoration of the cut in allotted acres recently announced by the Secretary of Agriculture. With such restoration, our farmers would be willing to support a loan level of 30 cents a pound basis Middling

1 inch. It is our firm belief that in order for our cotton industry to survive as a strong, vital segment of the economy, we must have a competitively priced quality product. We must offer the mill trade, both foreign and domestic, a dependable source of quality fiber, competitively priced.

Furthermore, we feel that a change in the release and reapportionment provisions should be made, allowing the grower who chooses to plant the higher acreage and accept the accompanying lower price support to add these extra acres to his existing cotton history base. We have no argument with that part of our agriculture which desires continued reductions in acreage and high price supports—except that we in the West with our high cost of production and limited water resources cannot survive in the cottongrowing business under the program of continued reduction of cotton allotments, regardless of the amount of price supports offered.

We feel that eventually cotton should and will stand upon its own two feet. The present program we feel to be not only wrong for its burden upon the taxpayers, but extremely dangerous to the continued growth and health of our industry. We must, by some means, restore the sound, competitive position once enjoyed by the cotton-producing industry. We in the West can produce cotton cheaper if given the opportunity to operate with maximum efficiency, and the first prerequisite is an increase in acreage allotments.

We have discussed many proposals for solving these problems and arriving at a solution acceptable to all segments and conflicting desires of different localities. We have discussed payment in kind—a two-choice program—an across-the-board reduction in price supports with increase in acreage. All of these and more, you gentlemen are familiar with, and I am sure you are much better informed than I on the subject—but I repeat and emphasize that some method must be found to restore the cut in cotton allotments.

One of the main problems in my mind, gentlemen, is what will we do with the acres that have been planted in cotton? Plant them in other crops? What crops are not already in surplus supply to the extent that granaries and warehouses all over the Nation are bulging with the very products we would plant with acreage taken out of cotton production. Corn, sorghum grains, barley—these are already in surplus supply and a further increase in production would only further aggravate the problems of the midwestern grain belt, and surely would adversely affect the last uncontrolled major segment of our agriculture, the livestock industry.

In my mind, cotton is one of the few, if not the only, price-supported product of our Nation's agriculture that has an immediate potential for increased usage: it has been one of our Nation's chief sources of dollars in our exports to foreign countries; it is the mainstay of our agricultural economy.

Think well and wisely, gentlemen, before you decide the future of "King Cotton." May he remain strong and carry his full share of our Nation's economy and prosperous future.

Thank you.

Mr. GATHINGS. That is a mighty good statement, Mr. Berry. Are there any questions of Mr. Berry?

Mr. BEERMANN. On page 2, Mr. Berry, at the end of the first paragraph, you say that you cannot survive in the cottongrowing business under the program of continued reduction of cotton allotments, regardless of the amount of price supports offered.

What would this mean to you in a cottongrowing operation? What percent of reduction in acreage does this mean to you?

Mr. BERRY. You mean this year's proposed cuts? In my own particular instance, it would mean about 21½ percent.

Mr. BEERMANN. A reduction of 21½ percent would do what to your costs?

Mr. BERRY. It would increase them probably by, this is a guess, probably between 7 and 8 percent. It will cost me as much to farm the reduced acreage in cotton as my cost of operation was last year.

Mr. BEERMANN. I think the philosophy we go on in reducing production is just as true on a farm as that of any other manufacturing plant. Reducing production increases costs, and the price incentive for reducing does not replace the increased cost of production.

Mr. BERRY. If I could add this, I would say, perhaps I am wrong, but I am firmly convinced that when we have a high price support for any commodity and confine and limit the amount that any one individual can produce, we stifle initiative, we also create an artificial market for that product, which in the case of cotton is Government loan under the present trend and under the program first initiated some 30 years ago. I personally would like to produce cotton for a free market.

Mr. BEERMANN. Do you think we can write legislation that will get us to that sometime?

Mr. BERRY. I hope so.

Mr. BEERMANN. Do your costs compare favorably with Mr. Sheely's and Mr. Langenegger's?

Mr. BERRY. No; Mr. Langenegger said 24 cents. I would say mine are 24.1. I pump out of the ground; he pumps out of the river.

Mr. BEERMANN. You pump out of a well?

Mr. BERRY. Yes.

Mr. BEERMANN. It just depends on how far you lift from the river?

Mr. BERRY. Yes, sir. Mr. Beermann, I stand corrected. I did not understand your question. Instead of a 2-percent cut, which I believe I said, I had about a 12-percent cut. I would like to correct that in the record.

Mr. BEERMANN. So a reduction of 2 percent in production would increase your costs about 12 percent?

Mr. BERRY. No, sir. I had a 12-percent cut in acre allotment. My unit cost, my per bale cost will be increased probably, the cost of producing that bale of cotton will probably be increased 15 to 20 percent. It will be more than the amount of the cut because it will cost me as much per acre to farm my whole operation with reduced amount of acres in cotton as it would with more cotton acreage.

Mr. BEERMANN. Then a Government program that reduces production and gives you a little incentive by higher price support increases your cost-price squeeze; is that right?

Mr. BERRY. Yes, sir.

Mr. BEERMANN. I think this is a point, Mr. Chairman, we did not make in our cost-price squeeze hearings.

Mr. BERRY. Because the greater your volume on any plant, whether it be manufacturing or a farm, the greater that is reduced by the quantity that you produce with a given amount of capital, man-hours, and investment—this is my thinking, and I find it true on my farms.

Mr. BEERMANN. Is this our last witness?

Mr. GATHINGS. Yes, sir.

Mr. BEERMANN. I would like to get into the area we have been discussing a little on this first buyer and last handler. If legislation comes about that the payment comes to the first buyer or last handler, which are you in favor of?

Mr. BERRY. Officially I think the 5-State Cotton Growers would be in favor of the last handler, if it were absolutely necessary, and we consider that it is necessary to have some sort of equalization payment. We have to be realistic and face the hard facts that the cotton industry could not overnight go from this program we are in now to a program completely uncontrolled, a completely unregimented cotton-growing economy. There has to be a transition period there. I actually am not qualified to say whether it should be paid to the first or the last, with this one exception. This has been brought out by nearly everyone you have asked this question. I know everybody wants to keep it as far away from himself as possible. I would say, let's let the last man have it.

Mr. BEERMANN. On that basis, do you think a 30-cent support price and going back to the 18,100,000 acres, do you think that is the simplest program to administer?

Mr. BERRY. I am firmly convinced of it, that it would be the simplest to administer. Certainly, I would agree—and I am sure I am speaking for the organization when I say that this is a step in the right direction.

Mr. BEERMANN. Thank you.

Mr. JONES. Don't you think this Missouri plan I have been talking about here, where we would only produce 17 million acres, would enable us to get our supplies in line much more quickly than if we go to the 18 million and at the same time all the people who wanted to produce cotton could produce it and you would not increase your surplus?

Mr. BERRY. I would say that would be acceptable. I would take the other one. I tell you why. Because on the 18 million acres we keep our cotton history.

Mr. JONES. You want the history. We would guarantee the history for that 5 years. You would know what you would do for 5 years. If we get a bill like that passed, you have a million bales less, at the end of 5 years you have 5 million bales less cotton produced. You should accomplish that.

Mr. BERRY. If they both accomplish the same ends, I personally would prefer the restoration of the acreage cut. I think it would be easier to administer, that and the lower support price.

Mr. JONES. The objection you run into is that these people that do not want to produce any more cotton will be opposed to taking reduction in price. This way we accomplish the reduction, and it

costs the Government less money than putting it across the other way. I wish you would give some thought to that.

Mr. HAGEN. Mr. Chairman.

Mr. GATHINGS. Mr. Hagen.

Mr. HAGEN. This relates to a matter of strategy more than anything else. Presently we have a pretty good broad scale representation of the cotton industry here, by and large supporting two parts of a package, one being relief for the mills in the form of payment, the other being relief for the growers in the form of increase in acreage.

However, there are some segments of opinion here opposed to the latter. If it develops that we are going to only wind up with relief to the mills, we have lost a lever, we have lost some people who are allies at the moment. I think we might well consider abandoning any idea of supporting that kind of program if we do not get our half of the program. Would you agree with me on that?

Mr. BERRY. I agree with you wholeheartedly, sir. You will notice in my statement I sort of went around that thing of equalization. It was asked of me. I was asked for my views on it. I agree with you wholeheartedly.

Mr. HAGEN. Thank you.

Mr. JONES. Could I have 1 minute to read a letter into the record I just got today?

Mr. BEERMANN. I would like to follow up the question here for the sake of continuity.

Mr. GATHINGS. Mr. Beermann.

Mr. BEERMANN. I realize you do not recommend the first buyer or last handler because under your program it would not be too effective. If the payment went to the last handler, what would the largest payment be? Do you know who would get what payment, the largest payment, what it would be?

Mr. BERRY. Do you mean, say, a cotton farmer produced—we are talking about some very few real big cotton farmers—say they produced a thousand bales of cotton, what would the payment be on that?

Mr. BEERMANN. Yes.

Mr. BERRY. It would depend on the amount of equalization.

Mr. BEERMANN. No. Under the last handler would the mill get the payment?

Mr. BERRY. Yes.

Mr. BEERMANN. If the mill got the payment, I wonder what the largest payment would be in approximate figures?

Mr. BERRY. That would depend on the amount of cotton that the mill consumed during a year I suppose.

Mr. BEERMANN. It would be on every bale.

My point is, looking at it again next year or as soon as the newspapers or someone who wanted to criticize a payment program, and I think someone in this audience should be able to answer what the largest payment will be, so we know what we will be criticized for doing in the future.

I would like to have that in this record before we close the hearings, Mr. Chairman.

Mr. HAGEN. It would probably be the Burlington mills. They probably have the most plants. It would probably run into millions of dollars.

Mr. JONES. Yes; Mr. Cannon, I think, expressed the opinion of the mills. He said he would prefer not to say because he would not care to say what his production is. The other mills might take the same position and quite properly.

Mr. BEERMANN. I agree with this. Somewhere with the last handler there is a million dollar payment made.

Mr. JONES. It is the same amount of money regardless.

Mr. BEERMANN. But it will be a public relations program that will kill the cotton program. If we want a cotton program I do not think we should pass legislation that will tend to heap criticism on this committee or anyone in the cotton business. That is the reason I would like to know how we are going to answer it and what the amount is going to be. Somebody is going to bring it up when the check is written for that if it goes to the last handler. With this kind of a feeling or under this possibility I should say I wonder if the first buyer route isn't the better program.

Mr. BERRY. Of course this is answering from purely a selfish viewpoint again and I guess we are all necessarily a little selfish, but it seems to me that then we are opening the door to limitations, this sort of thing, which could be put into it.

Mr. BEERMANN. If everyone who is in the cotton industry wants to get as far from that payment as possible, what are we going to do with it?

Mr. BERRY. Well, the answer—

Mr. BEERMANN. I am not assuming we have to do it but the testimony, from the way it has gone thus far looks like a foregone conclusion we will have some kind of payment. If we can go the route that some of you fellows are promoting maybe it won't be so severe.

I do not know where to put it. I would not know where to vote to put it.

Mr. BERRY. I think we had the answer when the case was before the Tariff Commission to place an import fee upon cotton goods coming into this country but they turned it down. We know that the inequity exists and it seems to me that we should try to solve it in some manner. I am not attempting to tell you, sir, or the members of this committee or anyone else how to do it, but that is why I did not want to use the term "p.i.k. certificates" but use equalization, in sort of round figures.

Mr. BEERMANN. I wish I knew, too.

Mr. GATHINGS. Are there further questions?

Mr. BRUCE. You had objections to the first buyer because of your phrase of limitation on payment to farmers?

Mr. BERRY. That is correct.

Mr. BRUCE. You mean if it goes to the last handler?

Mr. BEERMANN. I did not say that.

Mr. BRUCE. You are saying if they receive large amounts there will be a controversy.

Mr. BEERMANN. I think that is one of the most striking things to help kill the program, the use of taxpayers' money to go to a certain thing because the whole story never gets told.

Mr. BRUCE. The problem is they do not want to limit it at their end and yet the high cost at the other end would probably cause more criticism.

Mr. BEERMANN. Yes.

Mr. GATHINGS. Thank you very much, Mr. Berry. We appreciate your appearance here today.

Mr. LANGENEGGER. Mr. Chairman, if I may, I would like to clarify one statement that I made because there possibly is some confusion. I was asked what the cost of producing cotton was. I said 24 cents a pound. When I made that statement this is out-of-pocket expenses, harvest expenses, depreciation, and a side interest on investment. That is my cost that I could sell it for and break even.

Mr. BEERMANN. This does not take care of profit or whatever goes on from there?

Mr. LANGENEGGER. No, sir. But it is ready to sell at that point.

Mr. BEERMANN. This is what I wanted to know. I appreciate your frankness. I am sorry I had to have to ask it. I can tell you what it costs to grow corn on our farm, whether we grow 70 or 100 bushels.

Mr. BRUCE. I know how expensive the land is at Roswell.

Is that included in your cost?

Mr. LANGENEGGER. That is 3 percent interest at \$1,000 an acre.

Mr. BRUCE. Say you are trying to pay off that very expensive land.

Mr. LANGENEGGER. You could not pay for a farm. This is 3 percent. Assume you own the farm. It is a 3-percent return on investment at \$1,000 an acre.

Mr. GATHINGS. I wondered if Mr. D. Franklin Kell of Atlanta, Ga., is here? He wished to file a statement.

Does anyone else who is present wish to make a statement?

Mr. CORTRIGHT. Mr. Chairman, I would like to correct a misimpression you got from my statement yesterday relative to the choice plan and I would like to read exactly what I said. Relative to reducing acreage below 18.1, the second point of our suggested program was that the national acreage allotment for 1963 should be not less than the 1962 acreage, or 18.1 million acres. Special price consideration might be given to small growers who voluntarily cut below their allotment based upon an 18.1 national total. If special consideration of this kind is extended to any group, it should be confined to the hardship group already recognized into law.

We would oppose it if it were thrown wide open but if it is confined to the hardship group currently recognized into law we would have no opposition.

Mr. GATHINGS. Thank you, Mr. Cortright for explaining that. That makes clear what you intended from your testimony.

Does anybody else have a statement or anything to say?

Mr. PUGH. Mr. Chairman, the subject of limitation payments has been brought out for the last 2 days frequently. The export subsidy

has been paid 8½ cents for several years for the last handler and no limitation of payments has been talked about on that and for that reason we feel that that is the proper place to put it, instead of on the first buyer.

Mr. GATHINGS. We will consider your recommendation.

Is there anyone else who wishes to say anything?

Mr. BEERMANN. Mr. Chairman, before we close, I would like to have all the people here who have visited or testified as witnesses to know that we on the subcommittee are very happy with the chairman's fairness. This philosophy prevails in the Agriculture Committee. I think we ought to recognize our chairman for that.

Mr. HAGEN. I second the motion.

Mr. GATHINGS. Thank you. I appreciate it.

Mr. Jones?

Mr. JONES. The reason I want to read this letter is it comes from C. R. Talbert, former county agent in my home county, who has been very active in farm bureau work for many years, who has been on the State of Missouri Farm Bureau Board for many years and who is a large farmer in the area that I represent. His letter is—

The Dunklin County Farm Bureau Board met about cotton on December 10. The board represents 503 farm families in this county at present. It was moved that Congress be asked to authorize an increased acreage of cotton in 1963 along the lines proposed by the Cotton Advisory Committee: (1) That a farmer be given a 30 percent increase over his 1963 allotment and take a lower price support loan, 29½ cents in this case; (2), that if the farmer wants to increase only 15 percent over the 1963 allotment that he be given a loan of 30½ cents.

We all know that the present 1963 allotment is very depressing in the cotton area; also, that American mills will convert more and more to rayon if the present program of cotton subsidies continues and that a 6-cent subsidy, 2 from the farmer and 4 from the Government, would be putting them in a competitive position.

I surely hope that we can get some remedy and in time to use it in 1963.

Yours very truly,

C. R. TALBERT.

I might say that this represents the thinking of many of the cotton counties in Missouri, and particularly the action that the farm bureau took at a meeting in southeastern Missouri.

I attended a meeting less than a week ago and four county farm bureau representatives were there and expressed their approval of the recommendations of the Cotton Advisory Committee and endorsed the so-called Missouri Plan.

Thank you, Mr. Chairman and the committee.

Mr. GATHINGS. I would like to file for the benefit of the committee and to be referred to when needed a letter or detail analysis from Mr. Robert C. Jackson, American Textile Manufacturers Institute.

It will be available and may be referred to when needed.

(The letter follows:)

AMERICAN TEXTILE MANUFACTURERS INSTITUTE, INC.,
Washington, D.C., December 10, 1962.

Hon. E. C. GATHINGS,
House of Representatives,
Washington, D.C.

DEAR TOOK: Our staff has just recently completed a rather detailed analysis of the 1-year international cotton textile arrangement. We regret to report that imports exceeded the base level by one-third.

In the belief that you will find it of interest, a copy of the analysis is enclosed herewith. It is our genuine hope that experience gained in implementing the short-term arrangement will provide the basis for more effective handling of the long-range program.

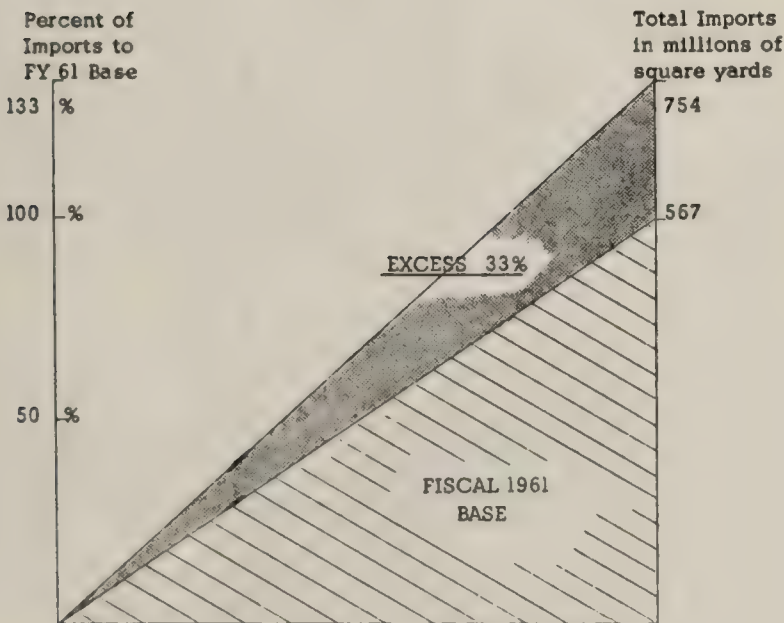
The large imports of cotton yarn and heavy cotton fabrics were clearly influenced by the raw cotton cost advantage of oversea manufacturers. Early and complete elimination of this raw cotton cost differential will make much simpler the control of cotton textile imports under the 5-year international arrangement now in effect.

If we can supply additional details on any phase of this problem, please let us know.

Sincerely,

Bob,
ROBERT C. JACKSON.

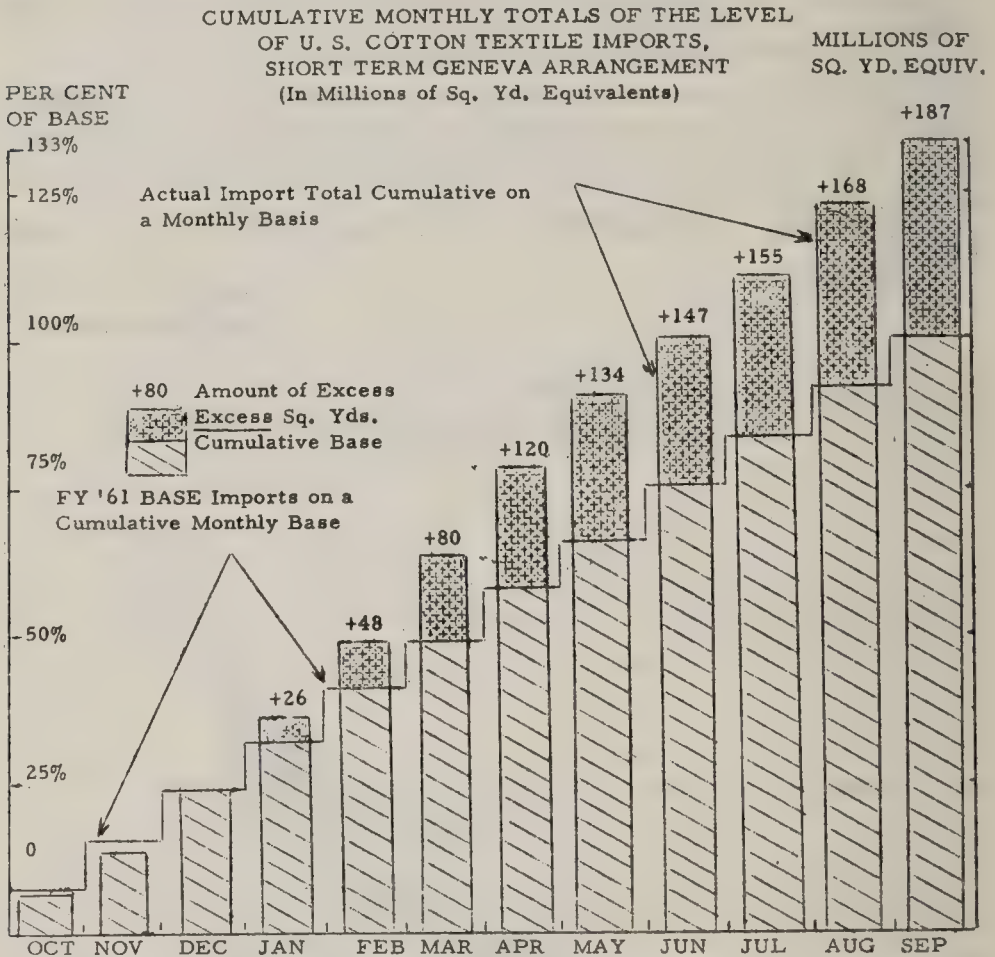
ANALYSIS OF THE
GENEVA SHORT-TERM ARRANGEMENT



October 1, 1961 through September 30, 1962

**U.S. COTTON TEXTILE IMPORTS UNDER THE GENEVA ARRANGEMENT: OCTOBER 1, 1961
TO SEPTEMBER 30, 1962**

The Geneva Short-Term Arrangement covered imports of cotton textiles into the United States from all countries except Japan for the year ended September 30, 1962. Total imports under the arrangement reached 754 million square yards, 33 percent above the base year ended June 30, 1961. Actual imports during the base year were 567 million square yards; thus, the 33-percent excess during the short-term arrangement was equivalent to 187 million square yards (see chart).



Several factors contributed to the agreement's failure to hold imports near the base level. Administration of U.S. rights under the arrangement by the Interagency Textile Administrative Committee (ITAC) was sluggish. The administrators apparently failed to grasp the rapidity with which import interests can move in so diverse and volatile a market. Chart 1 shows clearly that by the fourth month of the arrangement (January 1962) import excesses were beginning to accumulate; yet it was March before effective action was taken against the earliest overseas offenders, and it was May before these restraint actions were reflected in lowered U.S. imports.

The lag from January to March was administrative; the lag from March to May reflected transit time between the Orient and American ports.

This experience proves conclusively that automatic tripping points are absolutely necessary if administrators are to move rapidly enough to control imports effectively under the Geneva Long-Term Arrangement, which entered into force October 1, 1962, for a 5-year period.

Less important factors contributing to the substantial failure of the Geneva Short-Term Arrangement were the necessity for building a control staff in Washington and for securing legislative authority to act against countries not signatory to the arrangement. Illustrative of the latter is the problem of Colombia, a nonsignatory, which exported 2.5 million pounds of cotton yarn and nearly 3 million square yards of carded sheetings to the United States before Congress passed in June the needed legislation (Public Law 87-488).

Because of international political considerations, restraint actions have not been forthcoming in a number of cases where clearly indicated by the import statistics. Thus Belgium and Luxembourg exceeded their base by some 5 million square yards under the short-term arrangement, but there was no restraint action taken by the U.S. Government. Perhaps the prompt retaliatory tariff action taken by Belgium against certain U.S. exports earlier this year when U.S. tariffs on carpets and glass were raised under escape-clause actions was a consideration. No doubt United States-Congo policy and plans for trade negotiations with the European Economic Community were contributing factors also.

[In millions of square yards]

	Percent of base per month cumulative	Fiscal year 1961 base cumulative	Actual im- ports cumulative	Under or over fiscal year 1961 base cumulative	Percent actual imports to base
October.....	8	45.4	41.7	-3.7	7
November.....	17	96.4	83.5	-12.9	15
December.....	25	141.8	141.2	-.6	25
January.....	33	187.1	213.3	+26.2	38
February.....	42	238.1	285.7	+47.6	50
March.....	50	283.5	363.7	+80.2	64
April.....	58	328.9	448.6	+119.7	79
May.....	67	380.0	514.0	+134.0	91
June.....	75	425.3	572.4	+147.1	101
July.....	83	470.6	626.0	+155.4	110
August.....	92	521.6	689.7	+168.1	122
September.....	100	566.9	753.7	+186.8	133

Administration of restraint orders category by category resulted in a game of musical chairs or, to choose a more appropriate metaphor, an effort to plug a succession of holes in a constantly shifting dike. For example, when carded singles yarn (category 1) from Portugal was embargoed, there was an immediate upsurge in Portuguese shipments of combed singles yarn (category 3). Furthermore, because a country was not stopped in all categories even though its overall base had been exceeded, important additional overages developed from category-jumping. The Geneva Long-Term Arrangement should be administered so as to stop shipments in all categories from any country exceeding its overall base as a result of excesses in certain categories.

SUMMARY

Repeating, for emphasis,*the key points of the foregoing analysis:

(1) This experience proves conclusively that automatic tripping points are absolutely necessary if administrators are to move rapidly enough to control imports effectively under the Geneva Long-Term Arrangement which entered into force October 1, 1962, for a 5-year period.

(2) Because of international political considerations restraint actions have not been forthcoming in a number of cases where clearly indicated by the import statistics.

(3) The Geneva Long-Term Arrangement should be administered so as to stop shipments in all categories from any country exceeding its overall base as a result of excesses in certain categories.

DETAILED ANALYSIS BY COUNTRY, GROUP, AND CATEGORY

The following chart shows the total impact of imports by major countries, groups, and categories. It clearly shows that the major problems have arisen in a relatively few categories and countries. The left-hand column shows imports by major countries. Major impact has come from four countries: Hong Kong, Portugal, Taiwan, and the Philippines (Japan was not a party to the short-term

Imports Under the Geneva Short Term Arrangement by Major Country, Group And
Category Excluding Japan
(In Millions of Square Yards).

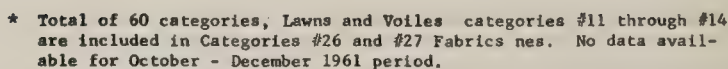


Table 2 in the annex shows which countries shipped the excess square yardage. Countries are listed in descending order of square yardage excesses over the base. Each country in table 2 exceeded its base by at least 1 million square yards. Hong Kong, Portugal, Taiwan and Colombia led in excess square yardage.

The reason for Colombia's large excess is that its base in fiscal 1961 was zero. Hence, all its exports are excess. For this reason, Colombia shows up as only a small part of the total country groupings in the left-hand column of chart 2. Other countries in table 2 are in this same position of being relatively insignificant in overall yardages while having large excess square yardages. Yugoslavia, for example, shipped over 4,000 percent of its base and Israel, 350 percent.

A few countries with small or zero exports to the United States in fiscal 1961 are starting to ship large quantities. Yugoslavia, Poland, and Greece have shipped us large single orders during the past 3 or 4 months. These orders were in the million-plus square yardage area. For instance, Yugoslavia in September shipped 3.2 million square yards of carded sheetings here.

The middle column in chart 2 shows the relative size of the various broad groups. The three major groups are broad woven fabrics, woven apparel, and yarns. These three represent over 80 percent of total imports during the short-term arrangement. The rapid growth of yarn imports is clearly shown. Before 1960, yarns would hardly have appeared as a segment of this bar chart, but today yarns are larger than the other three groups above the yarn segment (see chart 2).

Table 1 (in the annex) shows the detailed statistics by categories and groups that appear in chart 2. The table includes all categories with imports of at least 20 million square yards during the short-term arrangement. These categories are contrasted to their part of the group totals and to the grand total. Thus taking category 26, fabrics n.e.s., carded, and reading across, it is found that this is only one category; it contains 83 million square yards and represents 28 percent of the broad woven fabrics (group I). It is also 11 percent of total imports under the short-term arrangement.

Table 3 in the annex breaks down imports by broad groups and excesses over the fiscal 1961 base. The greatest excesses occurred in the yarn section of group V (miscellaneous cotton manufactures). Some 73 million square yards (equivalent) in cotton yarn imports are in excess. In group I (broad woven fabrics) the excess over base is 57 million square yards and in group III (woven apparel) the excess is 33 million square yards.

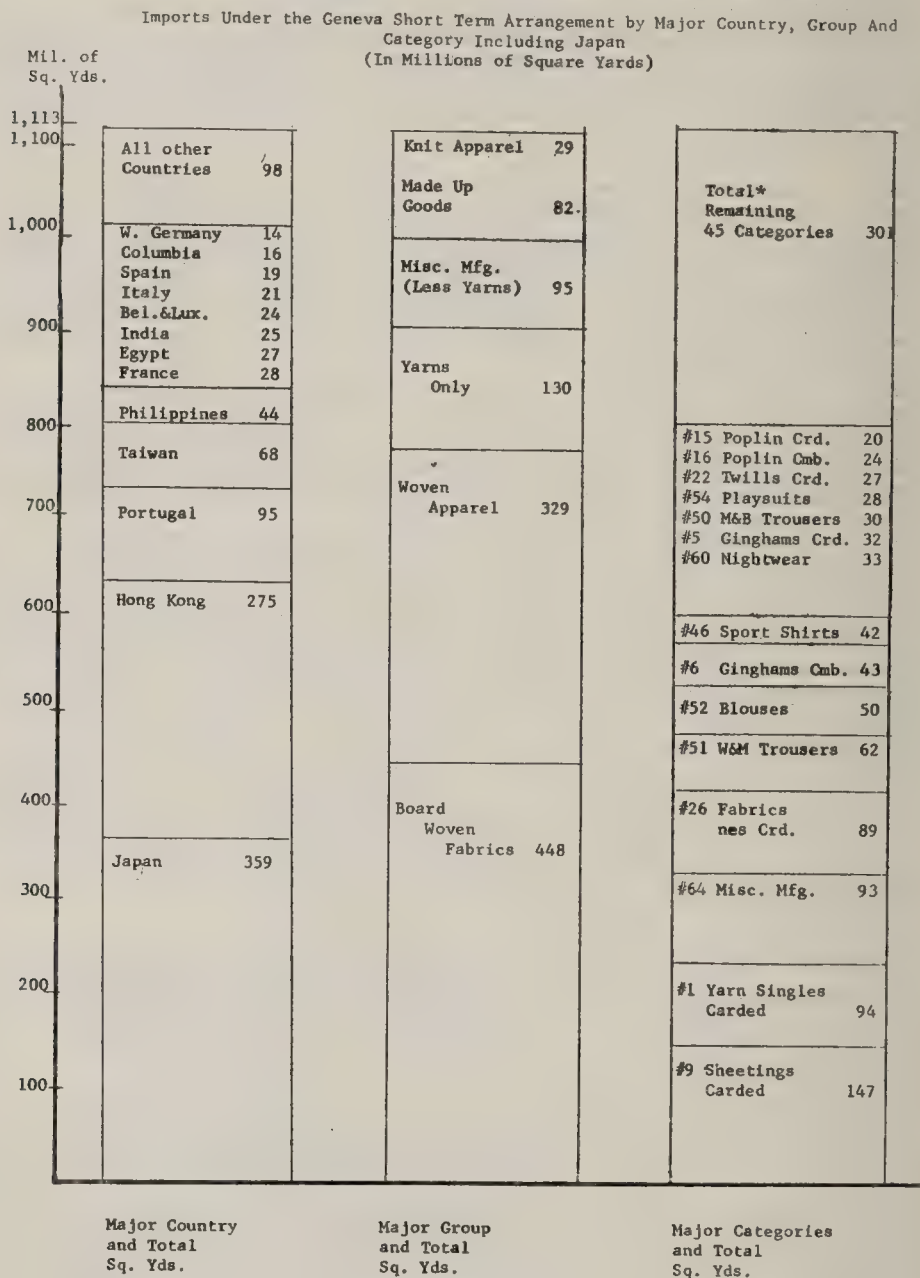
The right-hand column in chart 2 shows the impact of various categories on the total square yardage of the short-term arrangement. Five categories account for more than half of total imports. They are the real problem categories: carded sheetings; carded singles yarn; carded fabrics n.e.s.; miscellaneous manufactures; women's and children's trousers, slacks and shorts. Of another seven categories, each has a total of 20 million or more square yards. These 12 categories account for all but 200 million square yards of the imports during the short-term arrangement. Some of these 12 categories are not in excess of their fiscal 1961 base, but most of them are.

Looking at table 4 in the annex, one can readily see where the largest excess square yardages have occurred in the various categories. This table lists the categories that are at least 1 million square yards in excess of the fiscal 1961 base. Out of the 12 major categories listed as separate items in the right-hand column of chart 2, only 3 are not in excess of their fiscal 1961 base. These three categories are: No. 60, nightwear; No. 26, fabrics not elsewhere specified, carded; and No. 54, playsuits.

Again, as in the case of the countries, some categories are greatly in excess of their base because the base is small and there have been relatively large imports; therefore, some of the categories listed in table 4 will not show up in chart 2 as a large category. For example, category 31, other towels, does not show up as a separate item in chart 2, but its excess square yardage over the base amounts to 9.4 million. This represents a 105-percent increase.

The analysis of chart 2 clearly shows that the impact of imports can be attributed to very few countries and categories, falling into only three of the six broad groups of textile products. It seems necessary to look at the long-term arrangement in the light of these facts. There must be careful attention paid to the imports from the countries that have the largest share of the base and to the timelag in the transfer of goods from the foreign countries to the U.S. market. The impact can be tremendous, and it can come almost before a trend can be seen; therefore, it is absolutely necessary not only to keep a particularly close watch over imports from the countries that are the major suppliers but also over the particular categories. This can only be done efficiently by automatic trip points.

When we look at the short-term arrangement we are looking at past history, but we are also looking at the base for the long-term arrangement. This base, beginning January 1, 1963, will include Japan. This base is considerably larger than the base for the short-term arrangement. Japan's exports to the United States during the short-term arrangement were 359 million square yards. It must be remembered that Japan was not included in the short-term arrangement, and imports from Japan were not governed by this arrangement; however, these 359 million square yards from Japan are very important in the long-term arrangement. One look at the following chart is all one needs to see what the impact is of the addition of Japan to the total base for the long-term arrangement.



* Total of 60 categories, Lawns and Voiles categories #11 through #14 are included in categories #26 and #27 Fabrics nes. No data available for October - December 1961 period.

The total imports for the short-term arrangement year, including Japan, amounted to 1,113 million square yards. This figure is 37 percent above the fiscal 1961 base of 812 million square yards, including Japan. According to the language of the long-term arrangement, the base is fixed at the first 12 of the 15 months immediately preceding a restraint action. On January 1, 1963, the long-term arrangement base will include Japan and thus become 1,113 million square yards unless rollbacks are accomplished in bilateral negotiations.

There are some significant differences between charts 2 and 3. When we add Japan, the other countries' shares become a little less significant only because Japan and Hong Kong represent nearly 650 million square yards between them, which is more than 50 percent of the total. The broad group for yarns, in the center column of chart 3, becomes smaller than the three remaining groups (miscellaneous manufactures, made-up goods, and knit apparel). This relative decline in the impact of yarns is due to the fact that Japan's exports in miscellaneous manufactures and made-up goods are a considerably larger portion of the total imports in these two areas.

Table 5 shows the breakdown by broad category for the imports from Japan under the short-term arrangement and for total imports under the short-term arrangement, including Japan. The areas of excess imports from all countries including Japan have changed slightly. Group I, broad woven goods, is now the largest category with excessive square yardage, with the yarns second, and woven apparel third.

From table 6 one can get an idea of the relative weight that the broad groupings and the major categories (categories containing more than 30 million square yards) have on the total. It also shows the relative impact of the major categories on the broad groups. For instance, category 9 (sheetings) is only one category. It has 147 million square yards in it and is 33 percent of group I (broad woven fabrics) imports. It is also 13 percent of the entire imports during the short-term arrangement. Moving down to the subtotal, one can see that these seven categories listed represent 382 million square yards, some 85 percent of the total group I break, and 34 percent of total imports. This table supplies most of the information from which chart 3 was constructed.

The above analysis and facts of the short-term arrangement and its impact on the base of the long-term arrangement are almost history. The only relevant fact from our experiences under the short-term arrangement is that we must find a way to cure the problems that thwarted the operation of the short-term arrangement so that further erosion of the American textile industry by the pressures and disruptions of imports will cease.

ANNEX

TABLE 1.—Geneva short-term arrangement total imports

By broad groups and categories over 20,000,000 square yards	Number of categories	Total imports during the short-term arrangement	Percent of group totals	Percent of total imports
		<i>millions of square yards</i>		
Group I. Broad woven fabrics:				
Category 9. Sheetings, carded.....	1	141	46	19
Category 22. Twill and sateen, carded.....	1	24	8	3
Category 26. Fabrics n.e.s., carded.....	1	83	28	11
Subtotal.....	3	248	82	33
Remainder of group I.....	16	53	18	7
Group I, total.....	19	301	100	40
Group II. Made-up goods, total.....	9	35	100	4
Group III. Woven apparel:				
Category 46. Sport shirts.....	1	30	14	4
Category 50. M. & B. trousers.....	1	20	9	3
Category 51. W. & M. trousers.....	1	37	17	5
Category 52. Blouses.....	1	20	9	3
Category 54. Playsuits, etc.....	1	24	11	3
Category 60. Nightwear and pajamas.....	1	28	13	3
Subtotal.....	6	159	73	21
Remainder of group III.....	9	58	27	8
Group III, total.....	15	217	100	29
Group IV. Knit apparel, total.....	10	21	100	3
Group V. Miscellaneous cotton manufactures:				
Category 1. Carded singles yarn.....	1	94	52	12
Category 3. Combed singles yarn.....	1	24	14	4
Subtotal.....	2	118	66	16
Total, yarn.....	4	130	72	17
Category 64. All other miscellaneous cotton manufactures.....	1	49	27	7
Remainder of Group V.....	2	1	1	-----
Group V, total.....	7	180	100	24
Total imports, all groups.....	60	754	-----	100

TABLE 2.—Selected country imports

	Millions of square yards			Percent of imports to base
	Fiscal 1961 base	October- September actual imports	Excess over base	
All country imports.....	566.9	753.7	186.8	133
Million yard excess countries:				
Hong Kong.....	202.9	275.4	72.5	136
Portugal.....	49.0	94.8	45.8	193
Taiwan.....	23.5	67.8	44.3	288
Colombia.....	0	16.2	16.2	-----
Israel.....	3.2	11.2	8.0	348
Yugoslavia.....	.1	6.2	6.1	4,405
Mexico.....	3.6	8.3	4.7	230
Belgium and Luxembourg.....	19.9	24.2	4.3	122
Philippines.....	40.4	43.8	3.4	108
Italy.....	17.9	21.2	3.3	119
Jamaica.....	8.4	11.2	2.8	133
Greece.....	0	1.8	1.8	-----
West Germany.....	12.9	14.3	1.4	111
Total.....	381.8	596.4	214.6	-----

TABLE 3.—Imports of cotton textiles by broad categories

	Millions of square yards			Percent of imports to base
	Fiscal 1961 base	October-September actual imports	Excess over base	
I. Broad woven fabrics.....	244	301	57	123
II. Made-up goods.....	24	35	11	146
III. Woven apparel.....	184	217	33	118
IV. Knit apparel.....	15	21	6	140
V. Miscellaneous cotton manufacturers.....	160	180	80	180
Total.....	567	754	187	133
Group V by subcategories:				
Yarns only.....	57	130	73	228
All other manufacturers.....	43	50	7	116

TABLE 4.—Selected category imports

	Millions of square yards			Percent of imports to base
	Fiscal 1961 base	Actual imports, October to September	Excess over base	
Total of all categories.....	566.9	753.7	186.8	133
Categories 1,000,000 yards in excess of the fiscal year 1961 base:				
1. Yarn singles, carded.....	39.9	94.1	54.2	236
2. Yarn plied, carded.....	5.1	7.7	2.6	151
3. Yarn singles, combed.....	10.8	23.9	13.1	221
4. Yarn plied, combed.....	1.0	4.1	3.1	409
6. Gingham, combed.....	4.7	6.0	1.3	128
9. Sheetings, carded.....	94.2	140.7	46.5	149
16. Poplin and broadcloth, combed.....	1.6	3.2	1.6	198
19. Other shirting print cloth.....	.1	2.8	2.7	1,872
22. Twill and sateen, carded.....	18.0	23.8	5.8	132
24. Yarn-dyed fabrics, n.e.s., carded.....	5.8	8.2	2.4	151
28. Pillowcases, carded.....	.3	1.6	1.3	491
31. Other towels.....	9.0	18.4	9.4	205
43. Knit shirts, except T.....	3.0	4.4	1.4	148
45. Dress shirts.....	6.8	12.3	5.5	183
46. Sport shirts.....	25.6	29.6	4.0	116
48. Raincoats, ¾ or more.....	2.7	4.3	1.6	160
50. Men's and boys' trousers.....	13.7	20.2	6.5	148
51. Women's, misses', and children's trousers.....	23.9	37.4	13.5	156
52. Blouses.....	18.4	20.3	1.9	111
53. Women's and misses' dresses.....	8.8	13.7	4.9	155
58. Shorts and briefs, except men's and boys'.....	.1	1.4	1.3	1,174
61. Body support garments.....	10.6	13.1	2.5	123
62. Apparel n.e.s., knit.....	2.0	5.8	3.8	289
64. Miscellaneous cotton manufactures.....	42.5	49.1	6.6	115
Total.....	348.6	546.1	197.5	-----

TABLE 5.—*Total imports, including Japan, under Geneva short-term arrangement*
 JAPANESE IMPORTS UNDER THE GENEVA SHORT-TERM ARRANGEMENT

	Millions of square yards			Percent of imports to base
	Fiscal 1961 base	Total imports during the short-term arrangement	Excess over base	
I. Broad-woven fabrics.....	93	147	+54	158
II. Made-up goods.....	29	47	+18	162
III. Woven apparel.....	73	112	+39	153
IV. Knit apparel.....	9	8	-1	89
V. Miscellaneous cotton manufacturers.....	36	45	+9	125
Total.....	245	359	+114	147
Group V by subcategories:				
Yarns only.....	0	0	0	-----
All other manufacturers.....	36	45	+9	125

TOTAL IMPORTS, INCLUDING JAPAN, UNDER THE GENEVA SHORT-TERM ARRANGEMENT				
I. Broad-woven fabrics.....	337	448	+111	133
II. Made-up goods.....	53	82	+29	155
III. Woven apparel.....	262	329	+67	126
IV. Knit apparel.....	24	29	+5	121
V. Miscellaneous cotton manufacturers.....	136	225	+89	165
Total.....	812	1,113	+301	137
Group V by subcategories:				
Yarns only.....	57	130	+73	228
All other manufacturers.....	79	95	+16	120

TABLE 6.—*Geneva short-term arrangement total imports including Japan*

By broad groups and categories over 20,000,000 square yards	Number of categories	Total imports during the short-term arrangement (millions of square yards)	Percent of group totals	Percent of total imports
Group I, broad woven fabrics:				
Category 5, gingham, carded.....	1	32	7	3
Category 6, gingham, combed.....	1	43	10	4
Category 9, sheetings, carded.....	1	147	33	13
Category 15, poplin and broadcloth, carded.....	1	20	4	2
Category 16, poplin and broadcloth, combed.....	1	24	5	2
Category 22, Twills and sateens, carded.....	1	27	6	2
Category 26, Fabrics n.e.s., carded.....	1	89	20	8
Subtotal.....	7	382	85	34
Remainder of group I.....	12	66	15	5
Group I, total.....	19	448	100	40
Group II, made-up goods, total.....	9	82	100	7
Group III, woven apparel:				
Category 46, sport shirts.....	1	42	13	4
Category 50, men's and boys' trousers.....	1	30	9	3
Category 51, women's and men's trousers.....	1	62	19	6
Category 52, blouses.....	1	50	15	5
Category 54, playsuits, etc.....	1	28	8	2
Category 60, nightwear and pajamas.....	1	33	10	3
Subtotal.....	6	245	74	22
Remainder of group III.....	9	84	26	8
Group III, total.....	15	329	100	30
Group IV, knit apparel, total.....	10	29	100	3
Group V, miscellaneous cotton manufacturers:				
Category 1, carded singles yarn.....	1	94	42	8
Category 3, combed singles yarn.....	1	24	10	2
Subtotal.....	2	118	52	10
Total, yarn.....	4	130	58	12
Category 64, all other miscellaneous cotton manufacturers.....	1	93	41	8
Remainder of group V.....	2	2	1	-----
Group V, total.....	7	225	100	20
Total imports, all groups.....	60	1,113	-----	100

MR. GATHINGS. Without objection, I would like to incorporate in the record a letter from Mr. Perry Moore, Robert Moore & Co., cotton and commission merchants in New York, that has to do with this legislation, and a statement from C. P. Sebastian of Ardmore, Okla. Without objection, his statement will be incorporated in the record.

(The information follows:)

ROBERT MOORE & Co.,
New York, N.Y., December 13, 1962.

Hon. E. C. GATHINGS,
Chairman, Cotton Subcommittee, House Committee on Agriculture, Washington, D.C.

DEAR MR. GATHINGS: Since the cotton producers have to buy their necessities of life and all the accessories and equipment necessary to produce their crops in a protected market, while the value of their product is determined in the unprotected world market, it is essential to their welfare and the welfare of their communities that they be subsidized. This has been done by high non-recourse loans. This method of protecting the producers has been fatal to them and also to the taxpaying public.

Therefore, any new legislation should be constructive and written to serve the purpose for which it was intended. To accomplish this, it is essential that the law and the regulations promulgated under the law, carry out Congress intended purpose; namely, to see that the moneys so appropriated go directly to the benefit of the producers and not be used in an endeavor which will result in holding the farmers' cotton off the market, with the subsequent loss of the cotton markets to the industry and a heavy drain on the taxpaying public.

I respectfully request that the members of this committee and the Members of Congress, in their efforts to write the necessary legislation, bear in mind that a subsidy—in whatever form prescribed—should be used for the direct benefit of the farmers and the promotion of the marketing of their cotton. A subsidy payment, such as a p.i.k. certificate, must go to the first buyer; otherwise cotton again will flow to the loan instead of to the marketplace.

Respectfully submitted.

PERRY MOORE.

C. P. SEBASTIAN & Co.,
Ardmore, Okla.

To Whom It May Concern:

In cotton magazines and other publications we have read many articles concerning the cotton situation and what the Government should do toward a program for 1963. These articles mostly proposed various kinds of setups whereby the domestic mills might buy cheaper cotton for their use and the exporters might buy cheaper cotton to sell to the foreign mills. They gave very little consideration to the American farmer and his problems.

In the first place I wish to state that I am not a lawyer nor a statesman, but I have lived a long time, and having spent over 50 years as a cotton buyer and shipper, I feel that I have observed a few things that might be worth some consideration to the men in whose hands rest the responsibility of forming a cotton program for 1963. In this article I hope to offer in an unbiased way some things that should be corrected and others that might be provided in the program for 1963.

It is my belief that a support price offered through the loan program is the most practical of all methods that have been proposed and the fairest to both the cotton farmer and the cotton buyer and shipper. It gives the farmer the opportunity of selling his equity at a better price several months after the heavy movement of the crop while the market is depressed and also affords the cotton buyer or shipper the opportunity of acquiring his needs through the months following the rush season. However, in the loan program which was started over 30 years ago, there are some loopholes through which unscrupulous people have abused the intention of the law. I propose the following plan to eliminate such abuses.

PROVISIONS OF LOAN CONTRACT

1. Each farmer's allotment limited to so many pounds instead of so many acres.
2. Each farmer's loan limited to \$5,000 to \$6,000 according to the loan price and the size of his allotment.
3. Safeguards to prevent bogus rental contracts to obtain increased allotments.
4. Extra large family allowed a set additional allotment according to number of dependents.
5. Any surplus production above stated allotment to be bought at 50 percent of loan value.

Explanation and support of the above provisions follow:

1. In the loan programs of the past farmers allotments consisted of so many acres. In order to obtain the maximum production on his number of acres, he selected his best land, planted his rows closer and by the use of fertilizer and intensive cultivation was able to produce two bales where he had normally produced only one. This has caused increased surpluses from year to year. Therefore, the allotment should be for so many pounds of lint cotton.

2. When the loan program was started over 30 years ago its purpose was to enable the poor farmer to hold his cotton off the depressed market during the heavy movement and later sell at a better price. It was never thought of nor intended that any one man or group of men should borrow \$50,000 from the Government on the cotton from any one allotment off of any one farm. Thus the original loan motive has been grossly abused. Therefore, it becomes necessary that some limitation (\$5,000 to \$6,000) be placed upon the amount of money that one farmer can borrow from the Government on his crop of cotton.

3. Safeguards should be placed into the law to keep a farmer, who had been operating a large acreage of cotton, from dividing his acres into smaller lots under bogus rental contracts in order to obtain a larger allotment. It will also abolish the operation of big landowners and syndicates from securing allotments for hundreds of acres to plant in cotton and produce hundreds of bales on which they will borrow \$50,000 from the Government without recourse.

4. It is not the intention of the Government to place a hardship on anyone. Therefore, some provision should be granted extra large families to obtain additional allotments according to the number of dependents.

5. Where a support price is guaranteed by the Government control of production is necessary. Therefore, a penalty of 50 percent of loan value should be assessed on overproduction of any allotment.

With the present large crop and 5 to 6 million bales going into the Government loan, a crop of over 13 million is not needed in 1963. With this in view each State and each county of each State can be apportioned its allotment in pounds of lint cotton. Then the county farm committee can apportion each farmer's allotment to comply with the total production allowed its county. In this method the necessity of measuring the acreage of each farmer's allotment is eliminated. Let each farmer plant the number of acres he deems necessary to produce the number of pounds of lint cotton allotted him—keeping in mind the penalty of any overproduction.

In keeping with the high prices of other commodities, the high cost of labor and the high cost of living, the price of middling cotton, inch staple advanced to around 45 cents per pound during the many years of the farm program. However, for the last 12 to 15 years the price of cotton has been reduced \$50 to \$60 per bale. This decline came while the cost of farm labor, the cost of farm machinery, the cost of food and clothing, and the cost of most everything the farmer has to buy advanced to the high peak of all time. Is it just to even think of lowering the price further under these conditions? Some groups of cotton shippers and cotton manufacturers are clamoring for cheaper cotton, but if we gave the cotton to the mill free of cost it would not reduce the price of a \$4 shirt more than 15 or 20 cents. So, my friends, it is not the high cost of the raw material but the high cost of the manufactured article that hurts.

The present parity price for middling white cotton, seven-eighths-inch staple, of 39.53 cents per pound indicates the comparative high prices of the things the farmer has to buy. I believe the farm program for 1963 should call for at least 80 percent of parity. This would make middling white, seven-

eights-inch staple, 31.62 cents per pound and middling white, inch-staple, with present premium, about 35 cents per pound, Memphis territory. Owing to the increased use of machinery in gathering cotton and the big percentage of low grades and colored cotton in the present crop, I believe the differences should be widened between the higher grades and the lower grades. Therefore, I believe the following prices would be fair on some of the leading grades of inch staple:

	<i>Inch staple</i>	<i>Cents</i>
Strict Middling White-----		36.00
Middling White-----		35.00
Strict Low Middling White-----		31.00
Low Middling White-----		27.00

Differences on staples of other grades and colored cotton to be inserted at relative prices. This is for Memphis territory.

In the United States we enjoy a high standard of living and none of us wish to lower that standard. But I learned a long time ago that if I danced I must pay the fiddler. If we maintain our high standard of living, we must pay the costs. If we continue to export cotton we must continue some kind of a bonus to the export shipper so he can meet the low priced cotton produced with cheap labor and other low costs in countries which have a much lower standard of living than that which we enjoy. Then we must maintain an import tariff sufficient to protect our domestic manufacturers against an influx of cheap goods from foreign countries. If this is done our domestic mills can sell their finished products at prices which will justify the price they pay for their cotton.

It is worth something to live and enjoy the freedom of this country where there are more bathtubs, more air-conditioned homes, more farm tractors, more automobiles, and more facilities of all kinds that go to make things easy, convenient and comfortable in our way of living than in any other country of the world.

The suggestions mentioned in the foregoing are my own convictions resulting from a long experience in the cotton business. If these provisions are provided as a part of the new loan program, I am convinced that the loan stock from this year will be greatly reduced and very little of next year's crop will enter the loan as the bulk of the crop will sell outside the loan, and everybody will be happy.

Some have advocated a direct payment of so much per bale to the farmer without a support price or any control of production. It would seem that the farmer might be forced, under this plan, to sell the bulk of his crop at 10 cents per pound or less. This would be disastrous to the farmer and a calamity to the country.

Under the past programs with the abuses of overproduction by the big farm operations of west Texas, Arizona, and California, the small farmers of Eastern States, Central States, and the greater part of Texas have been forced to leave the farms. This is deplorable and should be corrected in some way.

Respectfully yours,

C. P. SEBASTIAN.

Mr. GATHINGS. Are there any statements members of the subcommittee may have from your people that you would like to have incorporated?

If not, I would like to ask permission of the subcommittee that additional statements that may come to the Agriculture Committee here, Mr. Cooley or anyone, be privileged to be placed in the record.

Mr. JONES. I so move.

Mr. HAGEN. Second.

(The following telegram was also received by the subcommittee:)

PINE BLUFF, ARK., December 14, 1962.

HON. E. C. GATHINGS,
House of Representatives, House Office Building,
Washington, D.C.:

Recognizing that cotton has suffered a serious deterioration of competitive position during the past 2 years and that price is an important factor in such deterioration and in order to move toward alleviation of this condition and to place cotton in more competitive position we recommend a one-price system

which will make cotton competitive to U.S. mills, and to accomplish this we would recommend as a last resort the adoption of a domestic subsidy to be paid to the first buyer.

Anticipating that the program which we recommend will increase consumption of American cotton we therefore ask that the national acreage allotment for 1963 be no less than that provided in 1962.

JEFFERSON COUNTY FARM BUREAU,
C. H. TURK, *President*.

Mr. GATHINGS. If there is no further statement, I am most grateful to the witnesses for staying here. We appreciate so much the subcommittee remaining right on through these hearings for the last 2 days. We will adjourn until such time as we will set a time to hear the Department of Agriculture and additional witnesses in January.

(The following communications were also submitted to the subcommittee:)

VALLEY FARM BUREAU,
Mercedes, Tex., December 17, 1962.

Hon. JOE M. KILGORE,
*House Office Building,
Washington, D.C.*

DEAR JOE: We appreciate your keeping atop the cotton situation in Washington, even though you are on active duty in Colorado. The Valley Farm Bureau did not have a representative present at the December 13-14 hearings on proposed legislation for cotton because of prior commitments and meetings of its officers. This letter should explain our position.

The VFB favors an increase in cotton acreage and some reduction in price support. We have discussed the price cotton should be supported to make it more competitive and still enable farmers to be assured of a reasonable return. If the national minimum allotment was increased to 18.2 million acres, then, we are of the opinion we could live with a support price of 30 cents per pound on middling 1 inch cotton. This would make cotton more competitive and may help regain some of our markets.

The cotton producers in the area west of the Mississippi river are generally agreed on the above figures, both price and acreage-wise. However, the Southeastern United States, where acreages are small, favors a high support price and less acreage. This easily understood as nearly everyone in the Southeastern United States who plants cotton can plant nearly 100 percent of their land to cotton because of release and reapportionment.

There is some thinking by western U.S. growers to abolish the reapportionment part of the cotton program. We, in the valley, have mixed feelings about this and are reluctant to agree to it. We want to reserve judgment on this and study such a proposal when it is reduced to writing. Of course, the big question here is what would happen to the cotton acreage if it were not planted and not released. Is it forever lost in the total cotton acreage or is it given to some new cotton area?

Some cottongrowers present at the recent American Farm Bureau Federation Convention planned to present testimony in Washington on December 13-14 for emergency legislation to increase the 1963 national allotment to 19 million acres and to reduce support to some reasonable figure. They were of the opinion 30 cents would be reasonable. They believed that the 1963 emergency program and new cotton legislation for 1964 and afterwards should be the same. We, in the valley, are lukewarm to the 1963 emergency legislation, unless certain provisions to protect the valley can be written into the law. Such provisions should read as follows:

"If emergency cotton legislation for 1963 is enacted and becomes effective at a date too late for some cotton areas to gain advantage of it because of having passed the area's normal planting date, then such area shall be credited on the individual farm history as if the cotton had been planted."

This would give the valley area historical credit for future allotments if they failed to get acres in time to plant in the 1963 year. The State ASC frowns upon an area requesting additional acres year after year if the farmers do not plant such extra allotted acres.

We do not believe Congress cannot enact such legislation in time to enable an individual farmer in the valley to know by February 23, 1963, what it would mean in increased acreage to him. We must know our total cotton acreage by this February date.

In 1962, we were given additional released cotton acres on March 9, 1962, and because of the late date, we failed to plant 40,000 additional acres in the valley counties. Land was planted to feed grains before the March 9 date and it is foolish to plow up knee-high grains to plant cotton. The dryland area usually is limited in moisture and it necessitates another watering in the irrigated section.

You may wonder why farmers don't plant a few extra acres if it appears Congress may pass the 1963 emergency legislation. The ASC offices charge about \$12 per acre to measure overplanted cotton and in 1963 water, unfortunately, will be very critical. Many farmers have sufficient water allotment to water one time and others have enough for two waterings. Some farmers have no remaining water reserve. Of course, a good rain upriver could ease this problem.

In all probability, the A and B choice plan will be discussed during hearings on proposed cotton legislation. We are opposed to a choice for cotton such as high supports and decreased acres, or, lower supports and increased acres.

Sincerely,

BOB A. LILLY, *Executive Manager.*

S. Y. WEST & Co.,

Memphis, Tenn., November 29, 1962.

Congressman E. C. GATHINGS,
West Memphis, Ark.

DEAR TOOK: The news this morning is that there will be no committee hearings on the pending legislation. Maybe that is the best way for it to be handled. However, if you can contemplate next week writing a few terse facts, especially in regard to the export situation of U.S.-produced cotton with brief suggestions about how conditions can be improved.

I was quite pleased to read in the Cotton Trade Journal's last issue on page 7 that more than 90 million U.S. citizens either lived on farms or in towns of 2,500 or less population. That is a lot of folks and if these 2,500 or less are like the ones in this part of the country, that means a lot of farm folks whether living on or working on one.

In regard to the exports, it will be much better that we adopt a program that will stop them from planting their cotton by an announcement about the subsidy for August 1, 1963, and, of course, if we found we were selling more than our fair share the price for export could be changed any day as is now the regulation.

I saw a statement from the Appropriations Committee of the House that \$210 million had been paid on cotton, was invoiced to the buyers at the inbound class, and it was this discrepancy in the quality when it was reclassified. It is a fact that certain cotton deteriorates in color by being stored and it would be much better if we forced our fair share in the export market in the beginning of the season which would save millions of dollars to the Government that have been lost by the deterioration in storage.

Regards,

S. Y. WEST.

P.S.—You will notice that this money was paid out in 5 crop years; in other words, at the average of \$42 million a year. Of course, there were other charges; storage, etc.

S. Y. WEST & Co.,

Memphis, Tenn., November 30, 1962.

Congressman E. C. GATHINGS,
West Memphis, Ark.

DEAR TOOK: Many years ago the United States put in a 4-cent a pound export subsidy on U.S. cotton subject to change without notice. The National Cotton Council was pushing this legislation and were meeting a lot of resistance. Some bright mind on the staff of the National Cotton Council got the information from the Department of Agriculture showing the cost of producing various agricultural commodities in various parts of the farming communities of the United States. It showed that somewhere in the Cotton Belt the producers could grow wheat more cheaply than the great wheat States, hogs could be produced more

cheaply than they could in Iowa, butter fats being produced more cheaply in some parts of the Cotton Belt than in the Fox River Valley, Vermont, or any other big producer of this commodity. There were many other items. This information was furnished to the statesmen in Washington from those regions that were likely to suffer if the cotton producers had to reduce their acreage. Hence, when the bill came up it passed rather quickly.

I noticed a short article in the Cotton Trade Journal about 2 weeks ago which stated over 90 million Americans live either on farms or in towns of 2,500 or less population. That is a lot of folks depending upon farms.

It was my good fortune to be in Boston one evening a long time ago; I was invited to dinner to hear General Marshall make a speech. When I arrived I found the general was talking about the Marshall plan which to me sounded like an excellent scheme. Later on when legislation seemed bogged down in Congress the National Cotton Council invited General Marshall to make a speech at their annual meeting which was held in Atlanta, Ga. There was no official announcement of who was going to make the main address; simply a speaker. General Marshall was requested to come at half past 10 in the morning to meet with the directors and officers of the council for a discussion and luncheon and if they approved his plan they would give him the greatest radio coverage possible; he would go on the speaker's rostrum at 1 p.m. which he did. The political pressure of the cotton group, plus the folks who were already convinced got the law passed.

I am certain the other directors and folks having to do with the plans of the National Cotton Council never dreamed that foreign aid was going to be given to people to produce cotton in foreign lands when we already had a mountainous surplus of it, but it has been done. I am sure if the same amount of money had been given to the cotton producers in our country they would now be producing cotton cheaper. One year they couldn't get any good planting seed as the Government had bought it and given it to the Mexicans, along with insecticides, know-how, fertilizer, etc. I am told this country supplied about 75 percent of the cost of building a big dam on the Rio Grande of which the Mexicans received about 75 percent of the water as I recall it.

A few weeks ago we were trying to sell some Mexican Strict Middling 1 1/16 inches to France at 28.40 cents c.i.f., Le Havre. We would have had to get 30 cents a pound for Strict Middling, 1 1/16 inches, Memphis, for the same quality, and 30 cents wouldn't let us pay quite the loan price for that quality here. The order was for 2,500 bales; our broker thought he could sell Mexican. The next day we received a cable saying sorry, I haven't been able to sell your cotton because he had sold the spinner 5,000 bales of Syrian at 27.20.

Germany, as most of you know, has been an important market in the consumption of U.S. produced cotton for a long time, and U.S. cotton was used in much greater volume than from any other country. Now listen to this sad story.

Germany, Bremen, and Hamburg combined, received 302,000 bales since August 1, 1962, and the following percentages are where the cotton came from:

Mexico: 33.25 percent versus 9.5 percent in 1961.

Brazil: 22.1 percent versus 14.5 percent in 1961.

Peru: 10.6 percent versus 8.4 percent in 1961.

Argentina: 5.1 percent versus .5 percent in 1961.

Russia: 4.4 percent versus 1.9 percent in 1961.

United States 4.5 percent versus 37 percent in 1961.

Well, I could go on and give you examples of that sort from all over the world.

Cotton is planted somewhere in the world practically every day in the year. In most of the competing countries the financing of it is very difficult. Most of these have no nonrecourse loans, no proper warehouse facilities, and certainly no proper banking facilities once it has been produced. The cotton simply has to be sold; therefore, at whatever price it will bring.

The export subsidy law as I recall it from having served on Mr. Benson's committee on this subject for a long time, states we must keep the price for export competitive at all times. This has never been fully implemented.

Another thing we should do right away, now, is to price our cotton for export after August 1, 1963, at such a price it would discourage expansion and reduce production in the competing foreign lands, and keep our price there until the registered exports from the United States reach our proportionate share which based on the present world consumption would be about 6 million bales annually, and then raise our price. The practice has been the reverse—set a price, if it is to high wait a year or two, and then readjust downward.

I served on a committee that the International Cotton Advisory Committee

hired to work out an International Cotton Agreement. After 5 or 6 weeks of very painstaking work in Washington the committee of three men (Mr. Richard Thorpe, of the Raw Cotton Commission, Liverpool, England, who had bought more cotton of various kinds in the shortest space of time than any man of the world had ever done before; Mr. Hans Zimmerle, of Winthur, Switzerland, and S. Y. West, of Memphis, Tenn.). We recommended that as historically the United States was enjoying about 44 or 45 percent of the export trade in raw cotton in the free world, therefore the ICAC should consider that, and justifiably so, as U.S. proportionate part.

Now, here is a way about \$40 million a year might be saved. Certain cottons from time to time (even stored in a dry place) deteriorate in quality. I quote below a report I find in our files which contains the data whose source was the staff of the Appropriations Committee of the House. (See attachment.) You will notice that 5 out of the 7 years are shown here. Since in some of the years there were A and B programs, and therefore cotton bought from the CCC, divide \$210,636,000 by 5 to get the annual cost. It becomes quite apparent that the time to sell our cotton for export is before it deteriorates.

I approach this subject in deep humility, even though I have had some bit of experience in the matter.

Until such time as the producers of cotton in the United States can buy the things they are forced to now buy either behind our tariff walls or at the high prices instead of competition among suppliers and farmers, because factories make just enough to go around, and they must get some assistance from the Government.

The Government also wants out on the expense they have had in the past carrying large stocks of cotton for a long time and selling them at a big loss. We all must avoid building up another mountain bringing about a disaster and yet keep our cotton economy.

In addition to the \$210 million that show here paid on the reclass the U.S. Government paid a lot of money out in storage, interest, etc. so I commend most strongly to your thinking—sell the cotton before it deteriorates with age.

Respectfully,

S. Y. WEST.

P.S. Enclosed is a report we have received today from the Foreign Agricultural Service in Washington on the agricultural attaché in Tokyo which you will find interesting.

HOUSE OF REPRESENTATIVES,
Charleston, Miss., November 8, 1962.

Mr. S. Y. WEST,
S. Y. West & Co.,
Memphis, Tenn.

DEAR MR. SID: In reply to your request for information on the amount of money paid on settlements of reclass, the staff of the Appropriations Committee has supplied the following:

	Bales	Amount
1955-56.....	997,000	\$7,537,000
1956-57.....	7,742,000	95,677,000
1957-58.....	5,823,000	55,318,000
1958-59.....	2,297,000	29,067,000
1959-60.....		
1960-61.....	3,593,000	23,037,000
1961-62.....		
Total.....	20,452,000	210,636,000

They have kept me busy, but I hope I will have a chance to get by to see you.

With best wishes, I am
Your friend,

JAMIE L. WHITTEN,
Member of Congress.

FOREIGN AGRICULTURAL SERVICE

NOVEMBER 2, 1962.

From: Agricultural Attaché, Tokyo.
To: Department of Agriculture, Washington.
Reference: 4-A.
Subject: Japan: Cotton import situation.
Date: October 29, 1962.
No. AGR-103.

Recently a trip was made by Mr. Clyde R. Keaton to Osaka for the purpose of discussing the cotton import situation with the Japan Cotton Traders Association and the All Japan Cotton Spinners Association. These two groups in the Japanese cotton industry are very active in increasing cotton imports and promoting increased domestic consumption and exports of cotton products. Due to the recent excess supply of cotton products, the industry has been undergoing some adjustments. Most of these problems have been brought about by the excess capacity of the industry and a relatively stationary domestic and export demand.

As a result of the industry problems, the associations are interested in expanding their advertising and promotional programs to increase domestic cotton consumption. They have been using all available media including some TV spots. They are looking for new promotional ideas in order to increase the domestic cotton consumption. The current emphasis is on expanded promotion and sale of wash and wear products, particularly men's shirts.

The imports of cotton in 1960-61 cotton year were 3,575,000 running bales, according to data prepared by the Cotton Traders Association (table 1). The imports in 1961-62 were 2,771,000 bales. The reduced imports were brought about primarily by excess purchases during the previous year, and the stable foreign demand and stable domestic consumption of cotton products.

The associations have estimated imports in 1962-63 to be 3 million running bales. This will be an 8-percent increase over the previous year. It appears that there will be a continued slight improvement in the textile business for the next year or so. Most of the people contacted were rather optimistic.

The U.S. percentage of cotton imports is continuing to decline, from about 52 percent of the total in 1960-61 to 37 percent in 1961-62. The expected percentage in 1962-63 would be 32 percent. If the estimate of the association is realized, the imports from the United States will decrease by almost 50 percent over the 3-year period and will amount to 950,000 running bales. While imports from the United States have been declining, larger supplies have come from several other countries. Those countries showing largest increased supplies to Japan are Mexico, Salvador, Nicaragua, Guatemala, Brazil, Argentina, Sudan, and U.S.S.R. The reason for increased purchases from other sources, as indicated by the associations, was lower prices from other countries with equivalent quality. The second, was to buy more raw cotton from a large number of countries in order to assist in expanding Japanese trade. The figures are also interesting from the standpoint of the plans or intentions of purchases. Ordinarily it would be expected that an attempt would be made to estimate total purchases rather than for each country. It appeared that this was done in an attempt to stimulate a lowering of U.S. prices.

The stocks of raw cotton are shown in table 2. The stocks at the beginning of the 1962-63 cotton year were at what is considered a normal level, slightly over half of last year's carryover. The reduced stocks were brought about by reducing imports and increasing stocks of cotton products. Both trade associations indicated that efforts will be made to keep raw cotton stocks at a more normal level than has existed during the past cotton year.

Table 3 shows the monthly cotton quotations at Osaka. As pointed out by the trade associations, the equivalent grades of cotton could be obtained from Mexico at a price of at least 2 cents per pound lower than from the United States. They indicated that as long as this situation existed they will continue to buy larger supplies from Mexico as well as other countries supplying similar quality cotton. One of their main recommendations concerning the United States supplying larger quantities to Japan, was that prices should be competitive with other countries. In this event, they would prefer to purchase U.S. cotton.

In summary, it appears that the industry expects some improvement during the coming year. Both associations are interested in promoting increased domestic consumption and exports of cotton products. They feel that the textile situation will improve during the next several months.

JOSEPH C. DODSON,
Agricultural Attaché.

TABLE 1.—Japan: Cotton imports 1960-61, 1961-62, and estimate for 1962-63¹ by countries of origin (as of Oct. 1, 1962)

[1,000 running bales]

Countries of origin	1962-63 estimate	1961-62 actual import	1960-61 actual import
United States.....	950	1,032	1,870
Mexico.....	850	797	788
Salvador.....	180	135	115
Nicaragua.....	130	93	75
Guatemala.....	100	82	57
Brazil.....	200	124	96
Argentina.....	60	21	38
Peru.....	35	27	30
Egypt.....	30	32	40
Sudan.....	45	39	21
Uganda.....	11	7	6
Tanganyika.....	9	11	8
Nigeria.....	(²)	13	9
Syria.....	5	5	8
Pakistan.....	130	116	132
India.....	190	186	189
Burma.....	25	23	26
U.S.S.R.....	30	25	20
Others.....	20	3	47
Total.....	3,000	2,771	3,575

¹ Season beginning Aug. 1.

² Included in others, if any.

TABLE 2.—Japan: Cotton stocks, imports, and consumption, 1959-60, 1960-61, 1961-62¹

[1,000 running bales]

	1959-60	1960-61	1961-62	1962-63
Stocks on July 31 ²	660	869	1,144	654
Actual imports.....	3,299	3,575	2,771	-----
Consumption:				
Cotton mill.....	2,497	2,596	2,437	-----
Nonmill, etc.....	593	704	824	-----
Total consumption.....	3,090	3,300	3,261	-----

¹ Season beginning Aug. 1.

² Stocks in ports and mills only.

TABLE 3.—Japan: Monthly cotton quotations at Osaka¹ (based on the average c.i.f. contract prices reported from importers)

[U.S. cents per pound in net weight]

Months	Growths				
	United States			Mexico	
	Orl./Tex. M, 1 inch	Orl./Tex. S.L.M. 1½ inch	California S.M. 1½ inches	Sin./Son. S.M. 1½ inches	Mexicali S.M. 1½ inches
1960					
July.....	26.85	24.85	29.52	(2)	(2)
August.....	26.35	24.69	29.97	(2)	(2)
September.....	26.87	24.96	29.96	(2)	(2)
October.....	27.17	25.72	30.69	(2)	(2)
November.....	27.48	26.73	30.81	(2)	(2)
December.....	27.86	26.37	31.38	(2)	(2)
1961					
January.....	27.91	26.69	31.26	(2)	(2)
February.....	28.29	27.28	31.74	(2)	(2)
March.....	27.86	27.28	31.97	(2)	(2)
April.....	28.26	27.68	31.66	31.83	31.39
May.....	28.92	27.72	30.84	31.90	30.37
June.....	28.58	27.76	32.57	31.03	31.08
July.....	28.66	26.61	32.07	31.46	30.97
August.....	28.75	27.80	32.81	31.32	31.53
September.....	29.10	27.76	32.25	31.37	31.53
October.....	29.10	27.69	32.06	31.37	31.53
November.....	28.47	27.70	31.56	30.22	30.74
December.....	28.25	27.25	31.59	30.34	30.63
1962					
January.....	28.51	27.79	30.98	30.59	30.48
February.....	28.41	27.63	30.95	30.71	30.57
March.....	28.67	27.71	30.75	30.23	30.14
April.....	27.79	27.71	31.23	29.69	30.11
May.....	27.93	27.65	31.28	29.78	29.89
June.....	29.12	27.66	32.87	29.45	29.57
July.....	28.34	27.51	32.87	29.51	29.57

¹ Quotations are for shipment in next 3 months unless otherwise indicated.² Unavailable.³ September 1961 shipment.⁴ August 1961 shipment.⁵ October-November 1961 shipment.⁶ November 1961 shipment.

Source: Arranged by the Japan Cotton Traders Association.

AMERICAN FEDERATION OF LABOR AND
CONGRESS OF INDUSTRIAL ORGANIZATIONS,
Washington, D.C., December 28, 1962.

Hon. HAROLD D. COOLEY,
Chairman, Agriculture Committee,
House of Representatives, Washington, D.C.

DEAR CONGRESSMAN COOLEY: I understand that the Cotton Subcommittee of the House Agriculture Committee has been holding hearings on cotton price policy in line with President Kennedy's request for recommendations to eliminate the unfair impact of the two-price cotton system.

The policy of the AFL-CIO is very clear. We stated in our resolution on international trade, adopted at our last convention in December 1961, that " * * * no American industry should be subject to unfair competition resulting from the sale of raw materials, such as cotton, to users abroad at prices below the domestic U.S. price."

I hope that the deliberations of the committee will lead to Government policies to achieve this objective.

Sincerely,

GEORGE MEANY, President.

(Whereupon, at 3:15 p.m., the committee adjourned sine die.)

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HEARINGS

BEFORE THE
SUBCOMMITTEE ON WHEAT
OF THE
COMMITTEE ON AGRICULTURE
HOUSE OF REPRESENTATIVES
EIGHTY-EIGHTH CONGRESS
FIRST SESSION

DECEMBER 11, 12, AND 16, 1963

Serial HH

Part 1

Printed for the use of the Committee on Agriculture



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DELBERT L. LATTA, Ohio
ROBERT DOLE, Kansas
PAUL FINDLEY, Illinois

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WHEAT LEGISLATION

WEDNESDAY, DECEMBER 11, 1963

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON WHEAT
OF THE COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10:15 a.m., in room 1310, Longworth House Office Building, Hon. Graham Purcell (chairman of the subcommittee) presiding.

Present: Representatives Purcell, Jones of Missouri, Stubblefield, Harding, Matsunaga, Short, Dole, and Findley.

Also present: Representatives Poage, Hoeven, Quie, and Beermann; Christine S. Gallagher, clerk; Hyde H. Murray, assistant clerk; John J. Heimbürger, counsel; Robert Bruce, assistant counsel; and Francis LeMay, consultant.

Mr. PURCELL. The subcommittee will come to order. We will begin the hearings.

Mr. Short and Mr. Dole are at a meeting of another subcommittee of this committee and will be here in very short order.

Let me just state for the record, for those who might be interested, that the meetings we are having will provide whatever time is necessary for those who desire to be heard, and those who will not be heard in these 2 days, will be heard later. The time we have now set is January 14, 15, and 16. We will take whatever time is needed to hear them. We will use and have whatever time is necessary to have all of the organizations heard who want to be heard in regard to wheat legislation.

Today we have the representative of the Millers National Federation. Congressman Berry, of South Dakota, was scheduled to appear first, but he is not here. So I will call on Mr. Carl C. Farrington, chairman of the Agricultural Committee of the Millers National Federation of Minneapolis, Minn.

If you will come around, we will be glad to hear from you now, sir.

STATEMENT OF CARL C. FARRINGTON, CHAIRMAN, AGRICULTURAL COMMITTEE, MILLERS NATIONAL FEDERATION; ACCOMPANIED BY FRED MEWHINNEY, MILLERS NATIONAL FEDERATION

Mr. FARRINGTON. Mr. Chairman and members of the committee, my name is Carl C. Farrington. I am a vice president of the Archer Daniels Midland Co., Minneapolis, Minn., and chairman of the Committee on Agriculture of the Millers National Federation.

I am appearing here today on behalf of the Millers National Federation. The membership of the federation includes over 90 percent of the flour milling capacity of the United States. We appreciate very much this opportunity of appearing before you to express our views.

I understand that today's hearing is a continuation of an examination of various types of possible wheat legislation and is not limited to any particular bill or approach to the wheat problem.

We are well aware of the difficult task you have before you of perfecting legislation which will meet today's needs with respect to wheat income, production, and distribution.

We recognize that without new legislation the Department of Agriculture has estimated that farmers' gross income from wheat may decline some \$600 million in 1964 from the \$2.4 billion level maintained in recent years. Such a drastic decline would involve severe hardship to many wheatgrowers and to the communities and businesses that service wheatgrowers.

We would be shifting in 1 year from a highly artificial situation involving Government costs including export costs associated with wheat of as much as 60 percent of the value of wheat production to a situation where the Government assistance would be substantially reduced.

We also recognize that without new legislation the U.S. Department of Agriculture, the grain marketing industry including wheat processors and exporters, and wheatgrowers are faced with serious problems in complying with the obligations undertaken, and obtaining the benefits to be derived from, the International Wheat Agreement. The present situation could result in the imposition of penalties on wheat and flour exports and the institution of controls and procedures with respect to exports that would be repugnant to all of us.

The situation seems to call for some new legislation and we would hope that any legislation adopted would involve the following features:

1. A support level which is designed to carry out the Government's obligations and assure to wheatgrowers the benefits of the International Wheat Agreement with minimum use of export subsidies.

2. Payments for acreage adjustments on a voluntary basis designed to achieve and maintain adequate reserve stocks of wheat of the various classes and qualities—a subject which deserves special consideration at this time.

3. The use of direct payments to provide any income support that might be needed in addition to that available from sales in the market place, the loan program, and acreage adjustment payments, such direct payments, either in cash or in kind to be conditioned on participation in the conservation and acreage adjustment programs in effect at the time.

4. Flexibility for adjustments on individual farms and among wheat-producing areas to improve efficiency of production and achieve production of classes and qualities of wheat in line with current market requirements.

5. Maximum economic utilization of wheat for export and for domestic food, feed, and industrial uses.

Also, we would hope that any legislation enacted would not involve:

1. Any bread tax or any built-in processing tax feature regardless of the name by which it is called, such as marketing certificate.

2. Virtual freezing of present production patterns which have been shown to be badly out of alignment qualitywise with current export and domestic market requirements and regarding which we previously have testified before this committee.

We have given considerable attention to the McGovern bill (S. 1946) and wish to comment on that bill.

Briefly stated, the McGovern bill would amend Public Law 87-703, the Food and Agriculture Act of 1962, so as to repeal all of the wheat marketing quota and referendum provisions of that act. It would leave intact all of the other powers and authorizations available to the Secretary of Agriculture under the act. Thus it would be possible for the Secretary of Agriculture to formulate and put into effect a wheat program similar to, or identical with, the certificate control program which wheat producers rejected on May 21, 1963, except that no marketing quota penalties would be imposed and no referendum would be held.

As you know, the Secretary for 1964 had established a national acreage allotment of 49.5 million acres for established producers plus permitted increases of some 2 million acres based on recent plantings by the less than 15-acre producers; a national wheat marketing allocation of 975 million bushels; a national allocation percentage of 80 percent; a support rate of \$2 per bushel; a loan rate of \$1.30 per bushel; and had authorized diversion payments of 30 percent of the support rate or about \$15 per acre on an acreage equal to 11.1 percent of the acreage allotment and 50 percent of the support rate, or about \$25 per acre on 20 percent of the acreage allotment.

The foregoing determinations were nullified by the "no" vote in the referendum but upon the enactment of the provisions of S. 1946, they could be reestablished and in this event the total Government benefits available to growers would be approximately as follows:

	<i>Million</i>
70-cent certificates on 975 million bushels.....	\$682
\$15 per acre diversion payments on 5.7 million acres.....	85
\$25 per acre diversion payments on 10.3 million acres.....	258
	<hr/> 1, 025
The required certificate purchase or processing tax levied on domestic millers would provide offsetting revenues to the extent of 70 cents per bushel on about 500 million bushels or.....	350
Bringing the potential cost against general tax revenues to about.....	675

The total cost would be reduced approximately \$100 million for 10 percent and \$200 million for 20 percent noncompliance or failure to earn the available benefits.

The \$15 per acre diversion payments would automatically be earned in qualifying for certificates and the \$25 acre diversion payments are equal to more than 75 percent of the probable value of the wheat crop that otherwise might be harvested on the diverted acres.

Under these conditions a high percentage of participation should be anticipated. Most producers probably would feel compelled to comply with the program and earn all of the certificates and payments available.

On the whole, it would appear that Government costs and producer incomes would be about the same under the rejected mandatory certificate program and the suggested voluntary certificate program but

producers who are very dissatisfied with their acreage allotments or established normal yields, or who desire to change substantially their cropping practices, could do so without incurring marketing quota penalties.

It seems to us that the voluntary certificate program has many of the weaknesses and shortcomings of the rejected mandatory certificate program.

1. The economic inducement involved in the voluntary program is only slightly less compelling than the combined payment and penalty coercion involved in the mandatory program.

2. The bread tax or certificate liability provisions and the resulting complications and cost to domestic processors and consumers would be the same under the suggested voluntary program as under the rejected program.

3. The wheat-quality problem would be alleviated only slightly by the change to this so-called voluntary program. Acreage and income benefits still would be allocated on an historical basis, which is known to be out of alinement with market requirements and which has produced huge surpluses of some qualities of wheat and shortages or no surpluses of other qualities of wheat. The economic incentives involved would tend to perpetuate the historical production pattern.

4. On the basis of the determinations made by the Secretary for 1964, large export subsidies would still be involved on a large part of the wheat and flour exported from this country, including much of the wheat and flour shipped abroad under special Government programs.

The use of the term "marketing certificate" does not obscure the fact that this is merely a device for making direct income payments to wheat producers. To the extent the so-called marketing certificates are issued covering wheat to be exported, the Congress in effect would be authorizing the payment of an export subsidy to wheat producers. To the extent the bushels of wheat covered by such certificates are used for domestic consumption, the cost would be levied against processors who in turn would attempt to pass the cost on to their customers and so on to the ultimate consumers of wheat products. By adopting this method of financing such income payments to wheat producers, the Congress would in effect be enacting a bread tax which would continue indefinitely and be subject to review by one person only—the Secretary of Agriculture. Such action might come at the same time Congress was considering a general reduction in taxes and legislation to further increase subsidies on cotton.

We recognize the need for adjustments in wheat production in order that excessive stocks of surplus quantities of wheat may be reduced. We believe such adjustments should be obtained by voluntary acreage adjustment programs which involve effective freedom of choice for each wheat producer. We recognize that to obtain desirable acreage adjustments and avoid a drastic reduction in farm income from wheat, substantial expenditures of Government funds may be required for several years, but these expenditures can be far less than the potential billion dollars of Government benefits projected by the Secretary of Agriculture under the 1964 certificate program. The method of financing the necessary expenditure is for Congress to decide, but we believe the certificate processing tax device is neither necessary nor desirable.

Thank you.

Mr. PURCELL. Does anyone have any questions at this time of Mr. Farrington?

Mr. SHORT. I do not have any particular question of Mr. Farrington, Mr. Chairman. I was not here when the meeting was called to order, I am sorry, I had to be in a meeting of the Conservation Subcommittee. Would it be appropriate to ask what the purpose of these meetings are? Is it proper to assume, as Mr. Farrington has stated in his statement, that this is a continuation of an examination of the bills presently before the Congress—the bills that have been introduced—a continuation of the hearings, so to speak, that have been going on? If this is true, who else are we going to hear?

I think that some of us have been wondering what the purpose of these hearings was, whether we would hear from the Department and the like. We have a new President who may have some thoughts on this subject which may be presented before this committee. I think it would perhaps be useful to some of us to know just what the purpose is.

Mr. PURCELL. When we first started, Mr. Short, I made a brief statement. So far as I am concerned, the purpose of these hearings is to get suggestions in these hearings with regard to the legislation which we now have before us. We will hear from anyone who is interested in wheat legislation who has anything to say as to some aspect of it which has not been covered heretofore. A considerable time period has passed. We have had some suggested changes in the wheat picture since our last hearings. And these hearings are called to give everyone an opportunity to be heard on either the legislation that is pending before us now or to give us any ideas they have. We will not preclude anyone from being heard. The only time we have right now is today and tomorrow. And I have made the statement that we will have further hearings in January. And we will take more testimony at that time.

Mr. SHORT. There was something in the Wall Street Journal about a statement by the President.

Mr. PURCELL. So far as your statement or your comment about the President's statement in the Wall Street Journal, I do not know about that. Certainly, I want to say this, that we will hear from the Department. However, I want to keep in mind that our job is to pass legislation and to select the proper legislation. We will always be glad to hear from the Department, and I know that we all want to carry out our responsibility.

Mr. SHORT. Might I inquire, so far as the Secretary is concerned, will he be appearing here today or tomorrow?

Mr. PURCELL. He will not appear here today or tomorrow, because when I announced these hearings his time was taken up. I think that we ought to hear from the Department in more or less of a summation, an analysis of what has been introduced so far, as to the economics of the situation, and the facts that are available at this time. I did not ask to have the Secretary here today or tomorrow. I thought it would be best to hear from them after we had heard from the other people in the industry, to let them summarize and to give an economic analysis of the information which has been presented to us.

Mr. HOEVEN. To clarify the record at this point, I did suggest to the chairman of the subcommittee this morning that in my judgment it might be well to dispense with hearings at the present time, in view

of the fact that the administration apparently plans to propose a new wheat bill next week. I get my information from a clipping from the Wall Street Journal of this date, December 11, 1963, which is headed "Johnson Plans To Offer Wheat Control Bill Next Week Based on a Voluntary Program."

It does not seem to me that we are going to accomplish very much until we find out what the position of the administration is going to be. I assume hearings will be held on a new bill early next year. So some of the very same witnesses who are here today may want to reappear, after they have had the benefit of the administration's new proposal.

Mr. PURCELL. Let me say this, Mr. Hoeven, that—as to your mentioning this fact that you have alluded to here, I have not had any knowledge of it. It is hearsay evidence as to what the administration is expecting to do. I just stated that so far as I am concerned this committee's job is to hear and pass on legislation. If there is anyone interested that we should hear them, but I think that we would be derelict in our duty if we continued waiting until every single word had been said, and until a bill had been introduced, and I think that we ought to be familiarizing ourselves with what has been done, with what people's ideas are. We are ready to do that, I hope, and to pass legislation out of this committee within the very near future that will benefit the American farmers and the growers of wheat in particular. And so I appreciate having your thoughts on this subject, but I do not agree that we ought to continue to wait until we hear about something based on some newspaper's idea.

Mr. DOLE. I would like, if possible, to have a report from the Department on previous bills which have been introduced. The Secretary was in my district in September and stated my bill was too costly, unworkable and would add to the surpluses. That was the general statement he made in my district. I thought perhaps he had some basis for the statement, but on October 11, I wrote a letter to Mr. Kenneth Birkhead, an Assistant to the Secretary. There was no report then and there is still no report from Mr. Birkhead on my bill that I know of. We are entitled to have such information. How long must we wait for the Department to give a report on specific legislation? More hearings without having the Department's position on the bills we heard in July seems most unusual.

Is it reasonable to request this information be made available?

Mr. PURCELL. Mr. Dole, I think that you made some similar comment at a prior meeting.

I asked the Department about a week ago to let me have an analysis of all of the bills that have been introduced and I have that now and I will hand each of you a copy of it. I have not read the report. I just received it this morning but, certainly, they carried out my request, so far as I can tell, by looking at it here, and I intended to hand these out to you, just as soon as I have had an opportunity—but the opportunity has not presented itself until now. But I do now hand each of you the Department's report on the various bills.

Mr. DOLE. Is it fair to assume these hearings were scheduled pursuant to the request by the new President?

Mr. PURCELL. You can think whatever you want to. I called the hearings and—

Mr. DOLE. I am referring to an article in the Darrow Farmletter which indicates hearings would be held at President Johnson's request.

Mr. PURCELL. You can assume whatever you want to assume.

Mr. DOLE. It is a fact that——

Mr. PURCELL. What is a fact, that he sent in a letter?

Mr. DOLE. I feel we should have hearings, if there are reasons for them.

Mr. PURCELL. There are a lot of reasons for it. I think that you and I personally have had conversations about further hearings over a period of months. I have had conversations with the Department over the same period of time. I have had conversations with the Secretary in the last 2 or 3 weeks, including conversations last week, to make plans, to try to work out something in regard to these hearings.

Mr. FINDLEY. Would it be proper not to address questions to the witness?

Mr. PURCELL. I think that it would be proper and appropriate, sir.

Mr. JONES. If you will yield, I think that it would be proper to keep all of these remarks in the same place, and I should make a comment now. I think that the chairman, as he has said, held meetings before, and I think it was apparent at the first hearings that we held that we were not getting very far in dealing with this plan. Personally, I was satisfied with the legislation that we had, which was rejected by the farmers. I made the statement at that time, and I made it during the hearings, that we had before, and I renew it this morning, that at any time that the people on that side of the aisle agree on a wheat bill, I am ready to embrace it. I notice that those who are the most active people in the wheat legislation are not present on that side this morning. Whenever they have a bill on which they can agree, I am ready to accept their bill.

Mr. FINDLEY. I would like to ask Mr. Farrington in regard to the No. 3 item on page 3 of his statement. Do you propose the use of direct payments to provide income? Do you recommend a limitation on the size of the direct payments?

Mr. FARRINGTON. Yes, sir. I think that there should be very definite limitations on the size of the direct payments.

Mr. FINDLEY. Is it on a total farm basis or a per acre basis or what? How would you fix a limitation?

Mr. FARRINGTON. I think for the initial period it should be on a bushel basis perhaps for the commodity.

Mr. FINDLEY. Would you fix any dollar limitation on the amount that the individual enterprise should get?

Mr. FARRINGTON. No, sir, I would not recommend that.

Mr. PURCELL. Are there any further questions or comments? I will be glad to recognize any of you gentlemen to my right.

Mr. HARDING. I have some questions of Mr. Farrington.

I take it that you are opposed to the principles embodied in the McGovern bill?

Mr. FARRINGTON. Yes, sir, the processing and tax features and the rigid controls.

Mr. HARDING. You are opposed to a two-price program, is that right?

Mr. FARRINGTON. A two-price program means so many things that I would not know exactly how to answer that question. We are opposed to the processing tax approach, and we feel that the wheat situation is such that there should not be a rigid historical production control program that will not permit the production to get back into the areas where the best wheat can be grown.

Mr. HARDING. You point out some general principles here, but you have not been very specific. If we had a program embodying the generalities that you suggest here in points 1 through 5, what do you estimate such a program would cost the taxpayers?

Mr. FARRINGTON. I have not tried to make those estimates. I would not want to put out a figure.

Mr. HARDING. You have no estimate?

Mr. FARRINGTON. Senator Humphrey's bill would seem to fit these criteria. He has made some estimates. I have not tried to do so.

Mr. HARDING. You feel that the bill that is sponsored by Senator Humphrey would have the support of your organization?

Mr. FARRINGTON. We feel—I feel—I cannot speak for the organization—I feel that Senator Humphrey's bill for an interim period, with increased emphasis on land use adjustments and possibly the eventual merging of the wheat feed grain and land use adjustment programs would be a sound program, and our organization would not be required to adjust.

Mr. FINDLEY. I would like to ask Mr. Farrington another question, Mr. Chairman.

Mr. PURCELL. Very well.

Mr. FINDLEY. In making use of the direct payments do you have in mind reimbursing the farmer for the capitalized value of the right to grow wheat—is that the purpose of the direct payment to reimburse him for the unusual, artificial value that has been building into the land as the result of the Federal programs?

Mr. FARRINGTON. There is an element of that in it, Mr. Findley.

Mr. FINDLEY. Would you limit your direct payments to that value?

Mr. FARRINGTON. I do not know practically how you could do that on the basis of farm by farm.

Mr. FINDLEY. You could put it on an acre basis pretty well, could you not?

Mr. FARRINGTON. I suppose that you could.

Mr. FINDLEY. I understand the right to grow wheat, on the national average, is worth about \$50 an acre. Are you proposing that they be reimbursed and that after the reimbursement is made, then the Federal Government would be relieved of responsibility for income support?

Mr. FARRINGTON. I think it would work out about that way. As I have pointed out we have what looks to me like a very artificial situation with the Government contributing about 60 percent, according to an estimate made by the Secretary, of the total farm value of the farm production of wheat. And if you withdraw a very large percentage of that in 1 year, the income drops, as I have said, \$600 million, which is a very severe drop, and it seems to me that there should be some cushion for that effect, and the direct income payments would serve that purpose. And in addition it would reinforce the acreage adjustment program, because it would be conditioned upon complying with or participating in the voluntary adjustment program.

Mr. FINDLEY. Would you object to a limitation in the legislation—a limitation to \$50 an acre in direct payments?

Mr. FARRINGTON. I think that would be very—I do not offhand know—I would not see any objection to that. It seems like a very good thing.

Mr. FINDLEY. The gross overall payments would be limited to \$50 an acre.

Mr. FARRINGTON. That is conceivable as a provision. I would that, eventually, you could work out of that type of program after the commodity situation got in hand, and that you could rely largely or, perhaps, entirely on the land use adjustment that is taking place.

Mr. FINDLEY. Thank you. That is all.

Mr. PURCELL. Let me ask one question. Where is the land that you have in mind that would be worth \$50 an acre? I would be interested in locating some of that, I think.

Mr. FARRINGTON. That is not my figure. I do not know.

Mr. FINDLEY. May I respond to that?

Mr. PURCELL. Yes, later. Let me finish. I thought he was testifying here. Now, as I understand it, Mr. Farrington, you would be interested in a program which would have some provision like this. You are not testifying that you know anything about any land that would be worth \$50 more than its present value because of a wheat allotment being on it, is that right?

Mr. FARRINGTON. I do not have knowledge of \$50 increased value for land because of a wheat allotment. I do know it has had an effect on land values, but I could not point out a particular farm or a particular dollar figure.

Mr. PURCELL. Now, Mr. Findley.

Mr. FINDLEY. I did not want to presume to be the witness here, but I introduced the figure of \$50 an acre. I cannot give you the source of that by name, but it was a study made by a professor in a Kansas university. I was at the time, trying to find out if anyone had made a study of this value of wheat acre allotments. And the best information I could find at that time was \$50 an acre.

Mr. JONES of Missouri. Will you yield for a question?

Mr. FINDLEY. Yes.

Mr. JONES of Missouri. In other words, in your estimate of \$50 an acre, do you presume or assume that you would buy the allotment and retire those acres permanently from growing wheat—is that it, is that contemplated?

Mr. FINDLEY. The study was simply aimed at determining how much extra value land with a wheat allotment has as compared with land with no allotment.

Mr. JONES of Missouri. How would you make those payments—would you make annual payments or make a payment of \$50 and then stop?

Mr. FINDLEY. That is what I was trying to get at in my questioning of Mr. Farrington, to get his idea on it. A professor up at Harvard University has proposed what he calls a transitional acreage payment. Under this farmers who do have allotment land, whether for wheat or cotton or tobacco or otherwise, would over a period of, say, 3 or 4 years, maybe 5 years, be reimbursed for the value of the right to grow

the commodity. So I was trying to find out from Mr. Farrington if he had some similar value in mind.

Mr. PURCELL. Are there any further questions?

Mr. DOLE. I do not have a question of the witness. I want to know if this analysis will be made a part of the record. It does not state whether the Department favors any particular bill nor the cost or whether the USDA feels the programs are workable.

In July, on page 131 of the hearings you can find almost a similar breakdown proposed by Congressmen Quie, Short, and myself.

Mr. PURCELL. Let me say this: I have not even read the report. We can get together on it and do whatever the committee thinks is best about putting it in the record. We can look it over, and I am sure that we will get the figures.

Are there any other questions of this witness?

Mr. QUIE. Mr. Farrington, as I gathered from your testimony you think that the loan level for wheat ought to be something close to the world market price?

Mr. FARRINGTON. That is correct.

Mr. QUIE. Is that correct?

Mr. FARRINGTON. Yes.

Mr. QUIE. And you would favor the direct payment, whatever Congress would decide?

Mr. FARRINGTON. That is correct.

Mr. QUIE. To support the farmer's income, that would be necessary?

Mr. FARRINGTON. That is correct.

Mr. QUIE. As I read the Humphrey bill, it has a great similarity to that which you suggest. Do you favor the Humphrey bill?

Mr. FARRINGTON. I think that the Humphrey bill conforms to the principles that have been stated here. There might be one or two little changes, but, basically, it would conform for an interim period.

Mr. QUIE. Thank you. That is all.

Mr. JONES of Missouri. I have one question.

Mr. Farrington, on page 4 of your statement, where you refer to the support rate of \$2, and the loan rate of \$1.30, would you advocate a support rate of \$2 and a loan rate of \$1.30?

Mr. FARRINGTON. The \$1.30, I think, is lower than the world price and is lower than the rate that would assure to the growers the benefit that may be obtained from the international wheat agreement. I think a higher rate would better conform to that principle.

Mr. JONES of Missouri. That would involve a direct payment, in addition to the loan rate, in other words, the \$2 support rate, would it not?

Mr. FARRINGTON. I am not advocating the \$2 support rate, necessarily. That is for Congress to decide, how much additional income they want to provide to the wheatgrowers, to cushion them from this situation we have had.

Mr. JONES of Missouri. How do you understand that the support rate of \$2 and the loan rate of \$1.30 would be operative—what is your understanding of how that would operate?

Mr. FARRINGTON. I am not sure that I got your question.

Mr. JONES of Missouri. What is your understanding of how the support rate of \$2 a bushel, with a loan rate of \$1.30, would be put into effect?

Mr. FARRINGTON. There I am describing the program that the Secretary announced for 1964.

Mr. JONES of Missouri. I am asking what is your understanding of how that would operate.

Mr. FARRINGTON. That would operate with a straight loan program of \$1.30 and prices in the marketplace fluctuating, probably, around somewhat above that level, and then in addition, under the 1964 program, there was to be a certificate worth 70 cents a bushel that would be given to the farmers, and then bought back from them. And, eventually, paid either out of the Treasury or through this processing tax device. I am suggesting that any amount of income that the Congress in its wisdom decides should be provided, over and above the returns that can be gotten in the marketplace, supported by virtually a world price level should be in the form of a direct payment to the growers.

Mr. JONES of Missouri. What you are—but you are opposed to the plan itself?

Mr. FARRINGTON. The processing tax device, yes.

Mr. JONES of Missouri. Thank you.

Mr. PURCELL. Mr. Farrington, what you refer to as the processing tax is the same as the certificate for the land use?

Mr. FARRINGTON. That is the same thing.

Mr. PURCELL. Wheat now is about \$2 a bushel.

Mr. FARRINGTON. I think that the last farm price was \$1.95.

Mr. PURCELL. Under a plan to have a certificate connected with the program, if the price of wheat to the grower was about the same as now, would the certificate being at whatever the price was, 50 cents or 70 cents, would there be any reason for the price of bread or the price of flour to the bakers going up any over what it already is?

Mr. FARRINGTON. There might be a slight adjustment. It would not be very large.

Mr. PURCELL. What would bring about the slight adjustment?

Mr. FARRINGTON. Well, you would be going from something less than \$2, to probably a little over \$2.

Mr. PURCELL. Would that require raising the price of the bread to the consumer?

Mr. FARRINGTON. Every cost affects the price of the flour, and the price of flour is one element. It is one of several elements in the cost of the bread.

Mr. PURCELL. About how much money's worth of flour is there in a loaf of bread?

Mr. FARRINGTON. Well, about 1 pound of wheat per loaf of bread, so you can figure it out, depending on what price you apply to the wheat.

Mr. PURCELL. You say that a loaf of bread—

Mr. FARRINGTON. I beg your pardon?

Mr. PURCELL. Do you know that a pound loaf of bread has a pound of wheat in it? I am not trying to get you crossed up. I did not understand your answer.

Mr. FARRINGTON. From a bushel of wheat, basically, we make about around 60 loaves of bread, and, therefore—

Mr. PURCELL. I see. The flour from a pound of wheat is a loaf of bread?

Mr. FARRINGTON. Roughly, yes.

Mr. PURCELL. Now, what do your figures show that the pound of flour would be worth from the pound of wheat?

Mr. FARRINGTON. If wheat were at $3\frac{1}{2}$ cents a pound, it would be in the nature of $3\frac{1}{2}$ to 4 cents.

Mr. PURCELL. That is what it is now about?

Mr. FARRINGTON. About that; yes, about that.

Mr. PURCELL. It is your judgment—and I do not have any more information on this than you do—that if there is a law put into effect that has a certificate plan in it, and the price of wheat is basically about the same, do you see anything in that alone that would change the price of the bread to the consumer?

Mr. FARRINGTON. Not materially.

Mr. PURCELL. Well, now, do you call “materially” a half cent a loaf or a penny a loaf, or what do you call “materially”?

Mr. FARRINGTON. Well, it would certainly be a fraction of a cent, I would say, under those circumstances.

Mr. PURCELL. By the same token, if the wheat price would go down, do you contemplate a corresponding reduction in the price of bread then?

Mr. FARRINGTON. I know the price of flour would go down. I cannot testify as to the price of the bread. I know that with the competition in the flour industry, it is such, that it would go down.

Mr. PURCELL. Have you observed a corresponding reduction in the price of bread when the wheat price and the flour price has gone down?

Mr. FARRINGTON. There are a lot of cost factors involved in this question. But there is a general relationship; yes.

Mr. PURCELL. Has it been your observation that it goes down as fast as it goes up?

Mr. FARRINGTON. No.

Mr. PURCELL. All right. I have no further questions.

Mr. HEIMBURGER. May I ask a few questions?

Mr. PURCELL. Yes.

Mr. HEIMBURGER. Mr. Farrington, Mr. Quie, I believe, touched on this subject, but I take it that your point No. 1 states that the loan or general support level for wheat should be at or about the international wheat agreement price; is that correct?

Mr. FARRINGTON. Yes.

Mr. HEIMBURGER. What is that now in dollars and cents—just for my information?

Mr. FARRINGTON. It is around \$1.35.

Mr. HEIMBURGER. I thought it was higher than that.

Mr. FARRINGTON. It fluctuates from time to time, but it is in the range of \$1.33 to \$1.38 or \$1.40.

Mr. HEIMBURGER. Is the International Wheat Agreement price the same as the so-called world price of wheat?

Mr. FARRINGTON. No, sir. The world prices have been maintained somewhat above the minimum of the International Wheat Agreement prices. And I think that the growers should be entitled to that difference. That is one reason that I would suggest that, and that is why I stressed that.

Mr. HEIMBURGER. You would suggest then——

Mr. FARRINGTON. It should be somewhat above the minimum.

Mr. HEIMBURGER. It should be closer to the world price than the minimum allowed under the International Wheat Agreement?

Mr. FARRINGTON. Yes, sir.

Mr. HEIMBURGER. I do not quite understand what your point No. 2 means. Could you tell me in some other words. It begins at the bottom of page 2. I mean, what relationship is there between the payments for acreage retirement and adequate reserve stocks of the various classes and qualities of wheat?

Mr. FARRINGTON. I presented previous testimony on that and I did not want to repeat all of it, but as I think is well known our carry-over stocks of wheat that have accumulated are concentrated largely in one class of wheat—approximately, at the present time, two classes of wheat. At the end of this year there will really be a shortage of Soft Red Winter wheat and White wheat. The production pattern has been pretty well frozen for about 10 or 12 years. And within this time the demand has been changing. The production pattern that we have today just does not fit the requirements of the domestic consumers and our possible exports. And if we freeze this whole pattern, which is already out of alinement, then we will have a continuing bad adjustment.

Mr. HEIMBURGER. I agree with your statement completely. It has seemed to me for a long time that we ought to try to have some kind of wheat program which will be different for the various types of wheat, perhaps, but how to achieve this is the problem. I do not understand what suggestion you have made as to how this can be done.

Mr. FARRINGTON. First, on the No. 2 point, I say do not freeze it either by control legislation or by payments that are so high that they have the same effect of preventing any adjustment. By having a support at about the world level and modest payments for diversion and for a period to supplement income, production can begin to respond to market requirements and market differentials.

Mr. HEIMBURGER. In other words, you would rely largely on the price to bring about the adjustment in the production between the different types of wheat; is this it?

Mr. FARRINGTON. Price, plus an effective freedom of choice for the grower.

Mr. HEIMBURGER. The choice to the grower is not to grow, that is his choice?

Mr. FARRINGTON. Yes; but if you are going to pile up a billion dollars of benefit here, he will almost have to go to the payments.

Mr. HEIMBURGER. Thank you. That is all.

Mr. PURCELL. Thank you.

Mr. QUIE. Before you leave that subject, are you suggesting that the diversion payments—that is what you are talking about here—would be different in one part of the country than in another part of the country for one type of wheat and the like?

Mr. FARRINGTON. Politically that is very hard to work out. [Laughter.]

Mr. QUIE. What do you suggest?

Mr. FARRINGTON. It would be economically sound, but I admit that it is very difficult to work out. I think that you would have to rely upon the farmers.

Mr. HEIMBURGER. May we pursue this just a little bit further? This is a very important subject—to encourage the type of wheats which are marketable. It am not quite sure from your statement whether you believe that there needs to be acreage allotments in connection with the program or not. I do not see how you will have regulation if you do not have acreage allotments or bases. Give it whatever name you want to give it—you have got to have some kind of a figure from which to cut. Again, are you suggesting that these acreage allotments be adjusted differently in different parts of the country, according to the type of wheat produced?

Mr. FARRINGTON. I would like to guess at that. I recognize that it is very difficult to accomplish. I think that we would have to rely on the marketplace, and the free choice of the individual growers to go this way or that way.

Mr. HEIMBURGER. Do you believe that the support price on the kind of wheat that is largely in surplus should be set at a lower level than the support price on other kinds of wheat?

Mr. FARRINGTON. There could be some adjustment.

Mr. HEIMBURGER. You would favor that kind of adjustment?

Mr. FARRINGTON. Adjustments in that direction, yes. You would have to move rather slowly on that, however.

Mr. HEIMBURGER. I am very much interested in this subject. I am not trying to put you on the spot. You would rely largely on price?

Mr. FARRINGTON. Price and free choice of the farmers.

Mr. HEIMBURGER. Yes, sir. I am assuming that the farmer has a choice as to something else to plant, but you would rely largely on the price to bring about this adjustment between the different types of wheat?

Mr. FARRINGTON. Yes, sir.

Mr. HEIMBURGER. Thank you very much.

Mr. FINDLEY. To pursue that a little further, I am wondering if there would be any shifting from unwanted varieties—perhaps one would be in an oversupply. Under the price support that you are suggesting, the producer of Hard Winter wheat would be guaranteed the higher of the two market levels—the International Wheat Agreement level or the world market level—whichever is higher. Would there be a strong incentive therefore for him to shift to other varieties that might be in greater demand. What incentive would there be?

Mr. FARRINGTON. You are talking about a level around \$1.35?

Mr. FINDLEY. Did you not indicate that if the world market level was higher than that, that you would favor price supports at the world market level?

Mr. FARRINGTON. It should be at the world market price level. And \$1.35 is about that. And above the minimum of the International Wheat Agreement.

Mr. FINDLEY. What incentive would there be for a farmer to switch from one variety to another?

Mr. FARRINGTON. He would have to depend on the premiums on the marketplace, as far as shifting from one variety to another is concerned.

Mr. FINDLEY. I see.

Mr. QUIE. Would the premiums be different on the \$1.35 wheat from the \$2 wheat?

Mr. FARRINGTON. Yes.

Mr. QUIE. What difference would there be?

Mr. FARRINGTON. I think that your general level would tend to be above. You would have more in the way of premiums and discounts. And they would certainly be relatively much more important. Ten cents is much more important and \$1.35 than it is \$2.

Mr. QUIE. The actual premium would also be greater at a lower price, or are you talking about relative value. Suppose that the premium were 10 cents when wheat was selling between \$1.82 or \$2, do you think that the premium would be greater than 10 cents, if the wheat were priced at a lower amount, such as \$1.35?

Mr. FARRINGTON. I hate to make a prediction on that, Mr. Quie. But there is this, that the producer of the poorer quality of wheat has been guaranteed a price of \$1.82 or \$2, or whatnot, and that has been a very attractive price, and he has not worried too much about the 10 cents additional that he might get for a quality wheat.

Mr. QUIE. At least, it would stay the same as before.

Mr. FARRINGTON. That would be my judgment.

Mr. FINDLEY. I am sure that you want the marketplace to operate. Would you not accomplish that objective if you get back to the idea of crop loans instead of price supports. An example is the Farm Bureau approach. Under it loans would be available on a percentage of the full market price. You would be assured of a stronger marketplace operation if you shifted to that approach, would you not?

Mr. FARRINGTON. Basically, yes, but in the case of wheat we do have the problem of the International Wheat Agreement. And the Farm Bureau has recognized this and has recommended a world price level support in the case of wheat.

Mr. SHORT. I think that we are on an important subject here and we have to keep in mind that we may be dealing with it for months to come. How real is this so-called world price that we are always prone to talk about? Have we not somehow or another through the International Wheat Agreement established a price that we assume is somewhat of a competitive price, and yet actually it does not seem to be. It does not reflect as it would seem to me it should the world supply situation. Now we have other commodities that we deal with in this committee that we have been prone to look upon as having a world price that would be somewhat stable and somewhat fixed. Sugar is the best example of that, probably. We in the last 12 months have seen the fallacy or the reality, perhaps, of the fact that there was no real world price on sugar. The price that we have been thinking of as the world price was, actually, a residue price. Is it proper to be attaching the importance that we seem to be attaching to world price when we talk of the price support? In setting \$1.30, we are trying to attach the price-support level to the so-called world price—how real is this world price? For instance, right now, as I understand it, if I do correctly, the world supply of wheat has become somewhat diminished. This is the reason that Russia has been negotiating with the United States for the purchase of some wheat. And this brings up the question, of course, as to whether or not we should be dealing in terms of the world price or whether we should be trying to bargain and get a better price, something more than the so-called world price.

Am I right in assuming that this world price is somewhat fixed by the policy of our good neighbor Canada in the price that they sell their wheat at, which is a Government-established price, as I understand it.

Mr. FARRINGTON. A short answer to your question is "Yes."

Mr. SHORT. I know that it is impossible, perhaps, to answer.

Mr. FARRINGTON. The price has been maintained at a very even level, around \$1.70, off of the gulf. And I think that the cooperation between the Canadians and the United States has had considerable to do with that.

Mr. SHORT. Would you make one more observation? My question tended to ask or to get from you your observation on the realities of this \$1.30 price as the proper world price. After all, we have the same worldwide fluctuations in the production of other commodities. We have the same worldwide conditions in effect in any other commodity. Would it not be more appropriate to have some fluctuation in the price, rather than this fixed price? I suppose the fixed price can be defended on the ground that it is somewhat of a stabilizing factor, that removes sharp and violent price fluctuations that sometimes go up and they can also come down. Is this one of the reasons for trying to maintain a stable world price at this level?

Mr. FARRINGTON. I think that we are in problems of international policy that I am not qualified to discuss, but the price that has been achieved—it is a practical matter that has been achieved, and—I mean, it is a known fact that the price has remained very stable at this level—it is a price that, presumably would continue to call for ample supplies from the producing countries—it is the price that, generally, is attractive to the importing countries.

Mr. SHORT. I would like the price to be more attractive to the producers.

Mr. FARRINGTON. I would, too.

Mr. SHORT. That is all.

Mr. PURCELL. Thank you very much, Mr. Farrington. Our next witness is Mr. George W. Meeker, who is president of the Kansas Association of Wheat Growers. We welcome you, Mr. Meeker; will you come forward and proceed?

STATEMENT OF GEORGE W. MEEKER, PRESIDENT, KANSAS ASSOCIATION OF WHEAT GROWERS

Mr. DOLE. Mr. Chairman, before Mr. Meeker delivers his statement, I want to state that Mr. Meeker comes from my district. He is the president of the Kansas Wheat Growers' Association, a member of the Kansas Legislature, and long interested in the problems of the wheat farmer. It is a pleasure to have him appear before our committee.

Mr. MEEKER. Thank you, Congressman Dole. Mr. Chairman, members of the committee, I am George W. Meeker of Garden City, Kans., president of the Kansas Association of Wheat Growers.

This opportunity to appear before you is indeed deeply appreciated by me and the wheat producers of Kansas. As you know, our association, along with others, supported the Agricultural Act of 1962 as it pertained to wheat. Also, you know that somewhere along the line

many wheat producers changed their minds, and many farmers were let to believe that by defeating this act there would be a better program. There were many misstatements of fact, as we discovered by questions raised after the defeat of the May referendum. Implementation of the wheat act as provided by a "no" vote will seriously hurt wheat producers and the entire economy.

This does not mean that wheatgrowers of Kansas are committed to the support of a mandatory wheat program. Our Kansas association does, however, reaffirm its support of the principles of the Agricultural Act of 1962 pertaining to wheat. We will actively support any voluntary program regardless of whose bill it is, providing it fulfills certain important and basic needs.

We wheat producers are, like other people of our Nation, basically honest and reasonable American citizens. As I have stated, we are not committed to any particular farm bill and neither do we oppose any farm bill because it is not ours. We do, however, suggest some basic guidelines that we do firmly support and deem necessary to be included in any wheat legislation. These are:

1. To assure the wheat producer an equitable price in line with other segments of our national economy;
2. To establish an orderly reduction of existing stocks of wheat to a strategic reserve level;
3. To reduce the cost of the wheat program to the taxpayer;
4. To avoid transfer of the problems of wheat to other commodities;
5. To establish marketing quotas in bushels rather than allotments in acres.

Improved farming techniques, better soil and water conservation, development of higher yielding varieties of wheat, use of insecticides, weed sprays, increased irrigation, higher concentration and improved fertilizer, and other factors have resulted in increased production of wheat per acre. These are reasons why allotments in acres have not proven a satisfactory method of controlling production. This makes very obvious the need to establish the national wheat quota in bushels.

The Kansas Association of Wheat Growers will actively support any voluntary program which will achieve these goals. At this time these goals are more nearly met in the McGovern voluntary certificate wheat plan.

Now, Congressman Purcell, just to disgress from this prepared statement, just let me say this, that we would like to emphasize that we feel that there is an urgent need for the voluntary wheat program for the 1964 crop. We feel this is necessary in order to prevent a disastrously low price for wheat. And that is likely if no new legislation is enacted.

There is also an important feature necessary, we believe, in any new voluntary program to encourage compliance and allow more freedom for the farmers, and this is the implementation of an exchange, or a substitution clause, one allowing the production of wheat on feed grain acres, of feed grain on wheat acreages.

Returning to my statement:

Along with our military might, the worldwide strength of our country is based on our tremendous capacity to produce food and fiber. If we are to maintain this strength and prestige, we must have an agriculture based on sound economic ideas. The farmer must have a fair return for his investment, skill, and labor—we call this parity.

We have come here in good faith, as farmers and loyal Americans, and are confident we will arrive at a solution to our wheat problems—which will eventually make possible “freedom” from Government controls.

Thank you.

Mr. PURCELL. Thank you very much, Mr. Meeker. Do the members of the committee desire to ask any questions? Mr. Short.

Mr. SHORT. Thank you, Mr. Chairman. Mr. Meeker, if I can understand what you are saying in your statement at the bottom of page 1, you say that the wheatgrowers of Kansas do not necessarily subscribe to the support of any mandatory wheat program. Is that your meaning?

Mr. MEEKER. You say, we do not?

Mr. SHORT. Yes.

Mr. MEEKER. Well, Congressman, we——

Mr. SHORT. You say there, “This does not mean that wheatgrowers of Kansas are committed to the support of a mandatory wheat program.”

Mr. MEEKER. That is, our Kansas organization does not commit themselves to support a mandatory program. That is right. However, the basic principles of the mandatory program are what we would like to see in a voluntary program—let us put it that way.

Mr. SHORT. Yes; but yet in the next sentence you say this, that your association “does, however, reaffirm its support of the principles of the Agricultural Act of 1962 pertaining to wheat”—you do say that.

Mr. MEEKER. Yes.

Mr. SHORT. Now, do you not consider that a mandatory program?

Mr. MEEKER. Well, yes, definitely; we consider that act of 1962 as a mandatory program. However, we do feel that the basic principles in that bill could be, with a minimum amount of regular changes, be made into a voluntary program.

Mr. SHORT. Such as the McGovern proposal?

Mr. MEEKER. Yes, that is right; and that is the statement I made here.

Mr. SHORT. And you consider the McGovern proposal, the so-called incentive program, a voluntary program?

Mr. MEEKER. Yes.

Mr. SHORT. You do. Well, it is voluntary, is it not, only insofar as they can raise the wheat or have the possibility of doing so voluntarily if they do not want to participate, but with the penalty——

Mr. MEEKER. Well, it is voluntary, you see, because——

Mr. SHORT. I didn't finish. The voluntary part of it is if the farmer wants to raise wheat, he can for chickenfeed or for their livestock, but he could sell no wheat for domestic use or export.

Mr. MEEKER. Well, if I understand your point, Congressman, when you get right down to it, this is the basis, you can raise wheat under the mandatory program without a penalty, too, but under his pro-

gram, the McGovern proposal, if you do not want to comply you do not have to comply and you could raise all the wheat you wanted to.

Mr. SHORT. Well, under the present program, this is technically a true basic statement. You do not have to be in compliance. You are not required to be. But if you want to sell any wheat, you must grow within your allotment or pay a penalty.

Mr. MEEKER. Except that now, under a "no" vote, you are penalized by your underproduction with a loss of history on your farm. And you can overproduce on, as I understand it, the McGovern plan, without any loss of history.

Mr. SHORT. Well, there would not be any point, would there, in over-producing or producing at all, if you could not sell your wheat?

Mr. MEEKER. Well, he can sell; he can sell on the open market. Of course, this is where the "freedom" is, under the bill, if you do not choose to participate or comply, you can raise all the wheat you want, if you want to be satisfied with that price—the open market.

Mr. SHORT. Well, it seems to me, if we are talking about a voluntary program—yet the voluntary aspects of it are almost limited to whether or not you would want to raise any wheat, since you could not sell it for domestic consumption, and you cannot sell it for export.

Mr. MEEKER. This is, of course, correct, but if we are to work at solving our wheat problem and maintaining the farm income, we are of course going to have to have some form of regulations, and—

Mr. SHORT. Since you mention income, you make a statement in your prepared statement here that I was going to question you on, regarding your thoughts with regard to farm income. No. 1, under your so-called basic guidelines, is: "To assure the wheat producer an equitable price."

Now, I have long maintained that our objective ought to be to improve the farmer's income, rather than simply trying to improve the price on a much more limited amount of a commodity, and I think this is one of the basic concepts we are dealing with here in all of this—is it not?

Mr. MEEKER. Well, of course, if you get a higher price for your commodity, naturally you are increasing your income.

Mr. SHORT. Not necessarily, if you reduce the amount that the farmer is going to be able to produce.

Mr. MEEKER. Well, now, sir, if we are going to keep this on the basis of near parity to other segments of the economy, let us put it that way, that is the ultimate goal—I mean, that the farmer have his fair share of the national income. Now, of course, we do feel also that we are contributing to the national welfare, to the welfare of the country, by being able to produce. But it seems we are penalized for being able to produce so efficiently—I guess.

Mr. SHORT. This brings me to this question: Why do you subscribe to the principles that you find incorporated in the wheat program at something less than full parity? If we are going to adopt this philosophy of public responsibility to the farmer, why do we not insist that the farmer get full parity?

Mr. MEEKER. If all of us will be logical and realistic, then I think this is probably what happens, and I think by these methods what we are all trying to do is to obtain parity, through other methods, without getting the price of wheat up.

Mr. SHORT. Well, thank you. This has been a rather interesting conversation we have been having here. Mr. Chairman, I could ask more questions, but we do have other witnesses, and I forego further questions of Mr. Meeker. Thank you very much.

Mr. PURCELL. Mr. Dole?

Mr. DOLE. Thank you, Mr. Chairman. Mr. Meeker, I wonder whether you could give us some idea of the present general crop conditions in Kansas. They may have a very important bearing on what might be done next year. Would you be able to tell us?

Mr. MEEKER. Crop conditions—well, I would say that over the State we are not in as good condition as we should be, and in probably not as good condition as a year ago. I would say that west of Dodge City, which is not far from the Colorado line, as you gentlemen know, there they are probably in very poor condition. We are having to grow our wheat out there where we do not have any top moisture, and our subsoil is short—and we are very vulnerable to winterkill this year, as we were last year.

Mr. DOLE. What about possibilities of an extended drought? Are there indications the condition will worsen? And have you had any rain out there at all?

Mr. MEEKER. Congressman Dole, we have not had any measurable precipitation since the latter part of September, unless we had it last night, since I left.

Mr. DOLE. Coming now to your statement, with reference to your comment about overplanting and overharvesting and loss of history, this was discussed substantially earlier before our committee with reference to repeal or amending the Anfuso amendment. At that time the point was raised that if the farmer receives no benefit, in other words, no subsidy at all, then there is no justification that he be penalized, no need to penalize him for such overplanting or overharvesting. Do you agree with this point of view?

Mr. MEEKER. Well, as to that, our association has approved this idea, providing it could have been amended prior to the seeding of the wheat—this is the necessity of that specific proposal, and—

Mr. DOLE. Well, I can agree with that. If the farmer receives no subsidies from the Government, then he should not have to bear any penalty imposed by the Government. If that farmer overplants, he does not receive price support on the wheat he overplants and overharvests whether it is 1 or 1,000 acres. Why should he be subject to loss of acreage history.

Mr. MEEKER. Well, I could say, Congressman, that I believe under any circumstances, that if we are under a voluntary program, that the provision for loss of wheat history should be definitely considered, for this reason—however, I think the other part of that Anfuso amendment which pertains to allowing a man to overseed and increase his history, that should be definitely left in.

Mr. DOLE. That portion of the Anfuso amendment ought not permit anybody to gain by overplanting or overharvesting. In your area, and generally in northwest Kansas, probably many did overplant and it has been suggested they might now store their wheat under bond, as in the past—do you have any comment on that?

Mr. MEEKER. Well, of course, there are no provisions for this at this time, and this was one of the features—as I say, we backed some of

the features of the 1962 act, and this provision was available under that 1962 wheat act, that you could overproduce and you could store the excess, as we had been able to do in recent years, and then apply that on to a year where you have a poor crop or perhaps no crop at all.

Mr. DOLE. Mr. Meeker, you have your national meeting in January?

Mr. MEEKER. At Amarillo, from the 7th to the 10th.

Mr. DOLE. Will there be a report on any general principles, or specific legislation?

Mr. MEEKER. Well, I suppose that question you should probably ask the national president. But, however, I do think that could well be the case, that there will be a definite policy agreement, let me put it that way.

Mr. DOLE. In your statement on page 2, in your guideline No. 1, when you speak of "an equitable price" for the wheat farmer, that does not necessarily mean parity—as you use that word at the bottom of that page?

Mr. MEEKER. Well, like I say, I think that when we get right down to it, Congressman, we try to maneuver the payments—whether diversion payments or premiums for complying—these are all methods, I believe, that are used in trying to obtain a near parity price for the farmer: in other words, a fair price for what he produces with regard to his investment.

Mr. DOLE. And is it fair to assume that most farmers will accept a voluntary program? I am not mentioning anything specific now, but a voluntary program.

Mr. MEEKER. I feel very confident that this is the only type of program that we could pass, of the voluntary type.

Mr. DOLE. And without a referendum?

Mr. MEEKER. And without a referendum.

Mr. DOLE. Thank you, Mr. Meeker. That is all I have, Mr. Chairman. Thank you.

Mr. PURCELL. Mr. Findley.

Mr. FINDLEY. Mr. Meeker, in your suggested guidelines, No. 2, you say we ought to establish our stocks of wheat at a strategic reserve level.

Mr. MEEKER. Yes, sir.

Mr. FINDLEY. A strategic reserve level. Now, who do you think ought to own the strategic reserve?

Mr. MEEKER. Well, I would like to see somebody else get credit for it besides the Agriculture people. I think this could very well be under Defense, just as well as steel, for example, could be and is.

Mr. FINDLEY. Do you think the Government has the responsibility to own the strategic reserve?

Mr. MEEKER. I believe so, equally or more so than they do to own other things, like steel.

Mr. FINDLEY. Can you give us some idea of what you think the level should be?

Mr. MEEKER. The level of the strategic reserve?

Mr. FINDLEY. Of wheat; yes.

Mr. MEEKER. I believe it should be at least the amount of our domestic consumption for 1 year, which would run somewhere between 500 and 600 million bushels. And I think this should be the minimum.

Mr. DOLE. Historically, before we got into these artificial price supports, the farmers provided the carryover needed for the country. Do you see any reason why that would not be adequate for the strategic reserve, realizing it would be in the elevators and stored——

Mr. MEEKER. You mean, the elevators carry this 500 or 600 million bushels?

Mr. DOLE. Yes; whatever the figure might be.

Mr. MEEKER. Well, I think this would be the ideal or, in fact, the only way to handle this, because you have the wheat distributed over a large area, and it would not be susceptible to attack, let us put it that way, and I think it would be wise to handle it through private channels.

Mr. DOLE. And do you know what proportion of the production of wheat was carried over, what in elevators and what on farms?

Mr. MEEKER. Prior to when?

Mr. DOLE. Prior to artificial prices in recent years.

Mr. MEEKER. I do not know. I cannot answer that.

Mr. FINDLEY. I am sure you have studied this bill, and studied the bill of your Congressman, the bill of which he is one of the cosponsors. Do you feel that bill would meet the requirements you have set forth here in your statement?

Mr. MEEKER. Well, like I say, after studying the bills, after studying them, sir, it appears to the wheatgrower in Kansas, to our organization, that the McGovern bill probably more nearly does achieve these basic goals.

Mr. FINDLEY. Would you mind listing the shortcomings that you see in the Dole bill?

Mr. MEEKER. Well, as it was analyzed, it appeared that due to the price, the price differential in feed grain and wheat, that wheat stocks possibly could be increased, and I believe that the price would not probably equal the price per bushel as under the McGovern bill.

Mr. FINDLEY. On the first page of your statement——

Mr. QUIE. If you will yield.

Mr. FINDLEY. Yes.

Mr. QUIE. What do you expect the price to the farmer would be under the McGovern bill, the loan price?

Mr. MEEKER. The loan price, as we would interpret it, about 50 percent of parity—about \$1.25 per bushel.

Mr. QUIE. And the certificate would bring it up to \$2?

Mr. MEEKER. That is correct.

Mr. QUIE. So, when you say later you think there ought to be permission to substitute feed grain for wheat, in your opinion would not the incentive to put the land into wheat at \$2 be greater under the McGovern bill than under my bill where the support might be less?

Mr. MEEKER. The incentive to put into wheat——

Mr. QUIE. But would the incentive to substitute wheat for feed grain be greater at \$2 under the McGovern plan than \$1.65?

Mr. MEEKER. Well, the relative position would probably be about the same. However, the support price for wheat substituted on feed grain acres would be \$1.30 per bushel.

Mr. QUIE. About the same?

Mr. MEEKER. The price would be higher in one, but it would not—like I say, the relative position would be about the same, it would be

less, but relatively the wheat would always be higher than the feed grain—do I make myself clear?

Mr. QUIE. Well, why would it be the same? Do you assume under the McGovern bill that those products, wheat and feed grain, would be the same price?

Mr. MEEKER. Well, now, I did not interpret it as meaning that the wheat and the feed grain would be the same price.

Mr. QUIE. No, the feed grain would be the same price in the existing program for feed grains it would remain the same, but in connection with certain changes that are made in my bill, if those changes be put into effect, I do not see how \$2 wheat would be any less of an incentive to put it into wheat if feed grains were supported at the same price under both bills.

Mr. MEEKER. Well, I don't believe there is incentive, possibly, but the thing about substitution, in that substitution clause that appeals to the farmers, what appeals to them is the fact that it gives them more flexibility on the farm in the wheat-producing areas. As you know, there could be several years where you could not get the wheat started, but you might instead be able to plant milo or vice versa. So I do not feel that the substitution clause interferes with the feed grain problem or would necessarily lead to putting into wheat, because you can raise more bushels, you see, of feed grain.

Mr. QUIE. You understand there is substitution in my bill?

Mr. MEEKER. Yes.

Mr. QUIE. And with wheat at \$1.65—that would be too much incentive or not enough incentive to produce wheat?

Mr. MEEKER. Oh, I do not see where the farmers would go to substituting more under one bill than in—well, under either bill, really.

Mr. QUIE. You think that as far as substituting, both bills are the same?

Mr. MEEKER. Well, I am sure they would in certain cases, if they had this prerogative; yes.

Mr. QUIE. So whether at \$1.65 or \$2, there would not be more incentive. What figure do you think it ought to be so there would not be incentive to switch from feed grains to wheat?

Mr. MEEKER. Well, sir; let me put it this way, that the reason we have to hold the price of wheat up is in order to preserve farm income. Of course, now, if you have your figure of \$1.65, and if you have \$2 wheat, then this would be enough to be detrimental to the wheatgrower, and that is why we feel that basically at the present time that the McGovern proposal will have a little more support by the farmers, because of the increased income.

Mr. QUIE. You suppose the incentive to produce wheat is in the substitution clause?

Mr. MEEKER. This might be, might very well be, that we can; but we can produce more hundredweight of milo or feed grain than wheat, so that should not be any big problem.

Mr. QUIE. But you say it would a problem under the other bill, under my bill?

Mr. MEEKER. I do not see any more problem, except there is less price for your wheat.

Mr. QUIE. But your criticism of my bill is it would tend toward substitution of wheat?

Mr. MEEKER. I am sorry if I inferred that, Congressman. I don't believe that, really. I do not see where there is any more incentive to put it into wheat under your bill, and the substitution would only be done by the farmers as it pertains to their farm operations.

Mr. QUIE. Thank you.

Mr. FINDLEY. On the first page of your statement, you refer to "there were many misstatements of fact" in connection with the referendum of last year. Would you give us an example so we will know what misstatements you had in mind?

Mr. MEEKER. Well, the things that basically came up after the referendum, when people did not realize that when they voted no they would be subject to loss of history if they overseeded, and that they did not realize, say, that they still had to go by the 10-percent cut in allotment.

Mr. FINDLEY. They had been told these things?

Mr. MEEKER. Well, they had been inferred, and they had been confused, let us put it that way. But all of this showed up after the election—after the vote.

Mr. FINDLEY. So it was more lack of information rather than misstatement of fact?

Mr. MEEKER. Well, there was not any lack of information available, if people had availed themselves of it, let me put it that way.

Mr. FINDLEY. Was there any deliberate effort at misrepresentation, that you know of?

Mr. MEEKER. Well, I am sure there probably was not, intentionally, or by direct statements. But sometimes you can take things out of context and they might appear otherwise to a farmer, and could confuse him.

Mr. FINDLEY. If you can supply for the record later on any misstatements of fact, specifically, I would appreciate it.

Mr. MEEKER. I would have to say that most of them were inferences.

Mr. STUBBLEFIELD. Off the record.

(Discussion off the record.)

Mr. PURCELL. If you do not mind, I would like to know the purpose of that.

Mr. FINDLEY. Well, Mr. Chairman, my purpose in asking about that was, if there was any indication of deliberate misstatement of fact, it would be helpful to us in drawing up plans for future legislation.

Mr. PURCELL. I agree with that. Let me point out you have the president of the association here for questioning, so if you would proceed with any further questions. Mr. Quie?

Mr. QUIE. May I ask, if we pass this legislation, if you think we ought to have a referendum as in last year.

Mr. MEEKER. Well, as I understand it, that is the provision, isn't that right?

Mr. QUIE. That is right, but we can always cancel.

Mr. MEEKER. And if it was canceled, then what?

Mr. QUIE. Then you do not have a referendum.

Mr. MEEKER. Well, from the standpoint of the chance of passing a referendum, I would say no, you should not go ahead with a referendum, but in preference there should be some voluntary legislation enacted to help accomplish these things pointed out in the statement.

Mr. QUIE. Coming to your No. 3 on page 2, "To reduce the cost of the wheat program to the taxpayer"—if my bill were passed and it did provide for a direct payment between the world price and the \$2, this would be a direct cost to the taxpayer, would it not?

Mr. MEEKER. That is right.

Mr. QUIE. And if you had the McGovern bill where it is made by the consumer, there is not very much difference whether it comes off the tax rolls or if the consumer paid it by what he would pay for the wheat in the bread he bought?

Mr. MEEKER. Well, like the comment of some moments ago, the price of wheat is approximately \$2—now, as I see it, there should not be any increased cost to the consumer by going on a support price of 50 percent of parity and making available certificates for a few dollars more—there is no reason at the present time for any increase to the consumer for his bread, and so I say the better method for handling it is having the certificate purchased by the processors and exporters.

Mr. QUIE. When the cotton bill was here, it was stated there would be a \$250 million saving to the textile mills. A \$250 million saving to the mills would mean a \$500 million saving to the consumer was alleged by some witnesses. Do you think there is any possibility in wheat of any saving to the consumer? I might add that I don't think there actually would.

Mr. MEEKER. I see no reason to assume that whatsoever. Lots of times the price of bread will reflect a rise or a prospect of a rise, an increase in wheat prices; but seldom do we ever see any reflection if the price of wheat goes down. Of course, basically, there is not much wheat in a loaf of bread, anyway—but we will see what happens.

Mr. PURCELL. If the committee members have no further questions, thank you very much, Mr. Meeker.

Our next witness will be Mr. J. R. Brown, secretary of the Texas Wheat Growers Association. I can assure the committee that Mr. Brown's knowledge of this subject matter is of such degree as would justify a great amount of time being spent with him; and he is a citizen of my State. We welcome you, Mr. Brown.

Mr. BROWN. Thank you, sir, very much.

STATEMENT OF J. R. "DICK" BROWN, SECRETARY-TREASURER, TEXAS WHEAT GROWERS ASSOCIATION

Mr. BROWN. Mr. Chairman and gentlemen of the committee:

My name is J. R. Brown, better known as "Dick" Brown, and I am the secretary-treasurer of the Texas Wheat Grocers Association, which is a member of the National Association of Wheat Growers. I am a farmer in the Texas Panhandle located at Hartley, Tex.

First, I would like to express my appreciation to this committee for the privilege of appearing before you and I would like to express my sympathy for your problem. I realize the importance to our country of the results of this hearing and particularly the importance to our farmers and agriculture-related businesses.

At our annual meeting in Wichita Falls on December 5 of this year, we adopted the following resolution unanimously:

Be it further resolved. That we are in favor and strongly recommend to the Congress and other farm organizations a voluntary program for the American wheat farmer. We think this program should contain features contained

in the act defeated in 1963 but should be on a voluntary basis rather than mandatory basis.

I would like to also stress the importance to our whole national economy of the wheat problem. I believe there is no one commodity that our national economy depends on as much as we do wheat. And since our area depends on wheat as much as we do, it being our No. 1 source of income, we would like to reiterate our concern for quick action that could result in a satisfactory solution for the 1964 crop.

In visiting with farmers in our area we have found that farmers do want a program and, strangely enough, we have found that the farmers liked the features contained in the program that was defeated by referendum in 1963. The only thing they seemed to object to was the mandatory features of the bill. In fact, many farmers just never did understand the facts of the program. As soon as the farmers realized their position, they took a second look at the program. They began to understand the reaction of Congress and the general public to the defeat of the program, and suddenly realized the consequence of their decision. I would like to make one thing clear—in our area I feel that the referendum was defeated not because we objected to programs of any kind—we simply wanted to state that there was a feature that we did not like and wanted a better program—and I believe that the mandatory feature was the only big objection. Since this has been expressed repeatedly and by so many influential farmers, I would like to leave with you this thought—our farmers are in favor of a program very similar to the one that was defeated. The big feature that we liked about the program was the flexibility of the program that would let us work our wheat in conjunction with our feed grains. We feel that this program was tailor made for our area in that we will be able to maintain our income on a level in comparison with other economies. We think it will reduce Government stocks to a manageable level, it will keep our wheat in competition in the world market, and it will not transfer our problem to other commodities.

We would respectfully request your support for a program with features as I have mentioned.

Thank you again for permitting me to appear and I appreciate your problem and know you will come up with a solution that will be beneficial to all.

Mr. PURCELL. Thank you very much, Mr. Brown. If there are no questions by the committee, why, we will let you stand aside.

Next we welcome as a witness Mr. Glen Bayne, president of the National Association of Wheat Growers. Will you come forward, Mr. Bayne?

STATEMENT OF GLEN L. BAYNE, PRESIDENT, THE NATIONAL ASSOCIATION OF WHEAT GROWERS; ACCOMPANIED BY KEN KENDRICK, EXECUTIVE VICE PRESIDENT

Mr. BAYNE. Thank you, Mr. Chairman. I have with me Mr. Ken Kendrick, our executive vice president in our national office. My name is Glen Bayne and I am president of the National Association of Wheat Growers. I live at Prosser, Wash. It is a real pleasure and a privilege for me to have this opportunity to appear before your committee.

May I take this opportunity to commend you, Mr. Chairman, and the members of your committee for calling these hearings on wheat. This indicates that you and your committee are fully aware that unless action is taken soon, wheat income next summer will take a drastic reduction. I am sure the committee realizes, too, that once the return for wheat drops to the level indicated by the 1964 program, it would be difficult indeed to raise the price again to profitable levels for growers.

Although shipments of wheat overseas during the past 3 years have averaged more than 650 million bushels—and the prospect this year of exports of 900 million bushels or more by July 1964 gives promise of reducing our wheat surpluses to about 700 or 800 million bushels—this does not indicate that our wheat surplus problem has been solved but only that by continuing to exercise some restraint in acreage planted and bushels produced can we avoid beginning an immediate buildup of stocks. It simply emphasizes the importance of getting voluntary wheat legislation for the 1964 harvest.

Surveys have indicated that 75 to 80 percent of all growers do want a voluntary wheat program for 1964. Our 11 State wheat associations have just completed their State wheat conventions and 10 of these have passed resolutions favoring a voluntary certificate type program for wheat.

Among other farm groups approving programs of this type at their conventions are the Missouri Farmers Organization and the National Grange.

This, again, is strong evidence that the “no” vote of last May indicated primarily growers’ opposition to the mandatory portion of the certificate program. The very fact that 75 to 80 percent of growers seeded within their allotments this fall rather than suffer a 6 to 8 percent loss of wheat history further indicates that growers do want and expect a wheat program. Had they wanted no program they would not have been interested in preserving history.

The National Association of Wheat Growers has said for some time now that any new wheat program should meet the following basic principles:

1. Should maintain or improve farm income:
2. Should begin an orderly reduction of Commodity Credit stocks:
3. Should reduce the cost of farm programs:
4. Should not transfer our surplus problem to some other commodity.

You will recall that the National Association of Wheat Growers advocated a voluntary wheat program prior to the introduction of the omnibus agricultural bill of 1961 and that it was very similar to the McGovern bill which we feel comes nearer to meeting these principles than any other voluntary plan now being advocated. It offers the following advantages:

1. The program is voluntary.
2. It will substantially improve income to the wheat grower as compared to the “no” vote, and, incomewise, compares favorably with the 1962–63 program.
3. This voluntary program will not, as other voluntary programs did in the past, hold a price umbrella over those who choose to stay out of the program.

The effective price support will be at or near the world price of \$1.30 per bushel. Hence, the market price of wheat should be close to or slightly below the support price. Additional income for cooperators would be derived through certificates purchased by millers for domestic use and a portion of our exports—similar to the 1962 certificate program.

The value of the certificate plus price support should equal a minimum return to cooperators of at least the present market price which is 10 to 15 cents above the effective support price of \$2 per bushel.

4. Hence, under this program there could be no valid reason for the price of bread to increase.

5. It is geared to continue reduction of stocks in an orderly manner.

6. Estimated cost of this program is somewhat less than the 1962-63 program.

We further believe that any wheat program must be compatible with the feed grain program, including implementation of the substitution clause and the permissive use of rye and oat acreage history in the establishment of the feed grain base.

It is our opinion that in order to get 80 to 85 percent participation in any voluntary program the value of the certificate will have to be high enough to encourage participation. The less we raise farm income the less participation we will have, thus making the program self-defeating. Substantial improvement of farm income is the key to the success of any voluntary program.

The National Association of Wheat Growers is certainly willing to look at any voluntary program that maintains farm income at or near present levels and keeps the cost of the program down. It is to be hoped that the leadership of all farm groups interested in improving income for wheat growers can meet together soon and all agree on a single program that will do this.

Mr. Chairman, we appreciate this opportunity to appear before your committee.

Mr. PURCELL. Thank you very much, Mr. Bayne. What questions does the committee have at the present time?

Mr. SHORT. Mr. Chairman.

Mr. PURCELL. Mr. Short.

Mr. SHORT. We are glad to have you, Mr. Bayne.

Mr. BAYNE. Thank you, Mr. Short. It is a pleasure to be here.

Mr. SHORT. On page 2 of your statement you say that any new wheat program should meet some basic principles, and then you go ahead to develop those principles.

Mr. BAYNE. Yes, sir.

Mr. SHORT. One principle to be met is that of reducing the cost to the taxpayer by reducing the burdensome surplus of the Government.

Mr. BAYNE. Yes, sir.

Mr. SHORT. Do you think this actually could be possible of accomplishment under an incentive program to any major extent more than in the program we had in effect in 1962?

Mr. BAYNE. Than the program we had in effect 1962?

Mr. SHORT. No. The program that is in effect in 1963, let us put it that way.

Mr. BAYNE. Well, the program that is in effect in 1963, of course, is a mandatory program and would require another referendum and

legislation, and it seems to be the feeling of the people of the country, as well as Congress itself, that a voluntary program is more desirable than a mandatory program.

Mr. SHORT. It seems, Mr. Bayne, that we are always dealing with this purpose of trying to improve the farmer's income—I think we can all agree to that.

Mr. BAYNE. Yes.

Mr. SHORT. And when we tie to this objective the reduction of cost to the taxpayers, then we seem to sort of reach an impasse. In other words, it is highly desirable, but there is a little bit of difficulty in achieving it with any price-support program or any certificate program. And if we are going to increase the income of the farmer by the issuance of certificates in one instance or in the instance of price support, then how are we to materially decrease the cost to the taxpayer, to the people, and still improve the income to the farmer? I think this is the question we are getting to and this is the question I am asking you.

Mr. BAYNE. Well, I think the wheatgrowers of America are asking for a reasonable segment of the economy as their share, and this will come from a number of sources; the price which is paid by the consumer and any support that is given by the Government. Now, in a completely free market this is entirely regulated by the price paid by the consumer. And in a controlled market, as was pointed out through a previous witness, the world market is controlled, it is a controlled market at the present time, and because of this controlling situation that has developed over the years, a portion of this income for the growers has come from Government sources. I think there is no grower in America but what he would much prefer that he could get for his produce a just return in the marketplace, and there alone. But this seemingly has not proven to be a practical thing.

Mr. SHORT. Mr. Chairman, I know our time for this morning's session is growing short, and I will not take the time of some other committee member by asking questions.

Mr. PURCELL. Mr. Dole?

Mr. DOLE. Thank you, Mr. Chairman. Mr. Bayne, on page 1 of your statement you refer to about 700 or 800 million bushels. What is that based on—more specifically, is that based on sales to Iron Curtain countries?

Mr. BAYNE. It is based on—

Mr. DOLE. Sales to them directly, or the possibility of the wheat going to them.

Mr. BAYNE. That is on the basis of exports of about 900 million which probably would include some sales to the Iron Curtain country group. And without those sales it would perhaps be about 100 million off of that.

Mr. SHORT. Has your organization been engaged in or been busy on this sale of wheat to Russia or to other Communist countries?

Mr. BAYNE. As I pointed out a little while ago, our national convention will be the first part of January. However, the State conventions I think have without exception gone on record as in favor of the sale to Russia as outlined by the President.

Mr. DOLE. In other words, your comment is based on data—that it does not adversely affect our national security.

Mr. BAYNE. Several resolutions were couched in those terms, some even to the extent of favoring the sale to Russia to be carried out in exactly the same manner as any other cash sale would be carried out.

Mr. DOLE. On the basis of 600 to 700 million bushels of surplus exported, would this put the reserves where they should be, or should they perhaps be more than this, or what do you think they should be on the basis of continued export?

Mr. BAYNE. This is a very debatable subject, of course, and you hear figures all the way from 1 billion bushels down. The Secretary of Agriculture last year indicated a bracket of some 600 to 700 million, if I remember the figures correctly, in that neighborhood, and I think that would be a very reasonable strategic reserve.

Mr. DOLE. How is this interpreted in relation to the second basic principle you outline on page 2:

Should begin an orderly reduction in Commodity Credit stocks?

How do you relate the two?

Mr. BAYNE. Well, I think this reduces carryover stocks from the 700 or 800 million—to whatever level is established as a strategic reserve, and many of our States as well as, I believe, our national resolution last year, indicated that the strategic reserve level should be established either by Congress or some other authoritative body, and that we should aim at this strategic level.

Mr. DOLE. You see no possibility of it being less than, say, 800 million bushels because of the widespread arid conditions—I don't know about Washington, but in other areas—do you think it might drop below on the basis of drought conditions, now?

Mr. BAYNE. In the 1964 carryover?

Mr. DOLE. Yes.

Mr. BAYNE. No. I think in 1964—I don't think there is much likelihood of it dropping below that. However, for 1965, of course we do not know what the 1964 crop is going to be.

Mr. DOLE. If the drought should continue, there might be no plantings in certain areas, and relating that to the Anfuso amendment, would you care to comment on this?

Mr. BAYNE. Well, this is a possibility, of course, for those who have no plantings. However, the Anfuso amendment—the threat of loss of history seems to be a great deterrent, as pointed out by a previous witness, and growers are of a mind that there will be a wheat program and that they should have a history.

Mr. DOLE. You think, then, because of the threat, that the farmer receives no subsidy from the Government if he overplants, and no price support that it is proper to penalize the farmer if he receives no support at all? Is this a proper way of dealing with any farmer?

Mr. BAYNE. No—beginning with the 1964 crop, I think the 1964 crop, seeding under that threat—there should be no change.

Mr. DOLE. You think then there was a threat?

Mr. BAYNE. You are putting words in my mouth, Mr. Dole—No, as I said before, when we have a voluntary program which is known as a voluntary program, then I think we should have no penalties. However, the program voted on in May, in the May referendum was a choice between two—and it was well known with a “no” vote, the Anfuso amendment would not be done away with, because it was part of the law in 1958 that had been effective since that time.

Mr. DOLE. But on that ballot you did not have a choice.

Mr. BAYNE. Yes, you had a choice between two programs, and the terms of those programs should have been well understood.

Mr. DOLE. Well, I think they had a Hobson's choice, and as was talked about earlier, it seemed unfair to me to be faced with a threat of getting nothing by way of market price next year, and the reason I asked the question is because of still being able to alleviate and help the farmer by permitting the farmer to store wheat under bond, as has been done in the past.

Mr. BAYNE. Of course, that would take legislation.

Mr. PURCELL. Mr. Harding?

Mr. HARDING. Mr. Bayne, I want to compliment you on being an excellent and informative witness. I think you have done an outstanding job representing the wheatgrowers of the Nation.

Mr. BAYNE. Thank you, sir.

Mr. HARDING. You have pointed out in your statement that your 11 State associations have had their conventions and that 10 of them have passed resolutions favoring a voluntary type of program for wheat.

Mr. BAYNE. Yes, sir.

Mr. HARDING. Would you tell us which State association failed to pass such a resolution?

Mr. BAYNE. The Montana Association. They were concerned with internal problems and failed to discuss legislation at their convention.

Mr. HARDING. They just did not consider any legislation?

Mr. BAYNE. That is right.

Mr. HARDING. What is our capacity to produce wheat in the country if we had no controls, no programs, no price support—how many bushels of wheat would we produce?

Mr. BAYNE. On the basis of wheat history, at about 80 million acres, we should have the capacity to produce in the neighborhood of 2 billion bushels.

Mr. HARDING. And what is our capacity to market wheat? If we produce this 2 billion bushels, how much of it can we market on the basis of past history?

Mr. BAYNE. On the basis of the last several years, our marketing capacity is between 1.2 billion and about 1.3 billion.

Mr. HARDING. And that is the reason your people are interested in a program of some kind?

Mr. BAYNE. This is true.

Mr. HARDING. I have no further questions.

Mr. FINDLEY. Just a point of clarification, Mr. Chairman.

Mr. PURCELL. Yes.

Mr. FINDLEY. The Missouri Farmers Organization you referred to on page 2 of your statement, is that the State branch of the group known as the National Farmers Organization?

Mr. BAYNE. There is no connection.

Mr. FINDLEY. And the Missouri Farmers Organization has supported the McGovern approach, is that correct?

Mr. BAYNE. This is my understanding; yes, sir—a voluntary-type program.

Mr. QUIE. Talking about a carryover of 600 or 700 million bushels of wheat, do you know what kind of wheat that is? I ask because I would understand that remainder would be the leftovers after the

mills and exporters have taken what they wanted; that is, it would not be the best kind of wheat that would be left over, the kind that is suitable for making bread. What type is it, do you know?

Mr. BAYNE. I think you will find, when you get down to that level, you will have a fairly broad base of varieties and classes. Now, the consumption of the White and Soft Red Winter is considerably less than, as you know, the Hard Red Winters, the types raised in the areas up in Montana and the Dakotas. However, under our present surplus situation, there are surpluses carried over of every type and class of wheat.

Mr. QUIE. The amounts would be whittled down, but you would have them available?

Mr. BAYNE. Yes.

Mr. QUIE. In the carryover.

Mr. BAYNE. Yes, and this is controlled or can be controlled by Public Law 480 purchase authorizations. And, if you remember, you had some experience relative, on the floor of the Congress not too long ago, to that—because any time there is a threat of shortage of one variety that variety is eliminated from Public Law 480 programs, which can be done merely by the Department of Agriculture refusing to issue authorizations. The capacity to produce any class and any type of wheat in surplus is here in America, today.

Mr. PURCELL. Any other questions?

Mr. MATSUNAGA. What is the annual consumption capacity of wheat in the United States?

Mr. BAYNE. About 500 million bushels for food and about 100 million bushels for feed and seed over the last 10 years, and a consumption of about 500 million bushels has been a fairly static figure for the last 40 years.

Mr. QUIE. Mr. Chairman.

Mr. PURCELL. We have time for just one more question before we quit.

Mr. QUIE. If there was no control of wheat acres and production was increased so that production came from all the 80 million acres, would not a great number of those acres come from either the soil bank or land which presently is in the feed grain base.

Mr. BAYNE. That is true, and nearly all those acres are producing at the present time except those retired under the soil bank and land retirement program.

Mr. PURCELL. Thank you very much, Mr. Bayne. We will stand in recess until 10 o'clock tomorrow morning.

(Whereupon, at 12:05 p.m., the committee adjourned until 10 a.m., of the following day, December 12, 1963.)

WHEAT LEGISLATION

THURSDAY, DECEMBER 12, 1963

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON WHEAT OF THE
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittee met, pursuant to recess, at 10 a.m., in room 1310, Longworth House Office Building, Hon. Graham Purcell (chairman of the subcommittee) presiding.

Present: Representatives Purcell, Jones of Missouri, Hagen of California, Stubblefield, Harding, Short, Latta, Dole, and Findley.

Also present: Representatives Quie and Beermann; John J. Heimbarger, general counsel, Mrs. Christine S. Gallagher, clerk.

Mr. PURCELL. The subcommittee will come to order. We will proceed with our first witness. The first witness is from the Chamber of Commerce of the United States.

Mr. Robert C. Woodworth will be the witness. He is accompanied by Mr. Walter Garver. We are glad to have you at this time.

STATEMENT OF ROBERT C. WOODWORTH, CHAIRMAN, AGRICULTURE COMMITTEE, CHAMBER OF COMMERCE OF THE UNITED STATES; ACCOMPANIED BY WALTER B. GARVER, MANAGER, AGRICULTURE DEPARTMENT, CHAMBER OF COMMERCE OF THE UNITED STATES

Mr. WOODWORTH. My name is Robert C. Woodworth. I am from Minneapolis and am testifying today on wheat legislation on behalf of the Chamber of Commerce of the United States. I am a member of the national chamber's board of directors, representing agriculture, and chairman of the agriculture committee. I am accompanied by Mr. Walter B. Garver, manager of the chamber's agriculture department.

The subject of these hearings is possible wheat legislation. While our comments and recommendations will, of course, apply to wheat, they are a much more comprehensive statement of general considerations which we believe are applicable to other farm commodities, Federal measures to deal with them, and with economic problems of agriculture generally.

The purpose of Federal farm programs ought not to be primarily focused on preventing declines in the income of wheat or any one commodity. The public today is for farm programs which will reduce the very heavy costs, and provide an interim cushion or escalator affording a minimum of protection against sudden and catastrophic

change that may unnecessarily wipe out producers needed to provide the Nation's and the world's needs for food and fiber.

No small part of the burden of adjustment currently imposed upon farmers is the fact that past programs have created an artificial production and income situation that cannot be sustained on an economically sound basis or retained with the consent and support of the public. The burden is, therefore, on this subcommittee and the Congress to produce legislation providing a program of gradual adjustment to changed economic and technical conditions in wheat as well as other commodities which not only the public, but farmers themselves, will tolerate, follow, and support.

The determination of the level of income of any one profession or occupation, in this case wheat farmers, or the adjudication of what is fair and equitable, is not a proper function or responsibility of government. To rearrange the income of special categories of economic effort and for individual citizens would place the Federal Government in the role of adjudicating economic matters which we believe is harmful and destructive to economic growth and progress because it would eliminate the motives that foster them.

The determination of the income of farmers, and of every other occupation or economic class of citizens, is the role of the marketplace. It is only in the market that human wants and desires, the disposition to work, spend, and invest can find effective and productive expression.

Any new wheat program should restore fully to the marketplace these functions. It should terminate the acquisition by the Federal Government of commodities that can find no other market at the supported prices. This is a general requirement that all commodity programs should fulfill. It should restore to the market its ample capacity to determine the value of wheat and of the various classes and grades. It should permit the market to give as it is well able to do the right signals to producers on how much of what is needed and can be sold.

But any new program should provide a reasonable and orderly transition to free conditions. Otherwise, producers whose output is needed could be ruined, and thus require help to restore their capacity. A healthy adjustment toward freer conditions will be difficult for many at best, and necessarily the program should permit producers and the related economy to feel their way toward definite conditions in which the production and marketing will be essentially in response to the realities and possibilities of basic economic forces and factors.

We are opposed to multiple pricing and certificate plans for wheat or any other commodity. No matter how they are disguised or rationalized, such measures are in effect a tax on users based on charging what the traffic will bear. This is a technique contrary to the public interests. It is well established public policy to avoid this kind of interference with competitive forces and to break it up wherever it is found to exist. Doing it in the name of government does not change its economic impact on people or its morality in the scale of American values.

Moreover, we believe the American people are opposed to charging users an artificial price for a commodity in order to subsidize bargain sales so that commodities can be moved at competitive prices. Experience shows that we cannot treat foreign customers the way it is

proposed to treat domestic users under certificate plans. The future of the wheat industry, and of agriculture generally, is indeed bleak if primary guidance by the competitive market is postponed much longer. More generally, this means that artificially maintained prices above market levels, by whatever device, are destined to meet the hostility and resistance of the American public. We are sure that the end of patience on this score is evident.

There is a great deal of unnecessary confusion about saving Federal costs or saving taxpayers' money. As far as wheat is concerned, it makes little difference whether farm incomes are enhanced by public expenditures or by the indirection of taxation through certificate plans. As taxpayers or consumers, the people are asked to pick up the tab for an income subsidy. When stripped of all the trimmings, programs of price support, certification, or what not amount fundamentally to nothing more than rearranging the income distribution. In this connection it cannot reasonably be assumed that processors or merchants will by some mysterious capacity absorb the costs of such programs. The whole business is so competitive and the margins so relatively small that the capacity to absorb such subsidies is simply not there.

It is a sound aspect of national prudence to take whatever minimum steps are necessary to assure that there are adequate reserves of wheat and other similar basic commodities to tide the Nation over an adverse period detrimental to production.

This year drought or other damaging growing conditions have impaired production in many important areas of the world. The carrying of reserves against these contingencies is very much in order. But such reserves should be thoroughly insulated against depressing impact on production and prices when such conditions are not present. Their release should be so exactly defined by Congress as to price and supply conditions that there would be no possibility of their release except to meet the specified emergency conditions.

Not only have drought and other unfavorable growing conditions curtailed food production in 1963 in important growing areas of the world, but the weather outlook for our own country is currently bad. Wheat is already suffering lack of moisture with no relief in sight over important sections of the grain growing areas, at least as of this date. There has been less rain and snow than normal and required at this time of year.

For this reason we believe that it is premature at this date to be planning any kind of a wheat program to take land out of wheat production by special provisions offering farmers premiums to do so, as proposed in some of the bills this subcommittee has or will consider. It could easily turn out to be a tragic mistake to try to manage, either on a compulsory or voluntary basis, the total resources devoted to growing wheat. A drought in 1964 could conceivably leave us so short of feed grains that wheat for feed would be in considerable demand.

Moreover, the worldwide situation currently indicates the need for extreme caution in trying to throttle production. It appears now that the world's trade in wheat in 1963 will set an all-time record of 1,600 million to 1,800 million bushels. Populations are rising rapidly, and food needs are rising with them. More generally, there is an accept-

ance of wheat as a food in countries that in the past have been predominantly rice consumers.

If we want a strong and dynamic wheat economy in this country, it is important that we stand ready to supply such needs as we are able on an open and competitive basis. It is the only way the wheat economy can grow. But its prospects will be dim unless we are able and willing to engage in fair and open competition effectively.

Some of the proposals for wheat before this subcommittee would provide measures for idling or diversion of cropland acres from wheat and/or other grains. This is an expensive, ineffective, and inappropriate way to achieve readjustment in American agriculture. The 1961-63 experience under the feed grain program bears witness to the failure of this approach. For 3 years approximately \$2.5 billion of the public's money has been spent to reduce feed grain production and supplies. Yet the production of feed grains in 1963 was only 2.5 million tons—about 4 percent—below 1960.

The ineffectiveness of diverting acreage is simply due to the fact that land area today has become for the most part a workshop in which seed, water, fertilizers, insecticides, labor, machinery, and know-how are combined for production. There is plenty of reason to believe that technically there is still quite a bit of "room" in the workshop to produce more.

Acreage or cropland diversion schemes merely accelerate the trend to do more producing on less land. Such programs also are short-sighted because they provide no countering adjustment when the land eventually is returned to crop production. Two- or three-year diversions may seem to ease the problem of abundance temporarily, but they merely put off the day when the land is again used to produce crops.

The experience with the soil banks illustrates this clearly. In 1961 and 1962 contracts in the conservation reserve for more than 3 million acres expired. This year the total is 6.8 million. In the next 3 years contracts on another 6 million acres will expire. As a result, no one has come up with an acceptable answer as to what to do about all this acreage. There are currently more than 25 million acres diverted under the feed grain program. What will be the situation when these diversions end? Are we going to be forced to find new and expensive ways to keep these substantial acreages under perpetual diversion?

The only reasonable excuse we have been able to find for acreage diversion, and payments for it, would be to frankly regard this kind of a program as a way of providing temporarily a form of income assistance to farmers for an interim period. During this time they would be expected to prepare for the adjustments to a competitive market economy. They would be expected to do so in the knowledge that when the diversion and payments ended at a predetermined and established time they must be prepared to live with the market or find something else to do that is economically more productive.

It is our position that Government intervention in the commodities markets should be promptly terminated as to price supports and the acquisition of overpriced commodities. We urge the provision of a transitional program in which prices are more clearly determined by the real markets, with partial offsets in the form of direct payments to

producers. These payments would, to start with, be in the amount of the difference between the present artificially supported level and the average received in the markets.

This proposal bears some similarity to provisions in some of the bills before this subcommittee. However, we want to emphasize that the differences between them and what we are advocating are more important than the similarities.

In the first place, this payments program should be of relatively short duration, depending, of course, on the magnitudes of adjustments that must be made in moving to competitive and free markets. This means not only that the payments should be known in advance to terminate at the end of the "transition period," but also that during that period they would be gradually and systematically reduced—scheduled to taper off.

We would strongly oppose this kind of a payments program in the form of permanent subsidy to farm incomes. As a permanent program, it would perpetually give the wrong signals to producers on the value of the commodity and result in wasteful use of resources, producing quantities that could only destroy the market structure.

On any perpetual or permanent basis such payments would be so expensive that it would create demands to limit either production, or the amount for which any farmer could be eligible. Such payments on a permanent basis would also soon become capitalized into the value of assets such as land and thus simply raise the capital requirements for the generations of new farmers as the older generations pass on. For this reason, such a permanent program would become a windfall to present recipients and forever after a capital cost, rather than an income benefit, for the farmers who will succeed them.

We oppose any limitation on the total of such transitional assistance any one producer might receive. While it is human and easy to feel sympathy for the "little fellow" and therefore to lean toward favoring him, today's farming is on an individual capital and cost scale that may very well justify proportionally just as large transitional cushions to the large as to the small operators.

In short, our support of the payments approach is limited only to its temporary use on a descending scale as an honest and less damaging intervention in the farm business than price supports, resource diversion or Government management of production and supply. While it lasts, it probably would have undesirable side effects, but we believe these are less objectionable than other methods.

We emphatically would not support a payments program as a continuing device for redistributing income in favor of producers. In reality it would have no such effect even if that were its policy aim.

In summary, we contend that the uncertainties as to weather and the demand for wheat are such today that action on wheat legislation is premature, and that some of the proposals before your subcommittee could, if adopted, greatly expose the Nation to a tight food situation. We believe that the future prospects for farm products are promising both at home and abroad, but that they will be realized only if farmers are fully and openly free to meet the competitive situation in which they will increasingly find themselves.

These prospects are bright only if there is a gradual and massive reduction of the Federal Government's intervention in the farm business.

This intervention includes all proposals which mistakenly assume that, by one device or another, supply can be somehow matched to a limited demand at a price satisfactory to all. Today's agriculture is a capital agriculture. This gives rise to heavy fixed costs which must be spread over as large a volume as is practical. Attempts to cut back or choke production run counter to this fact. The competitive nature of the farm business among and between farmers will move it in the direction of abundant production. It is, therefore, mistaken public policy to try to prevent this.

Open markets are the best guide to what consumers want and will pay for, and what producers can get and afford to produce. We urge that the market be increasingly allowed to play this proper role.

In moving rapidly in this direction, great and painful adjustments will have to be made in some parts of agriculture, and especially in those areas where the role of the Federal Government has become heavy. This situation calls for a gradual and orderly transition during which diminishing assistance should be afforded to the producers whose output will continue to be needed, or who will be forced to find a more productive place for themselves in the American economy and society.

Thank you very much.

Mr. PURCELL. We appreciate your taking your time in presenting this statement for the chamber of commerce.

I am sure that there will be questions from members of the subcommittee.

At this time those who would like to ask questions may proceed. Do you have any questions?

Mr. Jones is recognized.

Mr. JONES of Missouri. Mr. Woodworth, I notice in two or three places in your statement you mention that legislation at this time is premature. How long do you think we should wait before planning a wheat program?

Mr. WOODWORTH. It is rather difficult to answer the question, Mr. Jones. I have the feeling that not long after the first of the year we will have a very much better idea of what our weather situation will be. I would also hope that by that time we might have a clearer idea of a potential, now a potential export business.

Mr. JONES of Missouri. You realize, of course, that there is a lot of criticism because the committee did not take some action immediately after the farmers voted down the program that Congress proposed last year?

Mr. WOODWORTH. I do.

Mr. JONES of Missouri. You also state here that the burden is on this subcommittee and the Congress to provide legislation providing a program of gradual adjustment.

Of course, at least some of us on the committee feel that Congress took the proper action some time ago and that in May of this year the wheat farmers themselves rejected what Congress thought in its wisdom was the best plan. How would you suggest that we meet that problem when apparently the many segments of the wheat-producing industry in various parts of the country are unable to

agree? It was with great difficulty that we agreed on the bill that we passed. Do you think Congress should go ahead and just not hear from these producers and people like yourself and plan what they think is best and then leave it open to the farmers again whether they reject or accept the program?

Mr. WOODWORTH. Well, Mr. Jones, I think that the Congress was perhaps wise in taking no immediate action after the outcome of the referendum last May.

Mr. JONES of Missouri. I would say I agree with you on that.

Mr. WOODWORTH. But I think as I understand it the Congress now recognizes some responsibility to consider wheat legislation. I would agree that if that is the decision of the Congress, then I would agree with you that all segments of the industry should be heard and I assume that they will be. I agree that there are varying views. A review of legislation which is already before you I believe is indicative of the many different points of view on this particular subject.

Mr. JONES of Missouri. And there are, I might say, some divergent views embodied in the various bills that are before this committee.

Mr. WOODWORTH. Yes.

Mr. JONES of Missouri. I do not see that you are endorsing any particular bill that is before the committee at this time.

Mr. WOODWORTH. No, we are not, sir.

Mr. JONES of Missouri. The next question, on page 4 and then again on page 5 you emphasize that the chamber of commerce favors "a strong and dynamic wheat economy on an open and competitive basis." Does "an open and competitive basis" mean that there would not be any restrictions on planting or any supports for the producer?

Mr. WOODWORTH. No; it does not mean that at the outset. Subsequently in this statement I think you may recall—

Mr. JONES of Missouri. I am getting to that; but you make this statement here and then later on you mention the fact that there has to be a transition. That was going to be my next question. What do you consider would be a reasonable period of transition?

Mr. WOODWORTH. We have not actually spelled it out and applied it to the test of figures. It would vary as to commodities, I am sure. As to some of the feed grains, the adjustment would be in a relatively short time. As to wheat, I do not know exactly. I would imagine it might be as much as 4 to 5 years.

Mr. JONES of Missouri. I would like to have your comment on a thing that has worried me more about the wheat legislation than probably any other one thing and that is the fact it is my understanding—and I think I am correct, but I could be wrong about it—that in all of the major wheat-producing countries the wheat farmer is subsidized, which places, what I would say, an artificial value on the wheat in the world market. Do you have any comment on that?

Mr. WOODWORTH. Only to this degree. I believe you are correct in your statement that in practically every other country the wheat farmer is subsidized.

Mr. JONES of Missouri. And he is in this country, too.

Mr. WOODWORTH. And he is in this country, too. This is brought into rather sharp focus it seems to me in the present discussions and those which are to come in connection with the role we may play as exporters to Common Market countries where the wide range of sup-

ports to farmers between the different members of the six presents a problem within the six to strike a level satisfactory to them. The United States in my judgment has a very strong interest in this and a very sizable stake in the outcome of these.

The principal country where there is additional arable land which could be put under plow is France, where wheat production could be stepped up considerably if the level of prices in the six was sufficiently high to justify her increasing her production.

Mr. JONES of Missouri. Pardon the interruption. Isn't it indicative of the fact that a subsidy is prevalent in all of the major wheat-producing countries? Doesn't that indicate that the farmer, if he was forced to sell at the world price, would not be getting a price that would pay the cost of production?

Mr. WOODWORTH. Yes. I think that is primarily so. Many of these countries however who do have supported prices in agriculture consume all of their supported crops domestically and are not exporters. France is an exception.

Mr. JONES of Missouri. But they still subsidize the wheat farmers.

Mr. WOODWORTH. That is correct.

Mr. JONES of Missouri. They subsidize them to produce it.

Mr. WOODWORTH. That is right.

Mr. JONES of Missouri. In other words, the Government itself—and wheat is one of the commodities—at least I have always had the impression—that did not rise to the level that the wheat producer is entitled to receive. In other words, he is not getting the cost of production under the present system that we operate under in our international wheat agreements and other places. Would you agree with that?

Mr. WOODWORTH. I think that is correct.

Mr. JONES of Missouri. I will reserve the remainder of my time.

Mr. PURCELL. Mr. Short, do you have any questions?

Mr. SHORT. Yes. Thank you, Mr. Chairman.

Mr. Woodworth, it seems to me that as we start discussing any farm commodity program, we should analyze objectively and fairly the reason that we have farm programs in the United States and the reason, as Mr. Jones was just pointing out a moment ago, that practically every other country in the world has some kind of an artificial pricing mechanism for at least some of the farm commodities. I think this is a fair and true assumption that we can recognize. Every country in the world so far as I know has some kind of a mechanism for supporting the price of wheat as an example. I do not know that other countries have artificial mechanisms for bolstering the price of other commodities to the extent that we do have commodities here in the United States, but it is fair to assume that this has all come about by virtue of the recognition of a real fact being that farmers for some reason that is a little bit hard to identify do not enjoy the same relative income that other segments of our population enjoy? Is this a true premise that we can accept on a broad basis?

Mr. WOODWORTH. I think I will ask Mr. Garver if he wants to answer that question. I may want to comment on it later, Mr. Short.

Mr. GARVER. I think the more important consideration, Mr. Short, is that in the history of these countries there was political strength to enforce these programs dealing with the disparities between farm

and other occupations. These are common throughout the world and they are existent in this country and the level of farm income for any one producer is that which he has come to accept because he prefers that occupation and to argue or to imply that there is some way by which you can equalize of every segment of the population with every other is of course the essence of state-controlled economy.

I could give an illustration of my own relatives who quit farming in Minnesota, an uncle and a cousin, who never made \$2,400 or \$2,500 a year. They got their bellies full of taking the hind teat and came down to Minneapolis, one working driving a truck for Northwestern Fuel Co. and the other one as sort of a resident apartment manager. Between them they made about \$6,500 a year. Before the year was up they said, "To hell with this living," and they went back to farming for \$2,400 a year, because they said they preferred to be their own bosses and handle their own affairs and not be beaten by the woman in the apartment or horsewhipped or slave-driven by the yardmaster in the fuel business.

I use this example to illustrate that there are other things besides income that make people want to farm.

Mr. SHORT. In other words, are you saying this is not quite a proper basic assumption which it seems to me we have to accept when we go ahead with farm programs that are directed at equalizing the farmer's income by some Government mechanism. Through the payment by the taxpayers or perhaps a payment by some other smaller segment of the population such as users of wheat by Government decree. Putting it bluntly, requiring by law people to pay more than they might pay, in some instances than they would pay on a completely free market?

Mr. GARVER. We are saying, and we said in the statement, that we think this is not the proper function of Government; that incomes ought to be determined more competitively in the marketplace where human desires and wants are expressed and satisfied and that even if you try to do this you will not end up in helping the income; you will only end up as we indicated in the statement in a capitalization of any benefits that are discountable or predictable and raising the capital cost structure of agriculture. I think the rise in farmland values, the price of real estate over the last 15 to 20 years, reflects this more than anything else, a discounting of the benefits of subsidy programs.

Mr. SHORT. I think this is a result of our price support programs that is perhaps worthy of some serious consideration. It is a fact, I think, that we can accept, that the artificial pricing, if you want to call it that, of some of the farm commodities, has had the end effect of an unrealistic price perhaps for many of our farmlands in these United States.

Mr. Woodworth says on the bottom of the first page of his statement:

The determination of the level of income of any one profession or occupation is not a proper function or responsibility of Government.

What is your comment in relation to this statement, Mr. Woodworth, in regard to the use by Government of import duties or import restrictions in protecting to some degree the domestic industry from what seems to be in many instances unfair competition from a foreign

country where they have basic costs, taxes, labor, investment, et cetera, much lower than ours?

Let me put it this way. Do you think that the Government should do anything in the way of raising trade restrictions to try to equalize competition of our domestic industry with foreign competition?

Mr. WOODWORTH. I think that under certain circumstances that is necessary and will become necessary.

Mr. SHORT. This, then, is a form in some degree of subsidy for the protected industry, is it not, and it becomes an increased burden in the form of higher costs on the consumer who would use this product if it were coming from a foreign country where the production costs are much lower; this could be a benefit to our consumer that is denied them in degree if we impose some restriction on imports.

Mr. WOODWORTH. I would not say so as a blanket statement. I think that when you get into this question which you are discussing you treat all the circumstances of the moment and consider the items, the commodities, the situation that is involved. I do not think you can make it as a broad and flat statement.

Mr. SHORT. Well, you did make it as a rather broad statement if you want to interpret it that way. I am not trying to be critical.

Mr. WOODWORTH. I understand.

Mr. SHORT. I am trying to get this whole thing in proper perspective as to what is right and what is wrong in the way of the role of Government, the role of society, in trying to protect the interests of any one segment of that society. The thing I was trying to say a few moments ago is that it seems to have been recognized for some generations, and I think statistics, whether they are right or wrong, seem to bear this out, that the farmer, again for some reason that is not too clearly identified never seems to be on a broad per capita basis at least, enjoying quite the same level of income that some of the other or most of the other segments of our economy are enjoying.

Let me ask you this: Would you have any objection, or is there any basic reason why society should object to the farmer using some mechanism of production control to manage his supply so that he would receive a better price? Is there anything wrong with this? Industry does it through various means of controlling their production. Most industries try not to produce more than they can sell at a satisfactory price, and this is only good business. This becomes awfully difficult for the farmer by virtue of the simple, large number of small operating units that are in a sense somewhat to some degree competing with each other.

How do we provide a mechanism for farmers to manage their production of wheat for instance? We all know we can and do produce twice as much wheat as we consume domestically. We know, or I guess we do, unless we are learning something this year, we have had a pretty good yardstick on how much wheat we could expect to export for even the world price.

I was commenting about this yesterday. I think this world price is sometimes more of a residue price than it is a real price. I am not sure that our policy in arriving at prices for the export of wheat is quite all that it should be, although I am not an expert in this field. I am not trying to raise that question.

What I am trying to get at is how does the farmer, how could the farmer manage his production so as to keep supply in some reasonable balance with demand and a reasonably fair price to the farmer? Of course we could argue endlessly on what a fair price is, I suppose; when we start analyzing what is a fair price to the littlest farmer who produces 15 acres of wheat as compared to the farmer who may produce a thousand acres.

Let me also say this: We have a rather specific instance in the United States of an industry that has a capacity to produce more of a commodity than the market would absorb at a satisfactory price and the industry under legal authority does manage its production. This is the oil industry. We do not have unrestricted production. I do not know that anybody quarrels with this. The difference in this, of course, and the difference in our Government programs for agriculture is that the Government has guaranteed a price to the farmer for the agricultural products but not to the oil producers.

Nobody guarantees the price to the oil industry. They arrive at a price by managing the production. Is there anything wrong with this principle of allowing the farmer to have some kind of a mechanism to manage his production?

Mr. WOODWORTH. Mr. Garver, do you want to answer that question?

Mr. GARVER. No, Mr. Short, we believe very much that the future of the farm business depends very largely on farmers learning to organize and to bargain together collectively for their product and to contract ahead for what they are doing. I certainly agree with you that the highly competitive nature of farm business makes this somewhat more difficult than a less populated business or industry but with respect to the oil matter, the oil and gas matter, I think there is one difference, that here you have an indeterminate, irreplaceable resource which, in the interest of the future generations there is some concern or point about seeing that there is some left over. We have pretty well demonstrated in the last 25 years that where we once thought the soil could be mined out and then move on to something else we have now learned to make it a renewable resource. I think this is an important difference from the standpoint of policy, and thirdly, the Federal Government only authorizes interstate compacts to do this. It does not enforce the oil allowables.

Mr. SHORT. Of course, I do not want to get off into a discussion of the oil programs in the United States when we are trying to talk about wheat legislation, but there is a relationship here. I think you can even point to some inconsistencies in the oil program in that we permit a rather sizable importation into the United States from foreign countries and practically unrestricted importation from a couple of countries in the way of overland imports, namely, from Canada and Mexico.

There is no restriction. Yet we try to manage our own production and accommodate imports. If our primary interest was in the health of our own domestic oil industry we would probably restrict imports more; if our objective is to conserve our natural resources we ought to perhaps go so far as to completely restrict domestic production and get all of our supplies from foreign countries. Certainly the supply is available and it could be secured at a price considerably below what it

is at the present time. Oil production costs in almost any country in the rest of the world are below what it is in the United States.

Would you restate again, either Mr. Garver or Mr. Woodworth, any views that you might have on how the farmer might move to manage his production? We have talked about doing this in a cooperative manner. I don't think our efforts to utilize the co-ops have been as gratifyingly successful as some of us would like to see them. I think we sometimes wonder why we haven't been able to do more along this line. I think we have come to the time here when if we are not going to accept something in the way of a mandatory supply management and price support program that we have got to recognize that we have some responsibility to provide the farmer and not only the wheat farmer some means of managing his production, just as industry seems to be able to do within itself and agriculture does not seem to be able to do within itself.

Mr. GARVER. I think there are two points that ought to be made. First as to your last point that we have a capacity to produce more than we can sell, we believe that the first step in this is to develop the best market you can and to learn to produce for it at minimum costs and maximum efficiency so you can meet that market, then you have a market expansion.

You cannot talk about capacity, overcapacity, unless you talk about some price level. It is not present cost but the cost you can achieve in competing.

Mr. SHORT. Let me ask you this right there. Let us try to get this point clear. We hear it reiterated time and time again that there is a somewhat inflexible demand for wheat and wheat products for human consumption in the United States. Do you consider this to be a true premise?

Mr. GARVER. Within limits, it is relatively inflexible for most of the uses. But this, too, is only a temporary notion because, with changing technology, we do not know when some industrial or technical use for wheat may be found that would make it much more elastic in its demand. I think you have to be forward looking in the sense of saying that you do not start out like a monopoly and say that this, being inelastic or inflexible, therefore, the thing to do is get all you can by cutting back as far as you can. This is not growth and strength for the wheat economy or any other business.

Mr. SHORT. Do you think all is being done that could be done in this day when we seem to be devoting so much of our attention to science and scientific improvement and breakthroughs, that all is being done that needs to be done in the United States to try to find new uses for wheat, industrial uses?

Mr. GARVER. I cannot give you a flat judgment on that. I know a lot is being done. I have tried to keep track of some of it. We do. I would not be so foolhardy as to say all is being done. I think there are promising avenues of further exploration that should be pursued.

Mr. SHORT. Thank you very much. Thank you, Mr. Chairman. I have taken too much time now.

Mr. PURCELL. Mr. Hagen of California.

Mr. HAGEN. I got here a little late. You may have answered this question. Do you have any business connection with either the wheat or flour business?

Mr. WOODWORTH. No, sir; I have had a connection with the grain business.

Mr. HAGEN. Do we export any flour at all?

Mr. WOODWORTH. Yes, we do. I cannot give you the quantity or annual volume, but we do export annually.

Mr. HAGEN. Is there an export subsidy attached to flour?

Mr. WOODWORTH. I would say yes. I am not qualified to tell you the amount, but I am sure there is under certain programs.

Mr. HAGEN. What I was leading up to is the price of grain to the U.S. miller probably adversely affects market penetration abroad.

Mr. WOODWORTH. Yes; although I should not attempt to discuss this because I am not in possession of the facts, I am not a miller. This is pure supposition on my part. I would expect that a rather sizable amount of flour is exported under Public Law 480 and that subsidies which apply to grain would be comparably applied to flour.

Mr. HAGEN. I should know already, but I notice in connection with the alleged sales of wheat to Russia that a lot of wheat going to West Germany winds up in Russia in the form of flour. Apparently they mill it in West Germany and it is more profitable selling flour than wheat.

Mr. WOODWORTH. I do not know firsthand, but my recollection is in reading in the press of the sales of Canadian wheat to Russia, they were including sales of flour as well.

Mr. HAGEN. Thank you, Mr. Chairman.

Mr. PURCELL. Mr. Latta.

Mr. LATTA. I have no questions of this witness. I would like to explain my absence from this committee yesterday. It is not that I am not interested in the wheat hearing, because I am, but at 4 o'clock day before yesterday I was called by the Office of the Secretary of the Army to meet with the Secretary at 10 o'clock yesterday morning at the same time this committee was scheduled to meet.

I met with Secretary of the Army Vance and was notified that the Erie Ordnance Depot in my district was to be phased out, meaning a loss of 2,000 jobs.

Because of that fact we were in, shall I say, an argumentative mood all yesterday morning and were attempting to convince the Secretary of the Army why he should not phase out this particular depot and why our area should not lose 2,000 jobs. I am sorry for my absence but this explains it.

Mr. PURCELL. We can certainly understand your not being with us.

Mr. HAGEN. Did you give a good economic argument why it should not be closed?

Mr. LATTA. I think so because Erie happens to be a missile-rebuild depot, doing the best job costwise of any depot in the Army.

Mr. HARDING. Mr. Chairman, I would like to ask Mr. Woodworth what business he is engaged in at the present time? Are you an employee of the chamber of commerce?

Mr. WOODWORTH. No, sir; I retired from active participation in the grain business on August 31 last under a mandatory retirement age at age 65. I am age 66 and out to pasture. I have no active association any longer in the grain business.

Mr. HARDING. What company were you with?

Mr. WOODWORTH. I was senior vice president and director of Cargill, Inc., Minneapolis.

Mr. HARDING. Yesterday the president of the National Wheat Growers pointed out that we have a capacity to produce 2 billion bushels of wheat in this Nation; that we have markets, including our exports and our milling and our seed and feed, for about 1.2 billion.

Assuming that we decided what amount was necessary to store for national defense and future emergencies and announced to the wheat producers of America that tomorrow there will be no wheat program. There is no more subsidies, price supports, or controls, you are on your own. They then produce 2 billion bushels of wheat and we have a market for only 1.2 billion bushels. At the end of the first year of "no program" we have an 800-million-bushel surplus. Would you then support a wheat program at that time?

Mr. WOODWORTH. To answer your question specifically, I would need to know the price at which the 2 billion bushels was produced and what price resulted from this 800 million left over. We will assume that the additional 800 million unduly depressed prices. I should say that the policy of the chamber of commerce, so long as I have known of its agricultural policies, has always been in favor of a support level which would prevent ruinously low prices comparable to those which occurred in the thirties. Am I correct in that, Mr. Garver?

Mr. GARVER. That is correct.

Mr. WOODWORTH. Does that answer your question, Mr. Harding?

Mr. HARDING. Yes, I am happy to know that. I did not get from your statement, that you supported price-support levels that would prevent ruinously low prices.

You feel then that if it is necessary to have a price support on wheat from here to eternity in order to prevent ruinously low prices, the chamber of commerce would support such a price-support program; is that correct?

Mr. WOODWORTH. I do not think it would necessarily follow that that would be the case. Do you want to explain policy on this point, Walter?

Mr. GARVER. In the common language in which this is most often discussed, we have supported so-called disaster price levels or supports at levels when you have had a downturn in the economy, when a greater share of the burden of declines fell on farmers than on other parts of the economy. But in the context of perpetually supporting wheat to prevent ruinous prices, we would come back to say that, first of all, in our preference the offset ought to be made directly rather than interfering with the markets and giving the wrong signals and, secondly—he said capacity to produce 2 billion bushels—that has something to do with the cost of producing.

The steel industry has capacity to produce a much greater tonnage of steel than it has, but it does not produce it if it does not have markets in sight. This comes back to what Mr. Short talked about. The farmer who is now in a number of commodities feeling his way along toward getting on this kind of contractual, forward-looking basis. We would not certainly support a direct price support to prevent ruinous prices in perpetuity because we know you would perpetually have too much wheat.

Mr. HARDING. What do you consider a fair price for wheat today? What should be the price for wheat, whatever the market dictates?

Mr. GARVER. I would say the price for wheat ought to be within two limits, what it costs to produce and what you can get for it when you sell it, and in between is the profit.

Mr. HARDING. The price support should be above the cost of production for wheat?

Mr. GARVER. No, sir.

Mr. HARDING. You say "No, sir"?

Mr. GARVER. No, sir. If you are talking now about these emergency temporary disaster supports, they should be at some level which would permit the producer to stay in business where his production is needed, but it should not be above cost of production.

Mr. HARDING. Do you believe, then, that the price for wheat should be dictated by the law of supply and demand?

Mr. GARVER. It is dictated by the law of supply and demand.

Mr. HARDING. You say it is presently?

Mr. GARVER. It is now.

Mr. HARDING. Then we have a good program?

Mr. GARVER. If you call a billion bushels that you do not know for sure what to do with a good program and the expense of acquiring it and handling it and giving the wrong signal to producers and raising hopes to them that the future cannot justify, I suppose you can call this a good program.

Mr. HARDING. According to Mr. Woodworth's statement he just read to the committee, the goals of the chamber of commerce were to get back to the laws of supply and demand. You just told me that the price of wheat now is dictated by the law of supply and demand.

Mr. GARVER. The law of supply and demand, which is unfortunately often misunderstood, is that if you have any given supply, the only way you can move it is by a price which meets the demand. When we reserve out, as we are doing with our Government acquisition, a part of that supply, the rest of it moves, is dictated by the law of supply and demand, because you are holding off and reserving part of the supply.

I would like to emphasize there is no escaping the working of supply and demand. This is not a manmade law. It is the way human nature behaves. You cannot get away from it no matter how you try to divert yourself around it.

Mr. HARDING. Going further on my earlier proposition, we have an 800-million-bushel wheat surplus at the end of our first year without price supports and without controls. Let us say that the average national market price was \$1.50 a bushel. We do nothing, absolutely nothing; we tell the farmers they are still on their own. In the second year they again produce 2 billion bushels. Again we add 800 million bushels to the surplus and we have 1.6 billion. Now we drop to a market price of 75 cents a bushel. Should we have a Government program then?

Mr. WOODWORTH. I think we are pretty far afield because this is a supposition that is not likely to occur.

I think that, assuming the conditions which you originally described—free and open operation with no supports, no acreage limitation, no marketing quotas, no support prices, production zoomed to the figure you named and there resulted from it a carryover, an excess of production in excess of 800 million bushels—it is my judgment that farmers would not again the next year produce 2 billion bushels at a level of price which would result from such a figure as that.

Mr. HARDING. You are assuming, then, Mr. Woodworth, that a number of these farmers would be driven off the farm?

Mr. WOODWORTH. Not necessarily, but they would be able to exercise their own judgment. The market prices are there. They would understand at what price this surplus production could be sold. I think they would automatically reduce production.

Mr. HARDING. When a farmer knows that the market prices are going to be low, that if he does not go out and produce all he is able to produce, he is not going to have enough income to meet his taxes, machinery payments, send his kids to school, and meet the other necessary costs of living. Yet at the same time he knows that if he produces all he can produce and his neighbors and all other producers of that same commodity produce to their full capacity that they are going to drive prices down still further. You feel he will arbitrarily let his land lay idle voluntarily?

Mr. WOODWORTH. I find it difficult to be specific in answer to your question. I think that the disposition would be, first of all, never to have taken off on the 2 billion production because we are talking now of suppositions, not talking actual situations.

Mr. HARDING. I do not believe this is a supposition. I believe this proposition has been studied very carefully by the National Association of Wheat Growers and that they are being quite conservative in their estimate.

Mr. WOODWORTH. The fact that the potential is there does not necessarily mean this will come to pass.

Mr. QUIE. Will the gentleman yield?

Mr. HARDING. Yes.

Mr. QUIE. Where does the 30 million acres come from that you will use for producing the extra wheat to make 2 billion bushels a year?

Mr. HARDING. How many acres do we have in the soil bank right now?

Mr. QUIE. Twenty-five million.

Mr. HARDING. How many acres do we have out under the feed grain program?

Mr. QUIE. Six million soil bank acres are going back into production next year if we do not do anything. We are negligent in our duties already by not extending soil bank contracts, the Senate having done their work.

Mr. HARDING. There are 25.

Mr. QUIE. Six and a half next year from the soil bank, and the conservation reserve. That is the amount that can go in production next year and all would not go into wheat. The rest of the contracts do not expire until the years after that.

Mr. HARDING. How many acres are in the feed grain program?

Mr. QUIE. That takes out about 24 million acres, and that program will continue next year as well.

Mr. HARDING. There is no necessity to sign up for it. This is a voluntary program and under the proposition I outlined, a farmer could plant wheat on those acres if he desired.

Mr. QUIE. We have a pretty good program next year because the Secretary announced the program, he will increase the payments next year. With increased payments for taking more than the minimum amount of 20 percent out of production.

Mr. HARDING. I would like to emphasize that my own State of Idaho has thousands and thousands of acres in potatoes that farmers would be tempted to put into wheat if there were no controls or loss of future history for overplanting.

Mr. QUIE. At what price per bushel would a potato grower be tempted to put the acres in wheat?

Mr. HARDING. It would depend on the relative prices of wheat and potatoes. I am sure there will be some potato producers who do not have wheat allotments who will plant potato land to wheat next year in the Snake River Valley and gamble on the market. If we could announce there are no surpluses, there will be many more. I feel that the National Wheatgrowers estimate of annual production of 2 billion bushels is a reasonable estimate.

Getting back to this proposition Mr. Woodworth, you feel that this is a supposition, but assuming that it did actually happen and the people did leave the farms after the second year and there followed years of drought and a wheat shortage, and the price skyrocketed way out of proportion, to maybe \$6 a bushel, would the Government then have an obligation to the consumer to come in with some type of program?

Mr. WOODWORTH. Not necessarily, in my judgment. I think again we are talking about suppositions which are somewhat unlikely. I think that the marketplace regulates many of these things that now concern you in the supposition, and I think they would be regulated.

Mr. HARDING. I have no further questions, Mr. Chairman. I think that undoubtedly in the late twenties some people thought that the conditions soon to face American agriculture were merely suppositions and thought they were unlikely to ever occur, also.

Mr. PURCELL. Mr. Dole.

Mr. DOLE. I want to check on page 4 where they talk about world trade and wheat exports reaching 1,600 or 1,800 million bushels. What is the basis for that estimate?

Mr. GARVER. That was an estimate that was published a few days ago in the New York Journal of Commerce as a result of a roundup a reporter had done in which he tabulated the exports of all of the countries of the world and gave a range from 1,650 to 1,850 million bushels.

Mr. DOLE. Does this figure include the possible sales of wheat to Russia or other Communist countries?

Mr. GARVER. This is why there is a roughly 200 million gap in here in the range because the Russian deal is still uncertain.

Mr. DOLE. What is the U.S. chamber's position with reference to the sale of wheat to Russia or any other Communist country?

Mr. GARVER. We endorsed it subject to two limitations: that it be done by the private trade in this country and that it be done for cash or equivalent commercial transaction.

Mr. DOLE. Do you see any security implication in trade with any Communist country?

Mr. GARVER. We have some questions, I will put it that way. We were much concerned about this, but it seemed to us that there was a question of who did what on the wheat, that the wheat would go to Russia in one way or another, and that if we did not sell to Russia, we would probably supplant some other market.

Mr. DOLE. That is about like telling my daughter in the fourth grade, that if everybody else cheats in the class, it is all right for her to cheat.

Mr. GARVER. We did not in our committee, in our discussion of this, see where you could put a single one-way moral implication on this thing, because there was a countering danger which bothered us. That was that the Russians, who are no slouches at turning propaganda against us, could make us look pretty sick among some friendly countries, sitting on a mountain of a billion bushels of wheat, refusing to let people have it who are ostensibly starving. This is a double-edged sword of moral consideration.

Mr. DOLE. Just last week J. Edgar Hoover, in receiving a Brotherhood Award, indicated that Americans should stop fooling ourselves, and that we are at war with world communism, and the American people should wake up to the fact.

In yesterday's paper a story indicated three more American boys were killed in Vietnam fighting communism. There are more than moral implications involved, it is a matter of life and death in some areas.

It is hard for me to reconcile bailing Russia out of any situation, particularly in view of the fact we apparently have a corner on the market. My basis has been that all this should be given consideration, and make the toughest deal possible without getting into an export-import financing procedure. We have it. Russia came to us as a last resort. Certainly, if they will buy it from us, they cannot buy it anywhere else in the world. This is a serious question. I thought it might have been referred to on page 4.

Since the referendum there have been all types of programs suggested by Members of Congress and farm groups. Recently one of my papers carried a story that I feel more or less explains the predicament.

The story is about two morons who were walking through the country one day. As they passed a farmer's barn, they noticed a cow's tail sticking through a knothole. One of the morons said, "I can't see how that cow got through that little hole." The other moron replied, "I don't either, but the thing that puzzles me is if she could get that far, why couldn't she get the rest of the way?" That is the position sometimes that we find the farmer in and also Members of Congress and those who introduce programs to save the farmer. We almost get through the knothole and then it becomes a tail-goes-with-the-hide proposition.

On that basis, do you have any recommendation of how to get the tail through? What program do you think will go all the way through the knothole? Do you have any specific recommendations?

Mr. GARVER. I do not think we would be so presumptuous as to suggest that we or any other group have our arms around any solution. What we are talking about and what we are advocating is that we start moving in the direction of greater market guidance but with great emphasis on the fact that getting that tail through the hole, as you refer to it, Mr. Dole, takes some doing and that there ought not to be a shoving of anybody off the cliff with the idea that he could magically adjust overnight.

There are very grave problems, of which we are quite aware and to which we are quite sensitive. We think this transition ought to be made in the direction of greater market guidance in order that we get a better balance and better use of our agricultural and all the rest of our resources, including human resources.

Mr. DOLE. In other words, there is no endorsement in this statement of any particular bill that may be pending in either the House or Senate, or any combination of those?

Mr. GARVER. What we set out in this to do was rather than try to comment on each of a good many of the bills that are pending, to apply policy which our committee or the principle, let us say, which our committee and our board and our membership have endorsed in the direction in which we ought to go, which is clear cut, in the direction of less Government intervention.

When you get down to arguing about how fast a transition, as we did a moment ago, we talked about it, our committee talked about it, it would probably take 4 or 5 or 6 or 7 years to make any kind of healthy transition in wheat. As Mr. Woodworth said, in feed grains this is much easier to adapt to. In the dairy industry this, too, is apt to be a slower adjustment because of the capital and related commitments.

So our emphasis is on moving in this direction, and we would have to look with a better microscope at any specifics like timing or details of a program. We have a preference, for the reasons we have given in our statement, for letting the market work more freely than it does in setting price and giving this assistance in other forms.

We have talked about gradually enlarging quotas, for example, so that they feel their way along on this. But we believe that it will be a much clearer guidance to where we are going in agriculture if we did this by direct payment route on a temporary transitional and diminishing basis.

Mr. DOLE. That is all. I might comment that our present beef import policy needs attention also, trying to hold on to the tail because they are about to go under, too.

Mr. PURCELL. Mr. Findley.

Mr. FINDLEY. Mr. Woodworth, I was very interested in your statement, I think a lot of what you have said is very timely and makes sense.

One of the hazards that I see in the direct payment proposal you make is that it is in essence income support. It is not reimbursement for anything, for paying off an obligation or a debt unless we presume there is an obligation for income support which the Federal Government properly should assume. I also think it is hazardous to put the word "temporary" in front of direct payment proposal.

I recall when the sales tax began in Illinois, it was a 1-cent tax and announced as temporary. Now 30 years later it is three and a

half cents. The feed grain program started as a 1-year temporary emergency program. We added 2 more years, now 2 more years. Now it is talked about as perhaps the right way to go permanently.

If we are going to start supporting income through direct payments, it is apt to be habit forming. I wonder if you have given any thought to some way to phase it out. Is there any plan you have in mind which would give us some assurance that there could be an end to the road?

Mr. WOODWORTH. It would be our hope and our expectation and our recommendation, as outlined by this statement, that in fact these payments would be temporary and they would be on a gradually diminishing basis until you reach the level of the marketplace.

Mr. FINDLEY. What period of years would you have in mind?

Mr. WOODWORTH. As Mr. Garver just said, I think I said this in answer to Mr. Jones, we have not distilled this completely. But in discussions we would approximate 4, 5, or 6 years as to wheat, a shorter time as to feed grains.

Mr. FINDLEY. I do not know whether you were here yesterday or not.

Mr. WOODWORTH. I was not.

Mr. FINDLEY. One of the witnesses responded to a couple questions I presented in which I referred to a rather unusual proposal made by a professor at Harvard University named Houthaker. He proposes what he calls transitional acreage payments. The theory behind it is the Government would not be supporting income, but rather reimbursing farmers for the capitalized value of the right to grow the commodity. In the case of wheat the best evidence I found is that the right to grow wheat—a wheat allotment, that is—carries on the average a value of \$50 per acre.

So under this transitional acreage payment approach, over a 5-year period the wheat farmer would be reimbursed for this capitalized value. It would not be an income support procedure but a reimbursement for a value the Federal Government itself had created through unwise programs in past years. Has this been considered by your committee?

Mr. WOODWORTH. No; I was not familiar with this approach. Is this a one-shot proposition or continuing?

Mr. FINDLEY. Once the capitalized value was reimbursed, the Federal Government had no further responsibility for price support beyond perhaps the disaster level. A 5-year phaseout was suggested, I believe.

Mr. GARVER. Mr. Findley, I should add in our committee discussions this has been the framework or the thrust we have put on this. Houthaker's proposal fits the kind of thing we have in mind, that these are not income payments or income subsidies but are transitional or adjustment payments to give him time and turning room to get out from under the pickle that some of these programs have got some farmers into.

Mr. FINDLEY. In the language in which you presented it, it is clearly income support. It is not based on anything beyond the responsibility of the Federal Government during this transitional period to support his income.

Mr. GARVER. It would be limited. Any money that comes into the hands of the farmer is income. I do not care what you call it.

Mr. FINDLEY. Unless you are reimbursing him for this built-in value which the Government is going to destroy with a sweep of its hand.

Mr. GARVER. You can call it that and he will still handle it as income, the same as the rest of us would. This is true of price support benefits. They turn around and use them to increase the expenditures for production. To them it was income, and they used it accordingly. Any money they get I am sure would be used as income, no matter what label you put on it.

Mr. FINDLEY. If we embark on the payments road, we should do it in a manner that will have a clear cutoff date.

Mr. GARVER. We have discussed going another approach on this rather than the payments approach, simply gradually lowering the price support over a 5-, 6-, or 7-year period. The important thing is not the period so much as it is the knowledge that, comes a day, in the interim adjustments have to be made gradually. The important thing is that the day of settling down to relating costs to what you can get in the marketplaces for every producer under a support program—

Mr. FINDLEY. The program is based on paying off an obligation. You have a better chance with it than if you simply are supporting prices or supporting income. That is my point.

Mr. GARVER. Yes.

Mr. FINDLEY. Thank you, Mr. Chairman.

Mr. PURCELL. I have two questions for you, Mr. Woodworth. One has to do with your statement where you are saying that every program which has a certificate plan incorporated in it amounts to a "bread tax," as you termed it.

Under the present price of wheat, \$1.97 or \$2 or whatever it is, have you interpreted that any of the programs that make the price of wheat what it is as a tax on bread or flour?

Mr. WOODWORTH. I think, yes. "Yes" is the answer to that question.

Mr. PURCELL. Then if there were a certificate plan in any program we had but the price of wheat remained substantially the same, you would interpret that to be a tax on bread, whether it had a certificate with it or whether it was under a plan similar to what we are now operating; is that correct?

Mr. WOODWORTH. Yes.

Mr. PURCELL. Are you going to be any more active in your preaching the fact that this is a bread tax if there is a certificate plan in operation than you are now about the fact that there is a tax against bread?

Mr. WOODWORTH. It has not been discussed in the committee as such. I would doubt that that would be our position, to publicize it.

Mr. PURCELL. You doubt that you would publicize it?

Mr. WOODWORTH. Correct; yes, sir.

Mr. PURCELL. That is all I have.

Mr. HEIMBURGER. Could I ask a question, Mr. Chairman?

Mr. PURCELL. We have one more witness.

Mr. HEIMBURGER. I know the time is getting along, and I do not want to take up too much time.

Mr. Woodworth and Mr. Garver, you have presented a very basic policy this morning which I would like to discuss a moment with you.

It seems to me that the proposal you have made here might be perfectly sound in what you might call an ideal economy or ideal situation where agriculture, which is, I think you will both agree, probably our last remaining segment of pure capitalism, did not have to compete

with semimonopoly or managed prices in virtually all other fields. I think you will agree this situation does exist.

How you can expect agriculture to stand solely on its own feet in the midst of a domestic economy which is full of semimonopoly situations in virtually every other segment and in the face of a world agricultural market and economy where every major exporting country in the world subsidizes its exports to some extent. I do not see how you can believe that agriculture can stand solely on its own feet in this kind of a world.

Mr. WOODWORTH. At that point may I ask you a question?

Mr. HEIMBURGER. Yes, sir.

Mr. WOODWORTH. Would you agree with me that agriculture in our country has a greater efficiency than agriculture anywhere in the world?

Mr. HEIMBURGER. I think I must agree. This is one of our proud boasts. It does.

Mr. WOODWORTH. It does indeed. The degree is tremendous.

Mr. HEIMBURGER. Its efficiency is based on a very high wage and cost and capital investment scale, do not forget that, sir.

Mr. WOODWORTH. Agreed.

Mr. HEIMBURGER. While it is highly efficient, that does not necessarily mean that the return to the farmer who has \$75,000 to \$150,000 invested in a farm is the kind of return he could expect if he had it invested in a drugstore.

I do not know what the reason is, but I am sure you gentlemen will agree—and if you have not seen our little committee study about farm programs in other countries, I will be glad to give you copies—that every organized government in the world has found it necessary to subsidize agriculture. For some reason or another farmers cannot quite make it anywhere in the world. I do not know why. Perhaps it is the business of managed prices that we talked about, I do not know. I wish we could get away from agricultural subsidy in the United States, but there is nothing in world experience to indicate to us that we can.

I do have one question to ask after that speech. I take it that you would not object if the wheat farmers of the United States were able to form, let us say, two or three big cooperatives and not only manage their production but set their prices and handle their marketing. Would this be a correct statement, Walter?

Mr. GARVER. Yes; we support the right of farmers to organize for this purpose, whether cooperative or otherwise. There are a good many commodities where this is going on today, and they are getting experience doing it.

Mr. HEIMBURGER. If we had three big cooperatives, say eastern wheat farmers, which we might call the Ford Cooperative, the Central Belt Hard Wheat farmers which we could call the General Motors Cooperative, and the Northwest which we might call Chrysler—you would not object if farmers were able to organize themselves into three or four big cooperatives and control wheat production and put it on the market at a managed price. Why do you object if farmers, faced with this impossible task—I think you will agree with me it is impossible, I do not think you have any idea, do you, that farmers could organize into one or three wheat cooperatives covering the

Nation? Why do you object if farmers, not able to do this except through some kind of governmental machinery, call on the Government to handle these production and pricing functions for them?

Mr. GARVER. You are assuming altogether too much of what we concede or agree to or believe. You say, "Why do we object?" We would object if the Government came out and started organizing, say TV repair shops and said that nobody can engage in a TV repair shop that does not do the way we say.

Farmers are doing this on their own. I disagree with you as to the impossibility. I expect to live to see the day when farmers will contract and produce their wheat on this basis. We have no objection to this.

Mr. HEIMBURGER. If I could go along with you on that assumption, I would be very happy to. I doubt if it is possible to get the very many wheat farmers in the United States organized into a cooperative of any kind.

Mr. FINDLEY. Would you permit a question at that point?

Mr. HEIMBURGER. Yes, sir.

Mr. FINDLEY. In connection with that, Mr. Garver, would you be inclined to think that if your program or some similar program would get wheat production back on a marketplace operation, that that would tend to stimulate the development of contract farming?

Mr. GARVER. Yes, sir. You mean between farmer organizations and their market?

Mr. FINDLEY. Would contract farming be more apt to develop in such an atmosphere than in present circumstances?

Mr. GARVER. I think the more farmers realize what the realities of the market are, the more they will band together in order to increase their strength; but again I emphasize, Mr. Findley, on a contract or forward basis a man is in a very poor position to bargain for something that is spoiling in the henhouse or in the bin.

I look for much more of what the Germans call rationalization along this line if we move toward market orientation. I am not worried about these becoming giant monopolies that gouge the consumer because among some of the most highly integrated corporate structures in this country the competition is somewhat fierce. I mentioned, I think, in a subcommittee in this room once before, the experience I had had with the steel industry people. It has become a great shibboleth for people to point to the steel monopoly. I do not know of anybody more worried and struggling more to meet competition than people in the steel industry, not only in steel but in competing products.

I think organized farmers, dealing on their own, organizing on their own, bargaining for their own products in a forward way, would be up against this same kind of proposition.

Mr. FINDLEY. Thank you.

Mr. QUIE. Mr. Chairman.

Mr. PURCELL. Mr. Quie.

Mr. QUIE. There is one vast area we have not gotten into. I know we do not have time now. It comes to my mind that since 1959 our domestic grain and oilseeds consumption increased by 31½ percent, and our exports have increased by 351½ percent, 10 times as much. We can imagine from that what our problem would be had that not happened since 1959.

My question is: Would you have the information—I believe you have the background in that area—to give some testimony on exports? Would you be willing to come back to spend some time talking to us about international trade in grain, especially wheat, or bring somebody who is knowledgeable on it?

Mr. WOODWORTH. I am sure we could supply somebody far more knowledgeable than I. This is a field in which I have not spent too much time. I have a general knowledge of it, but I am sure we could supply someone well equipped to discuss it in depth.

Mr. QUIE. I would hope that in January we could do that.

Mr. PURCELL. I would appreciate it very much. Mr. Beermann, do you have a question?

Mr. BEERMANN. I have one question, Mr. Garver. Has the National Chamber of Commerce taken a position on price supports on all commodities as to whether it is constitutional or not?

Mr. GARVER. No. That is a legal or constitutional question in which our committee would consider themselves massively incompetent.

Mr. PURCELL. Gentlemen, thank you very much. We appreciate your time and your interest in this matter.

We have one more witness scheduled to be heard before lunchtime. At this time I will ask Mr. Victor Wickersham, my neighbor across the Red River, our South Red River, to make his statement and present the witness.

STATEMENT OF HON. VICTOR WICKERSHAM, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OKLAHOMA

Mr. WICKERSHAM. I would like to make a brief statement before introducing Bob Kerr. First I think we need some type of voluntary wheat program, as voluntary as possible. I think consumers, producers, manufacturers, jobbers, and others would benefit by such program.

We fail to remember, many of us, that in the beginning God created the heavens and the earth and then the people. It is our duty to preserve the soil, and we are overlooking that fact. Too many of us are thinking that we are going to have good weather conditions and good crops in the future, but in the past we have had 7 years of plenty and 7 years of drought.

We are obligated to produce enough for consumption. We are obligated to feed the armies. Too many of us have failed to realize that the national income was, is, and always will be seven times that of the farmer. I hope the U.S. Chamber of Commerce realizes that the national income is always seven times that of the farmer.

Other industries are subsidized. Many military component manufacturers have fixed prices, fees. Doctors generally have minimum fees. Lawyers generally agree on a minimum fee. Labor has the minimum wage. Manufacturers set their own prices. Newspapers have a tremendous subsidy from the Post Office Department. So does the railroad and airline for mail subsidy. They have the Tariff Commission and the Interstate Commerce Commission protecting them. The utilities set their own fees. The jobbers, elevators, terminals have their own fees. In this case, if we can get a program, it will benefit the farmers and the manufacturers, the jobbers, the elevators, the terminals.

Labor and management both have a greater stake in farming even than the farmers do; they have a greater stake than anyone else. The farmers will not buy the implements. I know one dealer immediately after the wheat referendum who canceled \$100,000 worth of John Deere orders the next day. Laborers and manufacturers will not have purchasing power if the farmers quit farming.

American manufacturers have the protection of all kinds of tariffs and import duties. We need to have reserve storage in the event of famine or war. We need to bear in mind that farmers are still under an acreage control allotment.

I should like to introduce a real farmer from southwestern Oklahoma, Bob Kerr of Altus, Okla. I would like for him to speak.

Mr. PURCELL. We are glad to have you, Mr. Kerr. You may present your statement at this time.

STATEMENT OF ROBERT M. KERR, ALTUS, OKLA.

Mr. KERR. Mr. Chairman, distinguished members of this committee, and friends, it is indeed a privilege to live in these United States where lay citizens can voice their opinions on important, vital matters such as we have this morning and I certainly thank you and appreciate the opportunity to speak here today.

I speak to you this morning as a member of the Farm Bureau—if just holding their insurance makes me a member. I am also vice president of the Oklahoma Wheat Growers. At our State convention, just over, we voted overwhelmingly to endorse the voluntary certificate plan, similar to the wheat provisions of the Agriculture Act of 1962, which the Oklahoma Wheat Growers also supported. This resolution went on to say that we feel the McGovern bill as proposed more nearly encompasses these ideas and we urge its favorable consideration and passage.

Gentlemen, since I am not speaking to you in any official capacity, the remainder of my remarks I would appreciate your regarding as those of a southwestern Oklahoma farmer actively engaged in the raising of wheat. To keep this as short as possible, but to touch on several points, I am going to skip around somewhat in my testimony.

1. I have been actively engaged in farming for myself for 8 years, but I have been preparing myself much longer, as a member of the Future Farmers organization in high school and a B.S. degree in soils from Oklahoma State University. Part of the creed of the Future Farmers organization has stuck with me: I believe in the future of farming with a faith born not of words but of deeds.

Gentlemen, with wheat bringing to the farmer in 1949 approximately \$2.40 a bushel and a tractor costing \$2,500 to \$3,000, and now in 1964 returning between \$1.25 to even \$2 and that tractor costing \$7,000, the picture of the future is not very bright at the best; certainly we need a farm program, help in getting a parity of prices of the things we sell, for we can't stay in business long, much less enjoy the return other segments of our economy receive for similar investments and effort.

2. It is my opinion the Farm Bureau did not have the best interests of its wheat members at heart in helping defeat the Agriculture Act of 1962 in the referendum. It is my opinion they acted as a giant insurance company about to be hurt by the issuance of certificates.

3. Since the American people spend the smallest part of their earnings ever for food, less, I believe, than any other country in the world, it makes me wonder who the Government is subsidizing—the food budget of the American people or the farmer. It reminds me of the cotton legislation and trying to figure out where to pay 8½ cents—to the farmer, the cotton buyer, or the miller.

It is indeed a pleasure and a privilege to be here, and for this opportunity I thank you.

Mr. PURCELL. Are there any questions of Mr. Kerr?

Mr. DOLE. I am pleased to have you back, Mr. Kerr. Are you for the Cooley cotton bill now pending?

Mr. KERR. I am for Government programs, yes. I think we have to have them.

Mr. DOLE. You said it reminds you of the cotton legislation, trying to figure out where to pay the subsidy. You think the program is sound, the cotton program?

Mr. KERR. I think to stay in business in the business I have become engaged in and wanted to be in all my life, I have an investment to protect. We definitely have to have a price of around 30 to 32 cents for cotton, and this 8½ cents subsidy must be paid somewhere, whether to the miller or to the farmer makes no difference as long as it keeps that price at about 30 to 32 cents.

Mr. QUIE. Will the gentleman yield?

Mr. DOLE. Yes.

Mr. QUIE. The 8½ cents has always been paid to the farmer?

Mr. KERR. Yes, in the past.

Mr. QUIE. There is no question of whether it should be paid but whether it should be direct subsidy so you do not have to run around the barn and pay other people?

Mr. KERR. That is true.

Mr. DOLE. Is there any other avenue you think could be taken for this protection instead of by Government subsidy? You talk about the investment you have that must be protected.

Mr. KERR. The other alternative would be higher food prices. I think if we received a parity of prices and the Government was not in the business of subsidy to the farmers, definitely our food prices would be higher and the people, the citizenry of our United States, would pay higher prices to the farmer.

Mr. DOLE. Which would you rather have?

Mr. KERR. Well, as long as I am receiving compensation for the effort and my investment, it really makes no difference. Of course, I suppose in the tradition of capitalism it would be better to be on a free market if the prices were comparably the same.

Mr. DOLE. Do you look upon a temporary wheat program as a step toward a free market economy or a permanent program to provide these protections you speak of?

Mr. KERR. Again, certainly I think we need this protection; whether it is permanent or whether the Government gets out and prices go higher to the consumer, I think the prices will have to stay relatively as high as they have been in 1963 to return and give the farmer a fair return.

Mr. DOLE. You mentioned 1949 and the increase in cost of equipment. What about the cost of production? Is that about the same per bushel in 1949 as in 1962 or 1963?

Mr. KERR. Those costs are much higher now.

Mr. DOLE. The costs of production are higher?

Mr. KERR. Production costs are much higher.

Mr. DOLE. What would you estimate per bushel production costs to be in 1949? I am just trying to find out if your production costs have increased.

Mr. KERR. I can tell you about what my production costs are now.

Mr. DOLE. What are they now?

Mr. KERR. In relation to the land that I own myself, they are about \$1.30. Where you have to pay rent for the land I rent, you go in the hole in producing wheat at \$1.30 a bushel.

Mr. DOLE. Do you cash rent some of the land?

Mr. KERR. I cash rent some and own some.

Mr. DOLE. How much do you farm all together?

Mr. KERR. About 2,000 acres.

Mr. DOLE. Is that your allotment or total?

Mr. KERR. That is total acreage I farm.

Mr. DOLE. How much of that is in wheat?

Mr. KERR. 436 acres of wheat. Allotment.

Mr. DOLE. How much did you plant this year?

Mr. KERR. I planted within my allotment.

Mr. DOLE. How is the weather in that area?

Mr. KERR. It has been terribly dry until about 3 weeks ago. The fact is we have not had much moisture at all since the last part of June until about 3 weeks ago.

Mr. DOLE. What do you think the potential right now would be of next year's crop?

Mr. KERR. With the moisture we have now assuming we get normal rainfall from here on out the production prospects are very good.

Mr. DOLE. Thank you.

Mr. PURCELL. Mr. Short?

(No response)

Mr. PURCELL. Mr. Harding?

Mr. HARDING. Mr. Chairman, I want to compliment our colleague, Mr. Wickersham on the fine statement he has made. I for one am happy to see him appear before our committee any time. He always has a good contribution. I also appreciated the statement of Mr. Kerr. With a name like that Kerr ought to go far in Oklahoma politics.

I notice, Mr. Kerr, that you have a B.S. degree in soil from Oklahoma State University.

Mr. KERR. Yes, sir.

Mr. HARDING. Have you also been active in agricultural programs in the school down there?

Mr. KERR. To some degree; yes, sir.

Mr. HARDING. You made the statement you believe in farm programs. I am sure you would modify that to say good farm programs.

Mr. KERR. Good farm programs, that is true.

Mr. HARDING. You would sooner not have a wheat program than have one that was expensive to the taxpayers, that built up surpluses or cut down farm income?

Mr. KERR. That is very definitely true.

Mr. HARDING. I feel there are many of us on the committee that feel just as you do, that in certain commodities we need better pro-

grams and we are interested in seeing commodity programs that meet the three criteria that our late President Kennedy laid down. A program should (1) increase farm income, (2) reduce the cost to the taxpayer, and (3) reduce the surpluses in that commodity. Do you feel that these are fair criteria for the wheat program you support?

Mr. KERR. I very definitely feel that that is of vital importance in the criteria.

Mr. HARDING. That is all.

Mr. SHORT. Mr. Chairman.

Mr. PURCELL. Mr. Short.

Mr. SHORT. I want to welcome Mr. Wickersham before the committee. We are always glad to have him here. I welcome you also, Mr. Kerr.

The objective that my friend from Idaho just reiterated here is I think one we all agree to. Could I ask you the simple question as to whether or not you think such a thing is possible?

Mr. KERR. Yes, sir. Somewhere in the realm of possibilities I believe it is possible to develop a farm program that is workable.

If we can send rockets to the moon, I believe those same learned men can figure out a workable farm program within the ideals set forth by the late President Kennedy.

Mr. HARDING. If the gentleman will yield, I would like to say I think it is not only possible, I think it is embodied in the wheat certificate program the farmers defeated in the land referendum.

Mr. SHORT. It has never been proven by demonstrated use, has it?

Mr. HARDING. No. I certainly wish it would have been, I think it is embodied in that program.

Mr. QUIE. Will you yield?

Mr. SHORT. Yes.

Mr. QUIE. Do you say, Mr. Kerr, that you raise cotton?

Mr. KERR. Yes.

Mr. QUIE. How many bales do you raise?

Mr. KERR. Well, I do not have my cotton and all that yet. I suppose it will run somewhere between 80 and 100 bales of cotton.

Mr. QUIE. This cotton program that you support is going to increase the cost of the cotton program by about a third and it is going to reduce the price support because you will get the 32½ cents only on your first 15 bales of cotton. This just goes contrary to the kind of a farm program you say you supported.

Mr. KERR. I said I supported good farm programs.

Mr. QUIE. Is that cotton program a good one, that increases the cost to the taxpayer and decreases income to the farmer?

Mr. KERR. Possibly there would be other programs that would be better, I still think that the farmer needs help in setting prices at a fair level.

Mr. SHORT. Mr. Chairman, I have just one more question I would like to ask him.

On page 2 of your statement, in section 2, the last sentence says:

It is my opinion—

referring to the Farm Bureau—

they acted as a giant insurance company about to be hurt by the issuance of certificates.

I don't know whether it is or not. This sounds like it might be a rather critical indictment of the Farm Bureau. I am wondering how the Farm Bureau's insurance program might have been adversely affected by the adoption of the certificate program. If it is going to be beneficial to the farmer, as the proponents imply, you would think perhaps it would make the farmer better able to buy more insurance.

Mr. KERR. Do you have any idea how much hail insurance the Farm Bureau sells through the Wheat Belt?

Mr. SHORT. I do not know what that has to do with it.

Mr. KERR. Do you think the farmer himself would buy that hail insurance if he was going to receive a fair compensation for the investment, the actual production costs that he has there in that wheat? The thing that I am getting at, sir, is if the certificates were worth approximately \$14 or \$15 an acre, the farmer could turn around with that money and some additional money and go back in with another wheat crop. They would not buy, in my opinion, they would not buy the hail insurance the Farm Bureau has to sell. It is from this opinion that I made that statement.

Mr. SHORT. It seems to me that this is a rather curious line of reasoning but then you have perhaps thought it out better than we have a chance to develop it now. That is all I have, Mr. Chairman.

Mr. FINDLEY. Mr. Chairman.

Mr. PURCELL. Yes, sir.

Mr. FINDLEY. In deference to my friend and colleague from Oklahoma, I have to make a brief defense of the newspaper business because I have an interest in a newspaper. Some reference was made to the subsidy newspapers enjoy. I do want to point out that the weekly newspaper publishers who came to Congress when I did were three in number, and we joined together in an effort to end the postal subsidy. Our efforts contributed to the revision of the postal law which at least makes a big step toward eliminating newspaper subsidies. Of all the newspapers in my district only one criticized me for taking leadership to end the subsidy. While there may still be a modest subsidy in the form of too low rates, it is one which we are not anxious to hang onto.

Mr. WICKERSHAM. I agree with you. It is not so much the country newspapers, it is the larger publications.

Mr. FINDLEY. Thank you, Mr. Chairman.

Mr. PURCELL. We have with us this morning a former member of this committee. Mr. Reifel made a great contribution to this committee and all of Congress and I wonder if our distinguished colleague from South Dakota has any questions or comments.

Mr. REIFEL. I am very much interested in the proposed wheat legislation you are considering in these several bills. I will come over here as often as I can while your committee is in session on this important subject. I would like to hear all of the various viewpoints. It will help me to formulate my own judgment a little later when a bill is up on the floor for passage.

Mr. WICKERSHAM. I would like to say as a former member of this committee before any of you gentlemen came here that I appreciated the interest that you gentlemen are showing in the wheat legislation.

Mr. PURCELL. Are there any other questions of Mr. Kerr?

Mr. DOLE. I haven't any questions but want to point out the reason for our ranking members absence on this side. Mr. Belcher is on his way to Oklahoma to have a minor ear operation and left Washington Monday evening. Earlier this morning Congressman Brotzman, of Colorado, was here but had to leave.

In addition I have sent telegrams to the Grange and Farmers Union, the Farm Bureau, and Wheat Bureau.

Mr. Meeker is here personally. I have comments from the other groups that I would like to have included in the record.

Mr. PURCELL. That may be done. We have received a statement from the Farmers Union. They have a statement here now and the Farmers Union statement will be inserted in the record at this point and any communication or statement which Mr. Dole has from any of these farm organizations may be inserted at this time.

(The statements follow:)

STATEMENT OF JAMES G. PATTON, PRESIDENT, NATIONAL FARMERS UNION

Mr. Chairman and members of the subcommittee, I want to express our deep appreciation of your interest, Mr. Chairman, and that of the members of the House Wheat Subcommittee, in beginning hearings this session leading to the development of a program for the 1964 wheat crop. We are most sympathetic with what we understand to be the objectives of President Lyndon B. Johnson and Secretary of Agriculture Orville L. Freeman in regard to early congressional approval of a wheat bill next year.

Members of the subcommittee will recall that on numerous occasions in the past, Farmers Union has urged your favorable consideration of commodity programs with the objective of full parity of income to family farmers. In a meeting of our board of directors on September 13, 1963, we again reaffirmed our support for this objective and I quote from the statement:

"Fundamental to the preservation of the family farm is the long-time goal of Farmers Union for full parity return to agriculture. This is not only essential to agriculture, but to rural main street business, to national economic growth, and the objective of a full employment economy. We, therefore, urge that top priority be given to legislation and policies toward the attainment of the goal of full parity return to family farm producers of all commodities."

We urge that the subcommittee in their deliberations be mindful of the need for increasing the income of wheat producers. There is no question but that the major commodity problem of immediate concern is wheat. We are all aware that the U.S. Department of Agriculture recently estimated that net farm income next year will drop an alarming \$600 million and attributed this primarily to the lower wheat prices which will result from the defeat of the wheat referendum last May. Farm income is expected to be off \$400 million this year as well. Farmers cannot afford an income drop of \$1 billion. This is a problem which should cause all of us deep concern. It certainly concerns those of us in National Farmers Union.

Mr. Chairman, since the defeat of the wheat referendum, the staff of our legislative services division, together with Farmers Union Board of Directors, program committee and delegates to State conventions have been active in discussing alternative programs for wheat. Much progress has been made during these deliberations. There is one common thread running through all of these discussions and deliberations of Farmers Union in recent weeks—that is the need for a wheat program to be applicable to the 1964 crop.

We respectfully ask the subcommittee to leave this record of hearings open until after the next meeting of our board of directors, December 18, 19, and 20. After this meeting, we request the opportunity to insert an additional statement which will contain the specific objectives of our organization concerning the 1964 wheat program.

We deeply appreciate the opportunity to appear at this time and again wholeheartedly, Mr. Chairman, we endorse your effort and that of the subcommittee toward the enactment of a wheat program as early as possible in 1964.

(For the information and use of the subcommittee, I ask your permission to insert in this record of hearings the full text of the statement of the National Farmers Union Board of Directors adopted in September 1963.)

STATEMENT OF THE BOARD OF DIRECTORS, NATIONAL FARMERS UNION, SEPTEMBER 1963

American agriculture is in desperate circumstances. Not only is adequate net farm income seriously needed to halt the destruction of family farming, but the continuing loss of rural citizens to metropolitan centers of unemployment and social unrest is a classic and unnecessary fact.

The National Farmers Union, for more than half a century, has continuously supported progressive legislation and policies of our Government that would strengthen the economy of our family farm pattern of agriculture. It is not entirely coincidental that this Nation in which family farming has thrived is also the Nation in which the democratic government has enjoyed its greatest achievements.

Technological and other forces are threatening to substantially weaken this traditional, historic, and efficient means of producing the Nation's food and fiber needs. We urge, therefore, that Congress, together with the executive branch of our Government, carefully consider, in the enactment of legislation and in the formulation of national agricultural policy, the essential elements needed to renew, strengthen, and preserve this system of family-owned and operated agriculture.

Corporate farms and vertical integration do not serve the best interests of consumers. When the management of a farm is taken away from those who supply the labor, there is loss of initiative, skill, and prudent judgment which is inherent in the efficiency of our family farm agriculture. Many efficient family farms are being forced out of business because of inadequate return on capital investment.

Chief among the causes for the diminishing number of farms is inadequate income. Improvements in farm income and credit availability since 1960, while reversing the devastating downtrend of the previous 8 years, have been wholly inadequate to provide parity of income to producers of farm commodities. The continuing inadequate supply of capital available to farmers is directly related to the inability of family farmers to earn income in keeping with their investments, management, and labor.

Fundamental to the preservation of the family farm is the longtime goal of Farmers Union for full parity return to agriculture. This is not only essential to agriculture, but to rural main street business, to national economic growth, and the objective of a full employment economy. We, therefore, urge that top priority be given to legislation and policies toward the attainment of the goal of full parity return to family farm producers of all commodities.

Agricultural production will continue to be in excess of our domestic requirements. Therefore, there is an urgent need for maintaining and expanding exports of our agricultural commodities. In order that this may be accomplished, we urge strengthening of Public Law 480 and the export payment programs now in effect for many commodities as they move into oversea commercial trade channels.

Practical limitation of Federal price support, credit, conservation, crop insurance, and other assistance, both monetary and technical, to larger than family farms, is in the Nation's interest. There should be a "cutoff" point beyond which no assistance will be given. The cutoff might be at a specific income level, or a specified number of units of production.

Lack of adequate income has placed farmers at a disadvantage in attempting to secure the amount of capital required as a result of the technological revolution in agriculture. While industry finances equipment purchases and other investments out of current earnings, farmers have had to rely on credit. The cost of such credit to farmers bears no relationship to their earning power. A yardstick credit agency is needed to provide adequate credit at low interest rates. The Farmers Home Administration could be expanded to meet this necessary objective. Particular attention should be given to farm families who are seeking entry into agriculture.

Cooperative marketing and purchasing currently account for only a small percent of the total of such transactions. The removal of the current statutory restriction in section 401(c) in the Capper-Voltseed Act is urgently needed to permit farmers cooperatives to acquire existing business facilities, merging them with their own facilities and services.

There is an urgent need for the establishment of a family farm cooperative loan program to be administered by the Rural Electrification Administration or Farmers Home Administration under which direct loans would be made available to associations of farmers who are not larger than family size for the purpose of initiating a cooperative or expanding one already in existence. Family farms are under a severe handicap in their efforts to continue their operations in free and open competition with massive financial interests, particularly in the processing and marketing of farm products and in purchasing farm equipment and supplies.

It is imperative that action be taken by the Agriculture and Justice Departments to examine the monopolistic practices of large nonfarm corporations or businesses that finance farming operations and/or enter into restrictive contracts with farmers that result in placing all or part of the management in the hands of a nonfarm business.

Farmers Union reaffirms its support of the rural areas development program and related programs to stimulate economic activity in rural areas and bring about a revitalization of the rural community. The emphasis on full utilization of both human and natural resources in such areas is long overdue. We reject the soil bank concept of idling acres and the resultant loss of farm people to cities.

We support the cropland conversion program, the objective of which is to utilize fully the income potential of farmland. We believe that the transition from production of current, unneeded commodities to other uses, including forestry and recreation, constitutes a step in the right direction.

The history of Farmers Union support for rural electric cooperatives needs no amplification. Farmers Union has been allied with farmers throughout the width and breadth of this Nation in behalf of preserving the 2 percent interest rate repeatedly reaffirmed by the Congress. The 2 percent interest rate is justified today as it was at the time President Roosevelt created the REA under Executive order, because of the smaller number of users per mile of electric lines.

Rural electric cooperatives are still under attack by private power interests. These attacks are made on the 2 percent interest rate, on transmission and generation facility loans, and now on the cooperative nature under which rural electric cooperatives have expanded service and electric facilities at a greater rate than ever before.

If we are to continue to have these facilities expanded, we must be alert to these continuing attacks. For example, Mr. Charles Schuman, president of the American Farm Bureau Federation, recently proposed to have the bylaws of rural electric cooperatives rewritten to remove the nonprofit provision, which would pave the way for wholesale sellouts to private power interests.

Rural electric cooperatives were not established to give these special interests the right to profit from the sale of electric power at the expense of rural consumers. These cooperatives were set up to provide nonprofit electric services which they are performing well. The principle of cooperative ownership by members and democratic control by elected boards of directors is fully consistent with the interest of farm families and the Nation.

Contrary to the claim of the Farm Bureau, what the member patron pays over and above the cost of service and in order to retire the REA loan becomes equity and belongs to him. The capital credits method of operation constitutes a contractual arrangement with the cooperative for the eventual return of this capital. Under this arrangement, farmers and other rural people who are served by REA have \$1.5 billion of their own money in the REA program as against the Government's investment of \$2.9 billion.

The cooperative method of bringing electric power to rural America not only is performing this service with dispatch, but at the lowest possible cost—not only in bringing the increased power needed in rural areas, but in giving patron members the control in ownership they are entitled to under the bylaws of rural electric cooperatives.

Farmers Union is pledged to bring facts to farmers concerning the Farm Bureau proposal. We will vigorously oppose any step that would either weaken,

destroy, or permit the sellout of rural electric systems to private power companies or other special interests. Further, we will continue to oppose any effort to force on rural electric cooperatives any increase in the current 2-percent rate.

National Farmers Union forcefully urges the executive and legislative branches of Government to take positive and immediate action on these crucial problems of the family farm. A great nation, moving forward in this challenging decade, moves in a positive direction literally on its stomach. Although we are the best fed and best clothed nation in the world, we can ill afford to take our farm economy for granted. Let each American assume a share in the revitalization of rural America.

SCOTT CITY, KANS.

BOB DOLE,
*Member of Congress, House Office Building,
Washington, D.C.*

DEAR BOB: Enclosed please find that wheat and feed grain proposal that we discussed briefly on the phone.

After reading the bill you introduced (H.R. 6547), it appears to me that the end results would be almost the same; and I think the farmers in this area would be very well pleased if it could become a law.

Bob, I have no desire or intention of writing a bill for Congress, but if my suggestions can be of any help to you and your colleagues, I would be very happy.

Very truly yours,

E. R. PATTON.

**PROPOSAL FOR FEED GRAINS AND WHEAT CONTROLS BY PROMINENT WESTERN
KANSAS FARMER, E. R. PATTON**

This is a proposal for the control of feed grain and wheat production when it is not needed for local consumption and export. It would be a voluntary program applicable to 1964 and subsequent crop years.

This type of a program should reduce the cost of the farm program and also permit the farm operator to plan and manage his farm more efficiently. Furthermore, the supply and demand for the commodity will be the price-controlling factor between 65 and 90 percent of parity. This too will directly affect the production.

It is my intention to establish the support rate below the cost of production so that farmers will reduce production at any time the supply exceeds the need.

My reason for placing the CCC release price high is that if farmers are assured that an unlimited amount of CCC wheat or feed grain will not be dumped on the market at a low price, the farmer will store his grain when prices are down and place up to 50 percent of his crop-producing acres in the program for the diversion payment. Therefore, CCC should not add to its present stocks.

I. Establish soil-depleting acres for farm: To accomplish this use the 3-year average of 1959-61 of soil-depleting crops (corn, wheat, barley, oats, rye, sweet sorghum, soybeans) plus acres diverted from these crops for reduction payments.

II. The balance of cropland on the farm would be soil-conserving acres (summer fallow, alfalfa, clover).

III. Support price, 65 percent of parity.

IV. Diversion rate payment—support price times 50 percent of the average production of 1959-62. (In future years use the most recent 5-year average for which records are available.)

V. Percentage of soil-depleting acres that may be diverted to soil-conserving use for the purpose of receiving a crop-reduction payment shall not be less than 20 percent or more than 50 percent of the soil-depleting acres on the farm. The farmer shall have the option of making the reduction anyplace between the 20-percent minimum and the 50-percent maximum.

VI. A farm with less than 40 soil-depleting acres may draw payment for diverting the entire farm to soil-conserving uses.

VII. The CCC release price for grain in stock could not be less than 110 percent of support price for the first 100 million bushels of any one commodity (such as wheat or corn or sweet sorghum) in any fiscal year, or until CCC stocks have been reduced to 750 million bushels. After the 100 million bushels are released in any one fiscal year, or if CCC stocks have been reduced to 750 million bushels, the price for releasing a further amount shall be not less than 90 percent of parity. An exception if and when CCC stocks must be moved because of going out of condition, they must be replaced within 30 days with the same commodity.

Examples of 150-acre farms:

No. 1. Cropland use for 1959-61

Acres wheat	50
Acres milo	50
Acres summer fallow	50
Total acres	150
Soil depleting acres	100
Soil conserving acres	50
Total acres	150

A 20-percent reduction minus 20 percent of 100 acres equals 20 acres.
 100 acres minus 20 acres equals 80 acres for crop reduction.
 50 acres plus 20 acres equals 70 acres for soil-conserving use.

No. 2. Cropland use for 1959-61

Acres corn	100
Acres wheat	15
Acres diverted from corn for payment	20
Acres alfalfa	15
Total acres	150
Soil depleting acres	135
Soil conserving acres	15
Total acres	150

A 20-percent reduction minus 20 percent of 135 equals 27 acres.
 135 acres minus 27 acres equals 108 acres for crop production.
 15 acres plus 27 acres equals 42 acres for soil-conserving use.

This 42 acres could be planted to legumes for hay or crop rotation purposes.

OFFICE OF STATE MASTER,
 LeRoy, Kans., December 9, 1963.

HON. BOB DOLE,
 House of Representatives,
 Washington, D.C.

DEAR MR. DOLE: I wish to thank you for your telegram relative to the subcommittee hearings. Regret I will be unable to attend in person. I am therefore submitting a brief statement and a copy of the resolution adopted by our State session in October of this year. In addition to the fact that we feel the present feed grain plan is working quite well, is the fact that constant change of programs causes confusion and distrust at the local level.

Thanking you again for the notification of the hearing and trusting it will not inconvenience you to submit and file the enclosed statements with the subcommittee.

Sincerely,

JAMES W. INGWERSEN.

STATEMENT OF JAMES W. INGWERSEN, MASTER, KANSAS STATE GRANGE

(With the understanding you are to hold hearings on wheat legislation I would like to submit the following statement from the Kansas State Grange.

The present position of the Kansas State Grange as expressed by resolution adopted at our 1963 session, copy attached, favors a two-price or certificate plan similar to the present law but on a voluntary basis. We believe on this basis it would be accepted by the majority of wheatgrowers, and would be workable and effective.

We do not favor any change in feed grains legislation at the present time. We believe legislation we are now operating under and which was extended by the Congress in this session is working quite well in maintaining income of feed grain producers, is gradually reducing stocks, and has strengthened feed grain prices.

AGRICULTURE

Whereas Congress looks to farmers and farm organizations for a solution to our long existing farm problems: Be it

Resolved, That the Grange favor a farm program based upon voluntary compliance; a continuation of the feed grain program; a continuation of the land (soil) bank program; a two-price system for wheat with price support on production used in domestic consumption at 100 percent of parity and a thorough study of the feasibility of the solution of our farm production problems on a commodity by commodity approach.

CHICAGO, December 8, 1963.

DEAR BOB: Thanks for the wire advising that the Wheat Subcommittee will hold hearings December 11 and 12.

As you know the American Farm Bureau will be holding our annual meeting and deciding policy for next year on those dates.

Marvin McLain will represent the AFBF at your hearings.

I do not anticipate any major changes in policy.

Sincerely,

WALTER C. PEIRRE.

KANSAS FARMERS UNION,
Topeka, Kans., December 9, 1963.

Hon. BOB DOLE,
Sixth District, Kansas, Member of Congress, House of Representatives, Washington, D.C.

DEAR BOB: Enclosed is a statement which, I believe, reflects the program of the Kansas Farmers Union adopted at our last convention, November 15-16, 1963.

Thank you for considering our organization.

Very truly yours,

MARTIN J. BYRNE, *President*.

STATEMENT OF MARTIN J. BYRNE, PRESIDENT, KANSAS FARMERS UNION

The Kansas Farmers Union's position relating to the long-time solution of the wheat problem is that wheat surpluses will continue to accumulate unless a well-coordinated program is developed to balance supply and demand. The organization supports a supply-management plan which will include these basic principles:

1. Improve and maintain farmer's income.
2. Bring supply in line with demand.
3. Reduce cost to taxpayers.

The Kansas Farmers Union believes the wheat referendum last May lost because of the confusion caused by the many facets of the program.

The organization would suggest, in lieu of this program, that the following would accomplish the same ends and be much more acceptable:

1. A loan of \$1.30 per bushel available to producers who stay within their allotments.
2. Ten percent reduction from the 55-million acre allotment.
3. In lieu of diversion payments that a domestic consumption payment be made and financed by a certificate of 80 cents per bushel on 80 percent of actual production.
4. That an additional 20-percent reduction in acreage be possible and a \$1 per bushel domestic consumption payment be made on all actual production. The additional 20 cents would probably have to come from the Treasury or the sale of Commodity Credit stocks in the same manner as diversion payments are

financed. Since there would be no diversion payments, the 20-cent additional payment would, perhaps, be in total slightly less than the cost of diversion payments.

5. The plan could be on a voluntary basis without penalty and no referendum or could be an amendment to the present wheat programs involving penalties and a referendum.

[From the Wall Street Journal, Dec. 11, 1963]

JOHNSON PLANS TO OFFER WHEAT CONTROL BILL NEXT WEEK BASED ON A VOLUNTARY PROGRAM

(By a Wall Street Journal staff reporter)

WASHINGTON.—The Johnson administration plans to submit a wheat control bill to Congress early next week based on voluntary, instead of forced, participation by farmers.

This is the meaning of a brief reference by Agriculture Secretary Freeman to the wheat problem in a speech drafted for delivery in St. Paul yesterday. "I talked with President Johnson about the wheat situation," the Secretary told a convention of the Farmers Union Grain Terminal Association, "and he indicated then his strong feelings that a wheat program will be necessary."

Mr. Freeman's advisers here say they have been ordered to prepare a wheat proposal aimed at holding down Government costs in supporting wheat prices and at reducing the stubborn wheat surplus. The proposal would replace the present mandatory control law enacted in 1962 but rejected last May by farmers in a nationwide referendum.

DEPARTURE FROM KENNEDY STRATEGY

The decision to send up an administration-backed bill is a departure from the strategy of the late President Kennedy, who planned to let Congress take the initiative in developing a new wheat plan with behind-the-scenes advice from Mr. Freeman and his farm planners.

It's understood the administration's wheat plan will be similar to a voluntary control proposal introduced after the referendum by Senator McGovern (Democrat, South Dakota). This plan provides that all wheat produced within Government-issued acreage allotments would be supported at about \$1.25 a bushel. An additional payment of around 70 cents a bushel would be paid to "cooperating" farmers who agreed to reduce their wheat plantings by a specified percentage below their allotments. The Agriculture Secretary would have broad power to set the amount of acreage reduction. Farmers who overplanted their allotments wouldn't be eligible for any price supports.

This proposal follows the principles of the present Federal acreage-cutting program in effect since 1961 on livestock feed grains—corn, grain sorghums, barley, and oats.

CHANGE IN CONGRESS NOTED

Looking to next year's elections, the administration is eager to escape blame for any sharp drop in wheat prices if new price-boosting legislation isn't enacted. Under present laws, the Government wheat price prop will go down to around \$1.25 a bushel on 1964 production from \$1.82 on this year's. Mr. Freeman's policymakers are convinced farmers would again reject mandatory controls if, as required by present law, a referendum governing the 1965 crop is held next year. So administration strategists want to take the lead with a voluntary wheat plan and head off any farmer uprising.

"It is clear," Mr. Freeman said in his speech, "that the Congress is more receptive to wheat program than it would have been last spring. * * *" Both Mr. Kennedy and Mr. Freeman had warned publicly again and again that Congress wouldn't enact new wheat legislation this year if farmers rejected the tight new controls. But they carefully refused to comment on the legislative prospects for next year. Now administration farm planners are convinced that if wheat prices are allowed to plummet next year, the Democratic Party will be blamed for not bailing out the farmers, even though, in the White House view, they brought it on themselves by rejecting mandatory production controls.

Mr. Freeman's advisers also are hinting that, rather than face certain defeat in a second farmer referendum next spring, the Agriculture Secretary conceiv-

ably might proclaim that wheat stocks, prices, and expected domestic demand and exports are such that any Government controls on wheat would be unnecessary next year. "After all," a key adviser says, "the law doesn't define what a surplus is. This is left up to the Secretary himself."

Government controls on 1964 wheat production might also be deemed unnecessary if the present drought in major producing areas remains a threat to the winter wheat crop to be harvested next summer and if extra big export demand materializes as expected in the marketing year that began July 1.

The Agriculture Department estimates wheat stocks probably will drop to about 725 million bushels by next July 1 from around 1.2 billion a year earlier. If next year's harvest appears likely to fall so short of normal that carryover stocks couldn't be maintained at that level through the ensuing marketing year, Mr. Freeman might not have to worry about winning congressional approval of any new controls for at least another year.

Mr. PURCELL. We have a letter from Senator McGovern. I will ask the indulgence of the committee if Mr. Heimbürger will read that letter.

Mr. HEIMBURGER. I have it, Mr. Chairman. I will be very happy to read it. The letter from Senator McGovern dated December 10, 1963, referred to by the chairman is as follows:

U.S. SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
December 10, 1963.

Hon. GRAHAM PURCELL,
Chairman, Subcommittee on Wheat,
House Committee on Agriculture,
Washington, D.C.

DEAR MR. CHAIRMAN: The wheat producers of the United States could not have a more able, sympathetic, and responsive group guarding their interests in Washington than your subcommittee. Your resumption of hearings on wheat legislation at this time, which will permit the enactment of legislation in advance of spring planting and in time to protect 1964 crop income, is deeply appreciated by me, and, I am sure, by the growers.

Since my appearance before your subcommittee on July 22, widespread support has been given the voluntary wheat certificate proposal by producer groups, reflecting both their desire to have a program and their approval of the voluntary certificate plan.

The National Grange adopted a resolution at its Portland convention in November suggesting use of the certificate device.

The Missouri Farmers Association, an independent State farm organization and the largest in Missouri, approved the voluntary certificate principle.

Ten State wheatgrowers associations have now endorsed the voluntary certificate approach, including those in your State and mine (Texas and South Dakota) and in Washington, Oregon, Idaho, Colorado, Nebraska, Kansas, Wyoming, and Oklahoma. Undoubtedly, their spokesmen will appear with texts of their resolutions.

I note that Mr. M. W. Thatcher, general manager of the Farmers Union Grain Terminal Association in St. Paul, and president of the National Federation of Grain Cooperatives, says in his annual message to members now meeting in St. Paul that a program is needed assuring farmers a fair price for their products without burdening the taxpayers. He adds: "A step in this direction would be passage of the Humphrey direct payment plan, which uses appropriations out of the Federal Treasury, or the McGovern voluntary certificate plan, which depends on the marketplace for its funds."

The Agricultural Outlook forecast for 1964 released at the Outlook conference late last night predicted a \$600 million decline in net farm income, largely due to the prospective decline in the price of wheat. Any such decline will be magnified many times in the total economy since primary producer dollars turn over many times, paying debts and interest, buying goods and services, and creating demand for nonagricultural resources and manufactured goods.

The Washington Post recently expressed editorial concern over the effect of this decline in farm income and urged strengthening the economy elsewhere to absorb the shock. I have suggested to the Post in a letter which appeared on Sunday,

December 8, that the best solution is to forestall the decline in wheat producer income, as can be done. The editorial and my comment are enclosed.

I am pleased that producer support of a program for wheat has been nearly unanimously centered on a single approach, and not scattered among a number of alternatives requiring a decision between them. I am equally gratified that all analyses of the voluntary certificate plan which have come to my attention indicate that it is most advantageous in terms of farm income, lower Government costs, and surplus control.

I am sure that your subcommittee will develop the comparative merits of alternatives very thoroughly. The principal purpose of this letter is to thank you and your fellow committeemen for the timeliness of your hearings.

Sincerely yours,

GEORGE MCGOVERN,
Senator From South Dakota.

[From the Washington Post, Nov. 24, 1963]

THE AGRICULTURAL OUTLOOK

In an age that is dominated by urban problems, developments in the farm sector of the economy seldom attract the attention that they deserve. The official forecast of a 5-percent decline in net farm income for 1964 is causing little anxiety in the cities, but in a closely interrelated economy, the health of one sector affects all others.

The fact that farms account for a little more than 7 percent of total employment in the United States is frequently cited as an indication of the insignificance of agriculture. But such a comparison is highly misleading. Gross farm income in 1963 is estimated at \$40 billion, and farm expenses at about \$27.7 billion. The latter figure includes a multitude of purchases by farmers from the nonagricultural sectors of the economy. And in addition, capital equipment outlays on the farms will run to \$5 billion this year or nearly 13 percent of the total for the economy as a whole.

Any decline in net farm income—even one which appears so small as the forecast \$600 million—reduces the profitability of farming and will be reflected by multiplied impacts on the income and employment of the nonfarm sectors. Moreover, further declines in the net income of the farm sector, which now holds more than \$226 billion in assets, many of them mortgaged or otherwise encumbered by debts, might result in serious financial repercussions.

The total value of loans and price-support inventories now held by the Commodity Credit Corporation is well in excess of \$6 billion, and the prospect that the total might increase raises delicate political questions about the burden which urban taxpayers are willing to assume in the Government's efforts to bolster farm income. All of the alternatives to the present programs for price support would, according to Prof. Luther G. Tweeden of Oklahoma State University, cost more and, with the exception of the direct payment plans, will not resolve the basic problem of commodity surpluses.

In view of these unfavorable prospects it is imperative that the pervasive impacts of a decline in net farm income be cushioned by a more vigorous expansion in other sectors of the economy.

[Letter to the Washington Post, Dec. 8, 1963]

THE AGRICULTURAL OUTLOOK

The Washington Post on November 24 showed a concern editorially over a prospective \$600 million decline in farm income in 1964 predicted by the Agricultural Outlook.

Your conclusion was that these unfavorable prospects require cushioning by a more vigorous expansion in other sectors of the economy.

I have not seen Prof. Luther Tweeden's study indicating that all alternatives to present farm programs except direct payments would cost more, but I have studies by competent agricultural economists showing that a voluntary wheat certificate plan could prevent the \$600 million decline in farm income, reduce Government costs, and permit continued reduction of surplus wheat stocks.

Before your paper gives up the farmers' plight as hopeless, please examine this alternative, embodied in S. 1946, which has now been endorsed in principle or by name by the National Grange, Missouri Farmers Association, and the Washington, Oregon, Nebraska, Wyoming, and Kansas Wheat Growers Associations—and with more coming weekly.

The prediction of a decline in farm income is based on a prospective drop in the market price of a billion bushels of wheat from \$2 per bushel to \$1.25—more than the total decline in farm income foreseen by the Agricultural Outlook report. The drop will occur as a result of farmers' rejection last May of a compulsory wheat certificate plan which required farmers to cut production and provided steep penalties for marketing wheat produced on acreage in excess of allotment.

The day after the referendum, major bakers were quoted in the press to the effect that the wheat price decline would not lower bread prices since wheat is a very minor part of the cost of a 21-cent loaf of bread.

I asked the Legislative Reference Service of the Library of Congress to have its farm experts, headed by Dr. Walter W. Wilcox, prepare an analysis of the results to be expected from a voluntary wheat certificate plan established by the simple removal of the penalties and compulsory provisions in the wheat certificate plan authorized in the 1962 act.

Answer: It would be \$100 to \$150 million cheaper than letting surplus wheat flood the grain markets and start refilling Commodity Credit Corporation storage with wheat and feed grains turned in to settle price-support loans, and with several years' storage charges to be paid. Certificates financed by millers and exporters would hold farm income up while maintaining the present cost and price structure between wheat producer and bread consumer. There would be at least 70 to 80 percent voluntary compliance and Government stocks could be substantially reduced rather than swelled.

Subsequent studies by other experts in the Department of Agriculture, Iowa State University, and elsewhere support these findings.

I hope the Washington Post will study this proposal closely for I am sure that if they will, they will join the growing parade of supporters of the voluntary certificate plan, which meets the three criteria for a wheat plan set by the late President John F. Kennedy: improved farm income, lower Government costs, and continued reduction of surplus stocks.

The farmers are worth saving.

GEORGE MCGOVERN,
Senator From South Dakota.

(The following statement was also submitted to the subcommittee:)

STATEMENT OF HON. AL ULLMAN, A REPRESENTATIVE IN CONGRESS FROM THE
STATE OF OREGON

Chairman Purcell and members of the subcommittee, I appreciate the opportunity to present testimony in support of wheat legislation in time for the 1964 crop. A little more than a year ago Congress enacted the Agriculture Act of 1962 which included a wheat program patterned after the domestic parity plan. Oregon wheat producers have supported a program of this type for many years. The program enacted in 1962 showed promise of continuing the reduction in wheat surpluses which had begun with the emergency program enacted for 1962 and 1963 while supporting wheat farmers' income at the same time.

The wheat program which Congress enacted was in many respects similar to wheat legislation which had been in effect since 1938. Acreage allotments were to be continued and would be apportioned in very much the same way as under the long-standing wheat programs. The program was to be mandatory—that is, marketing quota penalties were to apply to producers who exceeded their acreage allotments. Congress has always provided that such programs take effect only after more than two-thirds of the wheat producers voting have approved the program in referendum. This procedure was continued in the wheat program enacted in 1962.

Last May, wheat producers disapproved marketing quotas for the 1964 crop of wheat. In effect, they voted against mandatory acreage allotments for the 1964 crop.

I believe that wheat producers generally want a wheat program—and they deserve incomes—better than now provided in the event of a negative ref-

erendum vote. Certainly in the Northwest wheat growers are willing to limit their acreage in return for reasonable price and income protection.

Many commercial wheat producing counties in Oregon voted the necessary two-thirds majority for the wheat program last May. But other areas did not. There are now a number of bills before the Congress which would place in effect, on a voluntary basis, a program similar to the one enacted in 1962. S. 1946 introduced by Senator McGovern would do this. S. 2357 introduced by Senators Young and Carlson and H.R. 9344 introduced by Mr. Andrews, of North Dakota, would make a number of administrative changes from present law—in returning more closely to the original two-price or domestic parity bill. All these bills would provide farmers with a program they already understand fairly well, which would reduce wheat stocks, and would avoid the big drop in wheat income next year.

The Oregon Wheat Growers League has adopted a resolution favoring action along these lines. The National Grange has done so also.

Growers in the Northwest have been for this type of program for many years. It will permit them to produce wheat interchangeably with feed grains, thus improving soil conservation practices. It will reduce wheat stocks where stocks are excessive. Putting the wheat program on a voluntary basis will provide a combination for feed grains and wheat which will be effective, economical, and popular.

I hope that this subcommittee will promptly report a bill along the lines of S. 1946.

Mr. PURCELL. Mr. Findley?

Mr. FINDLEY. In the statement of James G. Patton, president of the National Farmer's Union, which was just inserted in the record, I noticed on page 6 some comments which are quite afield from wheat legislation. I note particularly one sentence, which starts out, "Contrary to the claims of the Farm Bureau, what the member patron"—referring to REA cooperatives—"pays over and above the cost of service and in order to retire the REA loan becomes equity and belongs to him." This is a statement that needs clarification. I would appreciate it, Mr. Chairman, if you would invite Mr. Patton to come before the subcommittee so we can clarify that. It is one that interests me greatly because I happened to take the trouble to draft a piece of legislation last year—early this year, which would clarify the property rights of member patrons of REA cooperatives. Here Mr. Patton says that the member patron does own this equity, and I think that we are entitled to have the benefit of his testimony.

Mr. PURCELL. I will certainly extend an invitation to him and do all I can do to get him here.

Before we adjourn, I am going to ask the Department to come before this subcommittee on this next Monday. We will all have to be here, I am going to ask them to come at that time and go over whatever analysis they have. We now have the figures they have submitted. I looked over them this morning. I think we can take all of Monday morning with the Department and have them analyze and then answer questions the subcommittee may have. Then as far as I know there is no one else asked to be here except the Farm Bureau, which is having their national convention at this time. We will extend an invitation to them early in January. I do not know exactly what the date will be, but I think during the first week we are back we may.

I was told by the majority leader that we will come back I believe the sixth or seventh. I thought maybe the seventh or eighth, somewhere along there, we will wind up. The sixth is Monday, I believe. I believe that would include all of those we know about who want to be heard in connection with the old legislation. My hope would be

we could move right on during the week of 14, 15, 16, along there with maybe some executive meetings to see what our collective thinking is in regard to any and all of these bills.

Mr. DOLE. With reference to meeting on Monday, will that be a public hearing?

Mr. PURCELL. Yes, sir.

Mr. DOLE. There will be a record made of the hearing.

Mr. PURCELL. Yes, sir.

The committee then will adjourn until Monday, December 16.

(Whereupon, at 12:15 p.m., the subcommittee adjourned to reconvene on Monday, December 16, 1963.)

WHEAT LEGISLATION

MONDAY, DECEMBER 16, 1963

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON WHEAT OF THE
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittee met at 10 a.m., in room 1310, Longworth House Office Building, Hon. Graham Purcell (subcommittee chairman) presiding.

Present: Representatives Purcell, Jones of Missouri, Hagen of California, Stubblefield, Harding, Duncan, Matsunaga, Dole, and Findley.

Also present: Representatives Morrison, Beermann, and Reifel; Mrs. Christine S. Gallagher, clerk, and John J. Heimburger, general counsel.

MR. PURCELL. The subcommittee will please be in order.

This morning we have the Department of Agriculture here. I understand they do not have a formal written statement. I believe Mr. Jaenke will speak for the Department and will make a brief statement. And then the hearing will be open to questions regarding all the bills that have now been introduced.

Primarily, this will be an interpretation of the economic analysis of the bills.

Mr. Jaenke, at this time we will be glad to hear from you.

STATEMENT OF ED JAENKE, ASCS, DEPARTMENT OF AGRICULTURE; ACCOMPANIED BY CLAUDE T. COFFMAN, OFFICE OF GENERAL COUNSEL, AND ROLAND STELZER, ASCS, U.S. DEPARTMENT OF AGRICULTURE

MR. JAENKE. Mr. Chairman, we are very appreciative of the opportunity to come before this Wheat Subcommittee and at your request, discuss the provisions of various bills which have been introduced to apply to wheat, and in two cases, feed grains as well, and to comment on the Department's analysis and estimates of these bills.

The major provisions and features as well as the analysis have been provided to the members of the subcommittee so that they would have an opportunity to study and review information and therefore be prepared to comment or ask questions today.

I would like to indicate how these two papers came about, and what the procedures are for developing this type of information. In the case of the narrative proposal, we have summarized the key features of each bill in a comparative manner, so as to show what each would do and what each would mean with regard to price support, CCC sales, and diversion, and so forth.

The second paper, the numbers analysis, is the result of the procedure we have in the Department for making economic analysis.

We have a committee of specialists and technicians with representation from the various agencies within the Department who have special knowledge, such as the Foreign Agricultural Service, in the case of exports. This committee was established under the Secretary's memorandum to do the analysis work on the subject of grains for the Department and for the Secretary and Members of Congress at their special request.

I might comment that our estimates are based on certain assumptions that have to be made in order to compare the various programs.

By the same token, I do not mean to apologize for the assumptions or our estimates. The records of this particular grain analysis group have been very exceptional in recent years. I think it was in the 1963 feed grain program where they made an estimate, based on expert knowledge and years of experience as to what the acreage diversion might be, and they came out right on the button.

Two years ago, in the case of the wheat program, they made an estimate of this nature and again the results were almost perfect.

Mr. HAGEN. Is there not a Farm Bureau bill on wheat and feed grains?

Mr. JAENKE. Yes. We have included here five bills. In addition to the cropland retirement bill there is one introduced by Senator McGovern, Congressman Quie, of this committee, one by Senator Mundt, and a bill introduced on the Senate side by Senator Humphrey, and I understand on the House side by a Member of Congress.

Mr. HAGEN. Is cropland included?

Mr. JAENKE. The second column from the right on the sheet before you is the analysis of the cropland retirement bill.

Mr. QUIE. You use the loan level on corn as \$1.10 for all these bills with the exception of mine. All of them provide that the feed grain program would remain as it is now. The Secretary would make his determination.

Why do you estimate that the loan level should be \$1.04 in my bill when the feed grain program is left about the same as it is right now, and you make the assumptions on the other bill it would be at \$1.10 as the present law will be next year?

Mr. JAENKE. I would like to comment on that.

I wonder if I could beforehand give a bit of the quick background of what is behind these figures and come back to your question?

I want to point out two more things before getting to Congressman Quie's question.

No. 1, the estimates before you are based on October crop reports, consumption estimates, and so forth.

They, therefore, would be subject to some change based on later crop reports and other data coming along. These were done using the latest available figures at the time.

I planned, subject to the committee's request, to briefly highlight the key features in the provisions of the various bills prior to getting into the specific points such as Congressman Quie raised. We can do either one. If you would rather forget going over all the bills and touch on a specific point right away, we could do that.

Mr. QUIE. I am going down to the White House and help the President sign a higher education bill. That is going to be done in about 20 minutes, so I would like for you to answer my question right now.

By setting corn loans at \$1.04, you make it look as though the farmer would receive less income. I do not see how you arrive at that figure of \$1.04.

Mr. JAENKE. I think we have to review what is in your bill. Yours has a combined grain base composed of feed grains as well as wheat. It has a minimum support level of 65 percent of parity in the case of wheat, which is about \$1.65.

The feed grain price support is in the same range as we have now, 65 to 90 percent of parity when there is an acreage diversion type program. However, since this is a combined base, in order to avoid farmers changing production plans—shifting from feed grains to wheat—the two-price support levels need to be comparable. From that standpoint, under your bill we believe the price support level for corn would have to be at the maximum of \$1.43. This would make wheat and corn nearly equal.

In the absence of that, without doing that, you would immediately begin to get substitution from feed grains to wheat.

Now, if you put the corn support level at that maximum level and wheat at the minimum, to try to make wheat and feed grains balance and provide the farmer with an equal choice in what he diverts from and what he plants, the result would be cost figures which are considerably beyond what we thought would be reasonable.

We ran into another and very important problem in analyzing your bill. If a voluntary program is to work, it is our judgment there has to be a differential, some incentive for compliance so the noncooperator does not receive equal or even greater benefits than the cooperator. Without this, the program will fail on its own.

The direct payment feature of the current feed grain program is removed under yours. Neither is the sell-back type operation we had in 1961 and 1962 permitted by your bill. Therefore, in analyzing the proposal we felt there was no alternative but to keep the price support level at the very minimum.

Mr. QUIE. Even with the \$1.10 figure you will have in the law next year, and you assume would be the loan level under the other bills, the noncooperator would still have his price pulled up by that \$1.10 loan level.

My bill provides for a diversion payment which could be utilized to a greater degree than you are utilizing diversion payments now which, to a large extent, would offset the difference when there is no direct payment.

Mr. JAENKE. Our Studies and analysis show the land diversion payment under the maximum rate under your bill of 50 percent would still not offer sufficient advantage to the cooperator over the noncooperator to justify the continuance of the program at anything higher than a \$1.04 minimum price-support loan level.

Mr. QUIE. You evidently have not talked to farmers and what goes into their thinking in their determination of whether they will comply with the program or not.

Mr. JAENKE. We do have in this case, in the feed grain program, some experience as to what it does.

Mr. QUIE. That is right. I have talked to farmers who have operated under that program. The diversion payment and the fact they would receive a guaranteed price under the loan to a large extent is a most inviting factor in determining whether they will take part in the program. Most thought the direct payment was working against it because, as they idled more land, they lost direct payments. You really have a program that works two ways, one against yourself and one for the program.

Mr. JAENKE. I was aware of your views on this. I asked our group to go over this program again and take another look and see if we could justify under the basic provision applied, with no differential between the cooperator and the noncooperator in terms of price support, or price-support payments, and have a program which would operate in terms of a higher price on feed grains. We could not.

You could raise the price on feed grains arbitrarily, but it would show up very adversely in cost figures in this program.

Mr. QUIE. I can understand why you would not set it above \$1.25. But why you would make the disparity between corn and grain even greater by dropping it to \$1.04, I do not understand. This adds to the incentive of the farmers to switch from feed grains into wheat.

Mr. JAENKE. We analyzed the alternatives using the highest range to see how the individual farmer as he looked at his history of 100 acres of feed grains and 100 acres of wheat would react. Until you get the price-support level to \$1.45, the individual farmer making his judgment would be much better off to go with the wheat. This has had adverse effects with respect to carryovers and cost figures. When you get somewhere in between here, when you have no differential between a cooperator and noncooperator, you immediately begin to lose participation under the program. The very basic purpose of your bill is defeated.

The big difference that I started to mention before as between the \$1.10 loan level this year and \$1.04 assumed for your program—

Mr. QUIE. \$1.10 next year, not this year. This year it is \$1.07.

Mr. JAENKE (continuing). Is the 15 cents, or some direct price-support payment that would be made to the cooperator. You cannot make the basic comparison of \$1.04 and \$1.10 because the \$1.10 is combined with 15-cent price-support payment which is assured to him on the normal production on his acreage.

Mr. QUIE. Let me finish by saying this: A good example of how your program operates is this year, when it is the most expensive program run for feed grains, you have virtually no reduction in production this year.

Mr. JAENKE. Do you want me to go through this one sheet and hit the highlights of these programs?

Mr. PURCELL. If you would start with whichever bill you want to. You might stay in the order you have them on the sheet. I am sure there will be questions on each one of them.

Mr. JAENKE. I will start with basic provisions and just hit the highlights.

The first column summarizes the current law under the assumption of a yes vote and is the certificate plan which was voted on last year. I think every member of the committee is familiar with this.

A little aside might be appropriate here as to what the conditions are under the no vote. Basically, it is price support at \$1.25, or \$1.26, for these producers who stay within their wheat allotment based on 49½ million acres national allotment. There are no diversion payments. There are no cash penalties. There is loss of price support and reduction of future allotments in the case of the noncooperator.

The next column, S. 1964, which we just tag here as the McGovern bill for simplicity of discussion, is the program which producers voted on this year with one major change, and that is, it would be offered voluntarily rather than on a referendum vote on a mandatory basis.

In other words, this would give producers on a voluntary basis the option of deciding between participation, which would mean staying within an acreage allotment of 49.5 million acres, or nonparticipation, which would mean unlimited planting. Those who participate would be eligible for a loan level of about \$1.30, plus certificates on 80 percent of their normal production at 70 cents a bushel. There would be some land diversion payments for the land taken out.

The nonparticipant, the one who elected not to stay within this allotment, would not be eligible for price support, certificates, or land diversion payments.

Now, to the Quie bill——

Mr. JONES. If I understand it, this person who did not participate and who planted all the wheat he wanted, while he did not have a loan rate, would get the benefit of the \$1.30 loan rate and that would probably fix the price at \$1.30 for this nonparticipant.

Mr. JAENKE. Generally, I would say "Yes." Of course, it would depend upon the degree of participation. If only 20 percent participated in such a program, then we believe the supply of wheat would be such that the price would be depressed considerably below that. If you get in the range of participation of 70 to 80 to 90 percent, which we believe would be accomplished under several of these voluntary type wheat programs, you get lower production. Then with the exception of the immediate past harvest period, we believe the market price would be at or above the \$1.30 loan, and as such, it would be an umbrella.

Mr. JONES. I am not familiar with the whole wheat program.

I am familiar with what they are doing down in the area where I live. We have been 15-acre producers. On my last trip home, which was about a month ago, I found that most everyone is planting more wheat than they did. Some of them have gone and hedged and protected themselves on the future market at \$1.40. I think we are going to have so much wheat down there in that area next year there is not going to be any place to store it.

When people cannot store a commodity and they are not eligible for a loan, which they will not be, I cannot see anything but that price going down to below \$1 a bushel.

Does that same situation prevail, as far as you know, in any other section of the country?

Mr. JAENKE. We do not have an official crop report. It will come on December 19. This will be the first official crop report and fairly reliable indication.

We have heard some of the various reports from the different areas. I think, generally speaking, in what we think of as the main wheat areas of the Great Plains, the predominant situation seems for people to stay within their allotments, or if they do overseed as a normal practice, they are planning to cut back.

By the same token, we have heard from some of the area such as you mention, the 15 acres in southern Illinois, Indiana, and Ohio, where it would appear if the weather factor is not a limiting one, there probably will be a considerable increase in wheat. The weather factor has been real rough in parts of the wheat-producing area. A lot of wheat was seeded and a month later had not germinated. How much this has improved since the end of October, we do not know. We will have some more information later this month.

Mr. DOLE. This points out what some of us feared earlier this year, because under present law, the 15-acre producer can overplant all he wishes.

As you point out, in the historical wheat-producing areas, as a result of a ruling of the General Counsel, farmers face a loss of history between 6 and 8 percent if they overplant and overharvest. This is the very reason I pointed out the Anfuso amendment was not equitable. When any farmer does not receive price support, in fact, no benefits from the Government. If he dares overplant and overharvest 1 acre, he can lose 6- or 8-percent acreage history. This is not true of the 15-acre producer; is that right?

Mr. JAENKE. That is correct. However, it is according to the law, not by a ruling of the General Counsel, that causes the Anfuso amendment to apply.

Mr. DOLE. I have a five-page opinion of the General Counsel and his interpretation of the law. It is not black and white, but his interpretation of the law. So it does point out the very inequity we discussed before the subcommittee early in July, August, and September.

Mr. HARDING. You say they get no price support if they stay within their allotment?

Mr. DOLE. No; if they overplant or overharvest.

Mr. HARDING. If they stay within their allotment, they receive——

Mr. DOLE. I am talking about the historical producer.

Mr. HARDING. Mr. Jones pointed out a moment ago that these 15-acre people that are overplanting have no price support or loan, and they could be in real trouble.

Mr. DOLE. They are going to be in good position because they are not going to lose acreage history. They are not going to lose 6 or 8 percent of their history as the historical wheat producer will. That is why the 15-acre producer can plant 1,000 acres if he wishes without any loss, and, in fact, raise all the wheat he wishes.

Mr. FINDLEY. You say the only basic difference between the McGovern bill and the wheat certificate proposal rejected last May is the voluntary feature. I assume that the voluntary feature adds cost to the program.

Could you give us a close estimate as to how much extra the voluntary feature will cost?

Mr. JAENKE. If you want to turn to the other sheet with the figures on it, we can look back here on table 3 broken down under item 2, "Program cost." You can see the difference as between wheat and feed grains.

Under a yes vote, under the law as it was with the yes vote, wheat program costs of \$1,140 million versus a McGovern cost of \$1,174 million.

At this point, I want to make a point clear with regard to these costs, Public Law 480 and some of the others.

This is not a matter of that amount of money being received by the wheat farmer. The big item of \$729 million is under food-for-peace programs under Public Law 480. This is not a cost attributable to a farm program.

Mr. FINDLEY. You estimate it would cost only \$34 million more because of the voluntary feature and you would get equivalent results; is that right?

Mr. JAENKE. Not quite equivalent.

You always have a certain amount of slippage in a voluntary program, as you know, having analyzed the feed grain program.

Mr. FINDLEY. Are you shooting for the same target as under the certificate plan?

Mr. JAENKE. We are not shooting for anything. We are not commenting in a policy sense on any of these bills here today. This is not our purpose. We are not prepared to. We are commenting on a factual basis on what an analysis shows and what is in the bills.

I was looking over here at carryout. Under the "yes" vote option, table 2, column 6, under the "yes" vote option you have a carryout of 770 million bushels of wheat versus, under the voluntary program comparable to that, McGovern, you have 880 million bushels. You do not have quite the same results, as you can see here.

I think we have covered the voluntary certificate type program of the McGovern bill. Let's move to the Quie bill. Congressman Quie's bill would combine the wheat and feed grain history of a farm into one grain base and the cooperating farmers then would have the option of diverting from that and planting wheat or feed grains on the remaining acres. This is where we get into the problem I was discussing with Congressman Quie, of keeping some sort of a balance. If you make wheat much more attractive with a \$1.65 loan versus anything less than \$1.45 loan on corn, the natural tendency would be for everyone to move toward wheat. His program provides for price support between 65 and 90 percent of parity in both wheat and feed grain whenever there is a special diversion program in effect. When not in effect, the price goes up to 90 percent of the 3-year average.

The key feature of his bill is the combined wheat and feed grain base.

Moving on next to the Mundt bill, this is the wheat program we have had for 1963. It does require a referendum and requires two-thirds majority vote in that referendum.

In other words, for the Mundt bill to apply to the 1964 crop, a referendum would have to be held this summer and only a two-thirds favorable vote would put the program in effect. This is the one which gives a loan of \$1.82 national average to everyone, and an 18-cent support payment to those who reduce their acreage allotments by 20 percent below their allotment.

The cropland retirement bill, introduced by a number of Members on this side as well as the Senate, differs considerably from these other bills, all of which deal specifically with wheat and feed grains. The cropland retirement bill would deal with those as well as the entire

agricultural economy, or it is set up to do so. It might be compared to a shotgun-type approach opposed to a rifle approach.

It is a permanent piece of legislation and would apply from here on if passed as introduced. The wheat price support would be the 3-year average world price, but not less than 50 percent of parity.

For feed grains, the price support would be 90 percent of the 3-year average price received by farmers, but not less than 50 percent of parity.

In a nutshell, this is the same bill with two exceptions that this committee considered very carefully a year ago. The Department would establish for all areas of the country a base rental figure designed to reimburse the farmer for what he would lose by not producing. Then farmers would bid against that rate. Let's say it would be \$25 for a particular piece of land in the Ozark country of Missouri, or some other place, then farmers would bid what percentage of that they would be willing to accept. The person who bid 50 percent of that rate, or 75 percent, if he was the lowest bidder, would get a chance to divert his land.

The Secretary would be required to encourage diversion of whole farms. This land would come out of production and this farmer would receive the bid price payment for this diversion.

There is an attempt to avoid unduly disrupting a local economy as a result of taking all the land out of a particular area. It gives complete discretion to the Secretary as to how to administer this and there are no guidelines as to what he should do. So far this is very similar to the bill you considered last year. The big difference, however, is that whereas last year, to be eligible for price supports under this cropland retirement bill a producer had to divert some of his land and still go through this procedure of bidding; this year H.R. 6540, and its companion bills, removes that feature so everyone would be eligible for price supports whether they contributed anything in the way of diversion or not.

Whatever incentive there was for a person to come in last year is removed because he is guaranteed price support without coming into the program, and hence, we think would run up the cost quite substantially. Farmers would know they do not have to do anything but just bid here in order to get their land out and the advantage of price supports and the loan level would not be there as an incentive to get people in.

The other difference has to do with the wheat price-support levels which are changed under this bill to reflect the world market price. We have had to make some basic assumptions in order to get any figures at all, any data, on the cropland retirement bill.

One of those was that the cropland retirement bill would work. There is considerable question as to whether it actually could work in the way of getting the amount of land out which would be required in order to make it work. We assumed in our analysis that the program would work, and that you could get in the range of 80 million acres out of production, including what is already out under the soil bank and conservation reserve program.

Mr. JONES. On that cropland bill, is there a minimum requirement for acreage reduction in order to qualify for support?

Mr. JAENKE. No, sir; no requirement. Everyone gets support whether they take land out of production or not, sir.

Mr. JONES. What are you going to support them at—90 percent of the average price of the last 3 years, but not less than 50 percent of parity, and you would have the privilege of growing all you want to?

Mr. JAENKE. And everyone throughout the country would be eligible for that price support level.

Mr. HAGEN. I would like to ask a question not related to any specific bill.

Has the Department developed cost of production figures for wheat and feed grains for the various parts of the country?

Mr. JAENKE. There is one study developed by the Department, which attempts to determine typical farms in various areas of the country and compute costs and returns to fixed capital as well as out-of-pocket costs, and so forth. I do not have it with me and am not certain it has all of the information you may want.

Mr. HAGEN. I wonder if they could submit that to the committee.

Mr. JAENKE. We would be happy to.

Mr. HAGEN. It is my impression these wheatgrowers have had about as fancy a program as any producer. I would like to see some figures on the real costs of production on both the wheat and the feed grain program.

Mr. PURCELL. I will ask the Department at this time to furnish that report for the committee.

Mr. FINDLEY. Mr. Jaenke, turning to costs, I notice that the estimated costs of the cropland retirement program is the highest of any bill under consideration.

Mr. JAENKE. Yes.

Mr. FINDLEY. Aside from the cost, what serious handicaps do you see in it?

Mr. JAENKE. As I indicated, the Department is not in a position today to make a recommendation for or against.

I can comment on a factual basis on some of the table here and what is in the bill.

One of the basic problems is the difficulty of ever getting enough land out of production on a bid procedure, and the costs that would be incurred if you ever did get it out.

Some of our studies show that perhaps the first 25 million acres, or somewhere near this acreage of land, can be enticed out of production at a relatively reasonable cost.

When you get beyond that, when you get into the kind of farmland such as your district in Illinois—when you get into that kind of farmland, the amount of per acre rental payments it would take to get that land out would be much, much more costly. We just do not know what it would come to. Perhaps you could tell us more precisely what it would take for a farmer in a county in Illinois to take out of production land valued at \$500 to \$600 an acre.

On a bid basis, how do you get to this? You start out by determining a rate and everyone bids against that. Let's say you get 15 million acres the first go-round. What would you do?

That particular year with only 15 or 20 million acres retired, since this cropland retirement bill would wipe out the allotments, feed

grain program, and everything else, you would have huge overproduction. So the next year you would raise the rates and try to get higher quality land.

Let's say you get another 15 million acres. You are up to 40 million total. You still do not have enough land taken out of production with this shotgun approach, and you have the low-quality land which does not result in proportionately reduced production. Hence you still have another glut.

During this period, the CCC is taking the excess into their stocks and the costs are mounting very rapidly. This is why I say there is considerable doubt as to whether the program is workable, whether it could ever be made to work. If you ever got to the 80 million acres, perhaps it would work.

Mr. FINDLEY. It seems to me you are assuming the program would work because of land retirement.

As I understand it, the land retirement is a secondary feature.

Mr. JAENKE. What is to make it work without that?

Mr. FINDLEY. The principal item that should bring about some adjustment in production is price. And I want to call your attention that one variation in the cropland retirement which is not mentioned on your summary is the bill I introduced, which puts a \$600 million annual limit on the rental payments in the 3-year program.

Under my proposal, production adjustments would result from marketplace operations rather than relying on cutting back on the productive plant.

Mr. JAENKE. Let's look at what the loan levels would be under the bill.

For corn, it would be 96 cents a bushel national average. For wheat, \$1.30.

Mr. FINDLEY. Ninety percent of the 3-year average. It would be 96 cents?

Mr. JAENKE. Ninety percent of the 3-year average, until it dropped to 50 percent. Fifty percent of parity would be down to around 80 cents per bushel.

Mr. FINDLEY. I am sure you had the facts.

I thought the 3-year national average was closer to \$1, which would mean closer to 90 cents on a 90-percent basis.

Mr. JAENKE. Our specialists have calculated the 3-year average. Then the 90 percent of it would be the loan level.

I think it clearly shows that until you get price supports down to the point where a farmer does not get back his out-of-pocket costs, only then is he forced into bankruptcy, forced into quitting production.

Our studies indicate the price support would have to be considerably below 96 cents before you started getting the price down low enough so it would not cover a farmer's out-of-pocket costs. Again this would vary. You begin to get some high-cost producers right away, when you got down to 85 cents or 80 cents. Probably some of the best producers could go below that. At least they could still hang on for the time being.

I think the results of the theory of price dropping or price lowering as a method of bringing about reduced production has had sufficient trial and has failed rather horribly. Perhaps the price could be dropped so far as to accomplish this, but no one is willing to let it go

as far down as it has to be and take the consequences in economic disruption to the rural communities.

We do not think the price features of this bill will accomplish the goal. Therefore, you have to rely on land diversion. And as indicated earlier we do believe land diversion would do the job under this particular program.

Mr. FINDLEY. If that's true, it looks to be a hopeless situation because our experience with land diversion as a means of cutting back production from the 1959 and 1960 base level has been pretty dismal.

I would like to point out, too, there are a number of options farmers can take. They can decide whether to use the land for corn or something else. Then they can decide whether to heap expensive fertilizer on it. I think the price would make a considerable adjustment in production.

Mr. PURCELL. Are there any other questions at this point?

Mr. DOLE. Mr. Jaenke, did any of these analyses compute the land going out of the conservation reserve this year of about 7.4 million acres?

Mr. JAENKE. In the first table, where we have taken the total feed grain base and wheat allotment, we are including the conservation reserve land, estimated at 6.3 million acres which was in feed grains.

Mr. DOLE. I am talking about the conservation reserve contracts that expire this year. That is being considered?

Mr. JAENKE. That is taken account of here. The rest that is left in, 17 to 18 million acres of all cropland would likely come back out later on. The estimated acreage of feed grains in the conservation reserve is included in the base shown at the top of table 1.

Mr. DOLE. Maybe you do not know, but is there still a possibility, from the Department standpoint, of getting an extension, at this late date, on these expiring contracts? Do you have anything in the works?

Mr. JAENKE. We made our recommendations to the Congress last spring and during the summer modified these in an attempt to find some area of agreement. That has not been successful. A bill did pass the Senate, is pending before this House Agriculture Committee, which would try to pick up some of this land and prevent its coming back into production. You would be better able to comment on what is to happen to that than I.

Mr. DOLE. Is the basic difference between the McGovern bill and the plan the farmers rejected in May the fact that it is voluntary? Is there any other basic difference we may have overlooked?

Mr. JAENKE. This is S. 1946, the McGovern bill. As written, this is the key factor, the basic change. Obviously, it makes some changes in provisions of law to make this a voluntary program. That is the purpose and the main significant difference.

Mr. DOLE. Will there be any recommended legislation as such from the Department, or will you push one of the pending bills?

Mr. JAENKE. The Department will make some recommendations, and perhaps I omitted mentioning this at the beginning, our Grain Advisory Committee is meeting today and tomorrow. Out of that meeting, plus some further considerations, we would anticipate that we will have some recommendations to make to this subcommittee perhaps shortly after the first of the year. Whether it will be in the

form of any one of these bills or some other approach, that I cannot comment on at this point.

Mr. DOLE. The so-called Quie bill in your analysis, under income to farmers, is based on a bare minimum of 65 percent of parity?

Mr. JAENKE. In the case of feed grains and wheat, yes.

Mr. DOLE. You made it as low as possible then?

Mr. JAENKE. No. I think it would have been a lot worse if we had assumed different levels, higher levels of price support in the feed grains. Costwise and carryoverwise it would have been even worse.

On all of this analysis work we tried to assume, we tried to pick out the best set of circumstances to make the program look best of all, all factors considered.

Raising the price support under the Quie bill to 90 percent of parity in both cases would make farm income look better. Considering all factors of Government costs and stocks, we picked out the best option, the best assumption under the Quie bill and under all these bills.

Mr. DOLE. As I understand it today, you are not endorsing any one of these programs in any way. You are here to have a bull session, talking about the whole works; is that right?

Mr. JAENKE. We were asked to come up and to comment on the particulars of the bills and on our analyses of these bills, not to take a position for or against the Quie bill, or any bill.

Mr. DOLE. If we have a voluntary program next year, then those who did overplant in the traditional wheat areas of northwest Kansas, for example, by staying out of the program, would not be affected, would not lose any history?

Mr. JAENKE. This would depend on the language written into a voluntary program. Those who planted within their allotment, or who plan to get back within their allotment, would be benefitted under the McGovern plan, which is what I assume you are referring to. The differences would be, that instead of being eligible for a loan at \$1.25, they would be eligible for a loan of \$1.30 plus a certificate on 80 percent of their normal production at 70 cents.

Those who overseeded would have the opportunity to come into the program, too, if they saw fit. We would estimate that 80 to 85 percent would participate. This is a judgment factor.

Mr. DOLE. I think you were in Dodge City not too long ago.

Mr. JAENKE. Yes.

Mr. DOLE. You indicated there was a rather small amount of overplanting in the area.

Mr. JAENKE. Yes.

Mr. DOLE. Largely because of a desire to comply if possible and, second, because of moisture conditions, which has not improved much. This may have some effect on what will be done in spring wheat areas. If our potential keeps fading, I can see overplanting in the spring areas, rather excessive overplanting. Thank you, Mr. Jaenke.

Mr. FINDLEY. Mr. Chairman.

Mr. PURCELL. Mr. Findley.

Mr. FINDLEY. Could you help with a few definitions? What is the difference between carryout and utilization?

Mr. JAENKE. Carryout is the quantity left over at the end of the year that has not been used for feed, seed, export, human consumption, or anything else. It is the amount left at the end of the year, not used.

Mr. FINDLEY. Out of production?

Mr. JAENKE. Out of the carryin and production. The amount that you had from the previous year, plus all production, minus all your uses, gives you carryout. Utilization is that amount of use.

Mr. FINDLEY. Then what is the difference between carryout and carryover?

Mr. JAENKE. No difference. It is terminology.

Now back to the next bill not pending before this committee or in the House, to my knowledge, but one of those which we analyzed. That is the Humphrey bill. This would be a 2-year program.

The difference from some of these others, the significant difference is the fact that, instead of using the certificate operation, this would have price support payments at 65 cents per bushel for the domestic share and at 25 cents on the export share.

Otherwise it would be a voluntary program, farmers would voluntarily reduce their acreage, would get some diversion payments, and would be eligible for compensatory payments. Again, the noncooperator would not be eligible for any form of price support.

Lastly, on the right, the most recent one that has been introduced, the Young bill—I believe introduced by a Congressman from North Dakota here in the House. Senator Young's bill comes the closest to the old domestic parity approach. On the domestic share of each farmer's production he would get certificates so as to bring his price up to full parity of \$2.51. He would be eligible for a loan on his production at world market prices.

The certificates would operate very much the same way they would have under the mandatory program or the way they would under some of these voluntary programs. The major difference is the certificates would be only on the domestic share, and they would be valued to bring the price of wheat to full parity.

Mr. PURCELL. On the sheet that has the figures with it, I do not see the Young bill analyzed. Do you have cost figures in connection with it?

Mr. JAENKE. No, sir, we do not. As you can well imagine, this takes considerable time to work these out.

The Young bill was just introduced a week or so ago, and we have not completed an analysis of it. We will provide it in supplementary tables as soon as we are able to. It should be sometime soon that we will be finished with it.

Mr. HARDING. Mr. Chairman.

Mr. PURCELL. Mr. Harding.

Mr. HARDING. I want to compliment the Department for this very fine analysis they have prepared. I think this analysis is something that we really have needed for a long time to compare the various programs.

I have a question. On table 2 under "Utilization," I notice that there is as much as 200 million bushels difference in the utilization under the various programs. What is the basis on which you computed the utilization under these programs?

Mr. JAENKE. Let me give the answer, and then if you want more complete details, I would like Mr. Stelzer to comment.

Compare the McGovern bill with the Mundt bill where the utilization differs by a considerable amount under wheat, column 5, from

1,400 down to 1,280. The difference is due to the price. Under the Mundt bill, the loan level for all wheat is \$1.82, which sets the market price at some level slightly above that. This effectively stops any use of wheat in the feed market. The difference is made up in feed grains fed.

Under the McGovern bill, the price of wheat would be, in the market, somewhere in the range of \$1.30 or \$1.35; hence, there would be some feeding there.

In your part of the country, out West—Oregon, and Washington, et cetera—there would be probably considerable feeding of wheat in lieu of feed grains. This causes total utilization of wheat to increase.

Under the Quie bill, the price of wheat is at \$1.65 and corn at considerably less, 30, 40, 50 cents less. Hence, we think there would be very little wheat being used for feed. This is the basic difference. Roland, if you want to add anything to this, please go ahead.

Mr. HARDING. Have you got a breakdown on your utilization that we could see, breaking it down according to milling, feed, seed, exports, and so forth?

Mr. JAENKE. Exports and domestic utilization for food are the same under each bill. Our export price is competitive in the world market through the use of the subsidy mechanism, so that does not change. Our domestic consumption is very inelastic, faces a very inelastic demand situation, and does not change much. The bulk of any change in here is in feeding, animal feeding.

Mr. HARDING. Do we not tailor exports under Public Law 480 and other programs according to the amount of surplus we have?

Mr. JAENKE. Yes, but up until the present point at least there has been so much surplus that we programed as heavily as we could under Public Law 480 as far as funds and other factors would allow.

As our stocks would diminish, there might be a need to reevaluate this and look at it. You can see on the next page, table 3, Public Law 480, excluding subsidies. If you will notice under all these, we have used the same figure, Congressman Harding, of \$729 million to apply across the board and maintain this constant, because we see no reason for changing.

Mr. HARDING. One other question. There are probably good reasons for this, but in a table of this nature why do we use tons instead of bushels for feed grains?

Mr. JAENKE. It is a problem in the case of feed grains that you have sorghums or milo, grain sorghums, expressed in terms of hundredweight as compared to bushels in all others.

We found that from a statistician's and some of our technicians' standpoints, it is much simpler to work in terms of tons rather than bushels. We could convert these to bushels very readily if you are interested in our doing so.

Mr. HARDING. I would not want anyone to do it just for me. I know we are always talking about bushels of corn, bushels of barley, bushels of oats.

Mr. JAENKE. And hundredweight of sorghums, which is the problem.

Mr. STELZER. It is hard to take 48 pounds for a bushel of barley, 32 pounds for a bushel of oats, 56 pounds for a bushel of corn, add these together, and have a meaningful figure.

Mr. HARDING. That is all, Mr. Chairman.

Mr. PURCELL. Any other questions of Mr. Jaenke? If not, thank you very much, Mr. Jaenke. You and the Department members may be excused at this time.

Mr. Newsom of the Grange is here. We will be glad to hear from you, Mr. Newsom.

STATEMENT OF HERSCHEL D. NEWSOM, MASTER, NATIONAL GRANGE; ACCOMPANIED BY JOSEPH O. PARKER, LEGISLATIVE COUNSEL, AND L. C. DENSLOW, ASSOCIATE LEGISLATIVE COUNSEL, AMERICAN GRANGE

Mr. NEWSOM. Thank you, Mr. Chairman. I would like to ask Al Denslow and Joe Parker to come to the stand with me.

Our statement is very brief because we have over the last 15 years, I think, made a very consistent record although from time to time we have had to take account of certain changes that have taken place in connection with influences on production, marketing, and utilization of this most important bread grain in the world.

By the same token, we have some suggestions for the committee in this circumstance that will take account of some changes that we have been seeing for some time and which I saw rather vividly at first hand in the recent meeting of the farm organizations of Europe which I attended, in the meeting at Rome only week before last.

So, Mr. Chairman, I think probably I can serve our purpose and yours best by reading this brief statement and then commenting to whatever extent the committee might like.

The National Grange commends this committee for its recognition of the urgency of doing something constructive toward solving the problem of wheat, as evidenced by the scheduling of these new hearings at this time.

At our 97th annual session, convened in Portland, Oreg., last month, our delegate body reaffirmed its support of legislation embodying the principles of the Grange voluntary certificate plan for wheat, and further directed me, as national master, to issue an immediate call to representatives of all interested bona fide national agricultural organizations to meet together at the earliest convenient time to consider the necessity of developing a sound program for wheat and the enactment of appropriate legislation in time to be effective for the 1964 crop.

This meeting was held in our Goss conference room last Thursday and Friday, and before its conclusion the following release was issued in the press:

WASHINGTON, D.C.—Nine organizations met December 12 and 13 in Washington, under the auspices of the National Grange, to deal with the adverse economic impact that farmers can expect in the absence of an effective Federal farm program for the 1964 crop of wheat. Invited to the meeting were 10 of the Nation's organizations representing the interest of wheat and feed grain producing areas on national legislation.

Organizations attending the meeting were the Grain Sorghum Producers Association, Missouri Farmers Association, National Association of Wheat Growers, National Corn Growers Association, National Council of Farmer Cooperatives, National Farmers Organization, National Farmers Union, National Federation of Grain Cooperatives, and the National Grange.

Representatives speaking for these organizations "commended the action of the House Wheat Subcommittee in beginning new congressional hearings now, leading to the immediate development of a program for the 1964 wheat crop."

Incidentally, if you would like a list of the persons attending this conference, representing these nine groups, we are prepared to file that with the committee.

Mr. HARDING. Mr. Chairman, could I interrupt Mr. Newsom right here? You mentioned there were 10 organizations invited and 9 represented. What was the organization that did not accept your invitation?

Mr. NEWSOM. The American Farm Bureau Federation. I should explain to you that, having issued the invitations on the basis of our directive from our own National Grange session, we predicated the invitation on the language that was adopted in Portland, Oreg., which said that we are committed, still committed, as we have been for many years, to the wheat certificate program as a means or as a fundamental basis for a solution to the wheat problem at this time.

In addition to the letters of invitation which stated that, we called some of the persons invited, including Mr. Shuman, president of AFBL, to explain we would be delighted to have their organization represented in the conference, but I wanted him to understand that we were still committed to the certificate program and if their commitment was still one of major emphasis on the cropland retirement program, then I felt that I would have to say to him very frankly that it might not be worth his while to attend the program unless there was some opportunity for modification of their point of view.

Mr. Shuman explained to me that their national meeting would only be over the evening before. He felt that, under the circumstances, it might be just as well for them not to attend. This is about as factual as I know how to make it, Mr. Congressman.

Mr. PURCELL. If you would furnish for the record the names of those persons who did attend, we would appreciate it very much.

Mr. NEWSOM. We would be delighted to do that, sir.

(The list referred to follows:)

PARTICIPANTS IN LEGISLATIVE CONFERENCE, DECEMBER 12 AND 13, 1963,
WASHINGTON, D.C.

Herschel D. Newsom, master, National Grange, Washington, D.C.
 James G. Patton, president, National Farmers Union, Washington, D.C.
 Glen Bayne, president, National Association of Wheat Growers, Prosser, Wash.
 Erhard Pfingston, vice president, National Farmers Organization, Sergeant Bluff, Iowa.
 John H. Butterfield, vice president, National Corn Growers Association, Pana, Ill.
 L. C. Carpenter, director of public affairs, Missouri Farmers Association, Columbia, Mo.
 D. G. "Bill" Nelson, executive vice president, Grain Sorghum Producers, Amarillo, Tex.
 Leo Wilkowski, president, Texas Wheat Growers, Hereford, Tex.
 Roy F. Hendrickson, executive secretary, National Federation of Grain Cooperatives, Washington, D.C.
 Reuben L. Johnson, director, Division of Legislative Services, National Farmers Union, Washington, D.C.
 Ken Kendricks, executive secretary, National Association of Wheat Growers, Washington, D.C.
 George H. Meeker, president, Kansas Association of Wheat Growers, Garden City, Kans.
 Anson Horning, National Association of Wheat Growers, Larned, Kans.

A. Lars Nelson, master, Washington State Grange; chairman, National Grange Wheat Committee, Seattle, Wash.

L. Alton Denslow, assistant legislative counsel, National Grange, Washington, D.C.

Harry L. Graham, legislative assistant to the master, National Grange, Washington, D.C.

Joseph Parker, legislative council, National Grange, Washington, D.C.

Ken Naden, executive secretary, National Council of Farmer Cooperatives, Washington, D.C.

Mr. NEWSOM (reading):

Alternative programs were reviewed and revision of the 1964 program was considered. Conferees unanimously agreed that any change of program needs to be enacted and made available to farmers prior to March 1, 1964.

We strongly support the objectives of President Lyndon B. Johnson and Secretary of Agriculture Orville L. Freeman in preventing the expected sharp drop in the income of wheat farmers. We pledge our support in obtaining early congressional approval of wheat legislation, with the corresponding helpful effect of maintaining the present highly successful and effective feed grain program. Failure to act now on a wheat program jeopardizes the voluntary feed grain program.

National economic growth cannot be expended unless farm income is maintained and improved. The drag on the economy posed by an expected \$600 million loss in farm income in the absence of an effective farm program would be disastrous. Prevention of this loss is, therefore, of prime concern to farmers, main street businesses in rural America, and factory workers whose jobs and livelihood depend on a healthy farm economy that must continue to contribute to the strength of the Nation's economy, receiving in the process its equitable share of the Nation's income.

That is the end of the release from last week's meeting.

The Grange believes that a sound program for wheat requires the use of a certificate system as a means of maximizing farm income by recognizing that wheat properly has a higher value for primary human food use than it has for other or secondary uses. At the same time, we believe that any such program should be designed to maximize the producer's freedom from Government controls. To accomplish these objectives, we have long advocated the enactment of appropriate legislation to implement our voluntary wheat certificate plan. Many of the principles of this plan were incorporated in the mandatory program authorized by the Food and Agriculture Act of 1962, and we supported that measure, notwithstanding its mandatory features, in the belief that they might be justifiable during a transitional period to check and reduce the alarming buildup in Commodity Credit Corporation's stocks and the costs to Government attendant thereon.

As originally conceived by the Grange, however, the wheat certificate plan was designed to be operative on a voluntary basis, and we do not believe it at all necessary that it be made mandatory to be effective. Moreover, it is now obvious that the adverse vote in the referendum was because of the mandatory controls which would have been imposed, and does not reflect a rejection of the other features of the program for wheat which are provided for in the 1962 act. It is our judgment that the disastrous loss in farm income, which is almost sure to follow from the alternative which existing law now leaves because of the adverse vote in the referendum, calls for the prompt enactment of remedial legislation designed to remove the mandatory aspects of the program presently authorized.

In addition to the fundamental necessity of preventing a further disastrous drop in farm income, it seems to us that we should recognize that we have no thoroughly satisfactory way of living up to our In-

ternational Wheat Agreement commitments under the existing legislative structure. Further, legislative laissez-faire at this time could not but, in our opinion, jeopardize the operation of our effective current feed grains program.

There are several reasons, therefore, for urging wheat legislation in ample time to give wheat producers in all parts of the country a reasonable opportunity to come into compliance with such legislation for their 1964 crop.

Prompt authorization of a voluntary wheat certificate program, coupled with authority to supplement farm income as may be found necessary by acreage diversion payments during a transitional period, is the best method we know of to meet the serious situation with which we are confronted. We therefore support the early enactment of such legislation.

I would like to add, if I may, that I was very much interested in the analysis and the discussion of pending legislation this morning. We have not really had an opportunity and do not have adequate staff to make the comprehensive analysis of all these proposals that we would like to be able to present to this committee this morning.

I would like for the record to point out that the principles involved in the so-called Young bill, which was referred to, and as to which this is an identical bill in the House by the new Congressman from North Dakota, were basically the Grange program of 10 years ago. I am thoroughly convinced in my own mind, though it is purely academic at this point, that had we been able to put that program in operation at that time, we would have had a very much better situation in wheat at the present time.

I would like to point out, though, that whereas we could have put that program in operation at that particular time in a very painless sort of manner, the matter of applying certificates on the domestic human use portion of wheat now at full parity does involve a rather abrupt jump in the price of wheat going into bread, but we think this entirely justified economically, but the political implications of attempting to do that thing at this particular time lead us to believe it may not be too practical to ask this committee to go that particular route at this stage of the game.

I think it is fundamentally, economically, and politically sound, too, to expect our fellow Americans to pay an American price level for the wheat going into bread just as we pay an American price level for most everything else we buy. But to make that kind of jump now is one I doubt we could make politically. Therefore, it is our judgment that we can probably begin to approach that goal by some combination of the other proposals pending before this committee.

I would like to point out to you that we do have some basic apprehension about applying certificates at the primary or domestic human food use portion to export wheat because I do not have to remind the members of this committee of the forthcoming so-called Kennedy round in GATT discussions.

I think I do not have to remind you that our European friends are seeking a joint meeting with us on the premise of developing a combination of quotas as a basis for commodity agreements or commodity understanding to protect markets in being at current levels and then move into a trade expansion program on the basis of economic efficiency.

I am only saying to you that we have to modify these programs when we fail to get them in operation at the proper time. If it be the decision of the committee to go this particular route, I would like very much to reserve the privilege of visiting with some subgroup of this committee to talk about the possible implementation here of a special export certificate between the stop-loss support level that would be embraced in the legislation that I have mentioned, for example, and the full parity certificate for domestic human use wheat.

In other words, I think whatever the chances are of regaining our normal export market in wheat will be vastly enhanced if we might develop the intermediate export certificate at a price level that would permit American wheat producers to have access to available markets of the world without the complication of export subsidy and the continuation of the type program we have had for many years and without the application of an inverse subsidy which I visualize as having to be necessary in the absence of any legislation that may be forthcoming. In other words, the shipping problem that we confront now is a product of this sort of situation.

In making this comment I am aware of the fact that a combination that I visualize of a human use, primary certificate, for perhaps 500 million bushels of wheat, plus an export certificate for perhaps as many as 400 million bushels of wheat, is not going to do what we would like to do for farm income. I would say that in this adjustment period, where we are deliberately going to recommend an allotment program here that will help to make a place for Government stocks so that we can reduce Government-held stocks, I think we are justified in urging a payments-in-kind program which will do two things: first of all, boost farm income; second, reduce Government stocks. I think these things can be tied together.

I believe, Mr. Chairman, that it is possible to develop a very fine wheat program on about a 2-year basis. I would not want us to try to build a program for a longer period than 2 years now because I visualize some potential developments internationally that might make a program that we could consider sound now needs some rather substantial adjustments within 2 years' time.

Mr. PURCELL. Thank you very much, Mr. Newsom. We certainly will look forward to being able to get with you and visit with you and learn what details you think would be proper to be considered when this committee gets down to specifics on this legislation for the coming year. Mr. Dole.

Mr. DOLE. With reference to your statement about possible international trade, what is the Grange's position on sale of wheat to Russia or other Communist countries?

Mr. NEWSOM. We support the sale to Communist countries which have governments that we recognize on a comparable basis to that that is being made by private trade in other cases. I do not feel, and the Grange program is not predicated on any feeling that we must forever differentiate in our trade policies in a world that we hope to develop an increasing prospect of peace for a long period of time.

We have had some pains within the Grange on this point. I would say to you that the only countries we would not want to trade with now are the two major Communist countries which have governments that are not recognized by the United States. There is nobody else to trade

with there but their governments; we do not recognize their governments; we do not think we ought to trade with them.

Mr. DOLE. You also said you do not feel you have any advantage anyway from a trade standpoint and they should be treated as we should treat other countries in private trade agreements?

Mr. NEWSOM. That is right, exactly. I think there has been a great deal of confusion. I may be guilty of some confusion myself. Some of the statements with respect to the role of the Export-Import Bank in making loans to our private trading concerns in connection with trade policies of this kind I think have somewhat confused a great many people.

If I understand the role of the Export-Import Bank, this is not an appropriate agency to prohibit from assuming its normal role in connection with exports in this connection even though there does on the surface seem to be some possibility of this Government agency making good if they default.

Mr. DOLE. Some of us have reservations, I know, about maybe the broader question of communism generally. On December 4, J. Edgar Hoover stated the American people should alert themselves to the fact we are at war with world communism. Three days ago eight more American boys were killed in Vietnam fighting communism.

Do you see any relationship at all between 140-some Americans who have been killed in Vietnam fighting communism and our sale of wheat to any Communist countries?

Mr. NEWSOM. Yes, sir; I see a very definite relationship. This is one of the reasons that makes me so much interested in this sale. There have been some statements to the effect that this is a short-term necessity of selling wheat to the Communist areas. I do not believe it is.

I think that we have a golden opportunity to show to the world that our individual enterprise structure in American agriculture is the one that produces the results and that their structure is going to require that they buy agricultural products from our system until they change their structure.

I would like to get on with the job of demonstrating this fact to them. I am perfectly willing to wage economic warfare and materialistic warfare with our Communist adversaries and thereby improve the prospect that they are not going to be so long interested in the kind of thing that is going on in Vietnam and that has gone on in larger scale in many other places.

Mr. DOLE. We might prolong the thing by providing needed food and this concerns me to some degree.

To get back to your statement, you indicate you have not had time to analyze all the measures which were gone over very briefly this morning by Mr. Jaenke. You are not closing the door on any other program at this time, are you?

Mr. NEWSOM. I like to feel that we have never closed the door on anything. But I will tell you very frankly that I am not too sure that I have not about closed the door on solving this problem by the massive cropland retirement program. I just do not believe that that offers—but the record is pretty clear as to our feeling on this. We testified last year on those pending measures.

Mr. DOLE. Since May 21, 20 of us have introduced another voluntary-type program, different from the massive retirement bill, hence

I wonder why the only one you specifically endorse would be the certificate program on a voluntary basis. But again you are not closing the door, then, to something the committee might come up with?

Mr. NEWSOM. We are perfectly willing to take a look at anybody's proposal at any time. But I would say to you that my firm conviction is that we will never solve any particular agricultural problem nor the general American agricultural problem by the monopolistic approach of simply reducing the volume of output for the sake of trying to achieve a high unit price. I do not think that is the kind of world we live in. I think that world practically went out of being when our relationship with the rest of the world changed at the close of World War I. We have had this farm problem since that time.

I feel rather strongly that one of our basic errors in the past 25 years in coping with the farm problem has been to assume that we can solve it entirely within the business of agriculture, taking no account of the cost factors that are generated in the rest of the economy, which is increasingly interrelated. One man's price or wage now becomes my cost as an American, my cost of living and my cost of production.

This is why the Grange has for these many years dedicated its efforts to achieving a legislative structure that will create a climate wherein there is equitable relationship between all segments of the economy.

I do not think you can do this by a cropland retirement program nor a laissez faire approach when it is nonexistent in the rest of our economy or in the rest of the world.

Mr. DOLE. I agree with your last statement about the laissez faire approach, the committee agreed, and started hearings in July, this year, long before your December 12 resolution, in an effort to enact legislation. The chairman has been working and the members have, in trying to come up with something satisfactory.

Mr. NEWSOM. This is the encouraging thing in the picture right now.

Mr. DOLE. Thank you.

Mr. STUBBLEFIELD. Mr. Chairman, may I ask a question?

Mr. PURCELL. Yes, Mr. Stubblefield.

Mr. STUBBLEFIELD. You mentioned political realities. You mentioned that the cropland retirement approach is politically impossible, I believe. Is that one reason why you throw it out the window?

Mr. NEWSOM. No, I would not throw it out the window for that reason. I throw it out the window because I do not think we are justified in asking the taxpayers to put up sufficient money to pay for a big enough cropland retirement program to get the job done in the first place and, in the second place, I do not think we would have a sound agriculture if we did get it done.

As I have said to the Congressman from Kansas, I reserve the right to look at any modification of the proposal before passing final judgment, but my mind is a little more made up on the basic principles than it has ever been before.

Mr. STUBBLEFIELD. Would not the cost to the taxpayers contribute to making it politically impossible?

Mr. NEWSOM. I think so. I have the feeling, however, that it is still possible politically to do the thing that is right and proper in the final analysis. My statement with respect to a certificate program on do-

mestic, human use wheat at around \$2.51 now is predicated not on the fact that is politically impossible over a long period of time but I think it is very important that we get legislation as quickly as possible now to apply to the 1964 wheat crop.

I think under these circumstances I do not want to willingly inject a political hazard at this time. You can overcome political hazards if your case is good and valid, I hope. To that extent, I think we may overcome this one. But I do not want to try to do it in the next 30 days.

Mr. STUBBLEFIELD. To retire 80 million acres, as was brought out earlier, the cost of it would be, according to Mr. Jaenke, prohibitive and would make it politically impossible to retire enough acres to make any retirement program effective; is that right?

Mr. NEWSOM. I would say, "Yes," I think that is as politically impossible now as it is to get \$2.51 for wheat that goes into bread at this particular time.

Mr. STUBBLEFIELD. Thank you.

Mr. PURCELL. Anything else of Mr. Newsom?

Mr. HEIMBURGER. Mr. Chairman, I have some questions, although I do not want to take very long.

Mr. PURCELL. Mr. Heimburger.

Mr. HEIMBURGER. Mr. Newsom, I note your reference to the voluntary plan in your statement. Does this mean that you would not have marketing quotas?

Mr. NEWSOM. Yes.

Mr. HEIMBURGER. You would have acreage allotments but you would not have the penalty provisions of marketing provisions?

Mr. NEWSOM. Except as translated into the certificates.

Mr. HEIMBURGER. This would not, as I understand it—I think I was familiar at one time with the Grange proposal—as I understand it, the ineligibility to receive certificate is not in the nature of a penalty, it is something that a farmer can make himself eligible for if he desires to do so; is that right?

Mr. NEWSOM. That is right.

Mr. HEIMBURGER. Just one further question about the certificates. I assume that the basic reason for having any kind of a certificate payment to the farmer for wheat which theoretically went into export would simply be for the purpose of maintaining wheat farmers' income at or near some predetermined level. Might you not accomplish this same result a little more logically by simply making him a diversion payment?

If as a prerequisite to obtaining the domestic wheat certificate he was merely required to keep within an acreage allotment, then it would be entirely logical to say to him, "Well, if in addition to keeping within your allotment, you will not use this land for any other production, then you will be eligible for a diversion payment."

Mr. NEWSOM. However logical that may seem on the surface, it falls into the trap, if I may use that terminology, of departing further from the total American pricing structure which I am unwilling for agriculture to do.

In other words, this would generate a situation where we would have a longer disparity gap to correct at some time in the future if we ever decide to move agriculture into its legitimate relationship

with the rest of the American economy in its primary market. This is another fundamental difference between many of us and our friends of the American Farm Bureau Federation mentioned a while ago.

We believe in the base surplus pricing principle within our American economy. We believe that fluid milk is worth more than milk that goes into manufacturing purposes. We believe that wheat that is produced for bread grain for the human stomach in America is worth more under our American system than secondary use, manufacturing, or feed wheat.

So we want to maintain a reasonable pricing structure in our primary market because under these circumstances we visualize fewer problems in the long-term future of restoring an equitable relationship between agriculture and the rest of the economy.

If you go to a drop in the price of all wheat down to the presently provided \$1.25½ per bushel, then you simply have compounded our problems for the future for all time to come, as we see it, regardless of the fact that you might make up the loss of income by some diversion or direct payments of some sort.

Mr. HELMBURGER. I am not sure we understand each other on this point. I agree with everything you said just now. Also I agree with the implication I raised in my question. But I will pursue it, if I may, at some future time.

Mr. PURCELL. Mr. Beermann.

Mr. BEERMANN. Mr. Newsom, you stated you were in favor of trading with the Communist countries where we maintain diplomatic relations, trading in our commodities.

Are you also in favor of trading with these same Communist countries in respect to machinery and equipment such as fertilizer plants to help these countries produce the commodities that we are trading to them?

Mr. NEWSOM. As far as I know, the Grange has no official position in that connection. I have not had occasion to find it if there is one. I do not believe we have taken any official position. There may be one implied in our position of long standing prior to a year ago in opposition to all trade with Communist countries.

I think I would like to look this up and advise you more definitely a little later. But I am inclined to think, as I consider the evolution of our policy now, that probably our modification of that longstanding position in opposition to trade with Communist countries has been modified only with respect to food and the products of agriculture.

Mr. BEERMANN. Thank you very much.

Mr. PURCELL. Thank you very much, Mr. Newsom.

The committee will now be in recess. Our next meetings are on the 8th and 9th of January. The meetings on the 14th, 15th, and 16th have been moved up a week to try to get that in. Thank you very much.

(Whereupon, at 11:50 a.m., the subcommittee recessed, to reconvene at 10 a.m., Wednesday, January 8, 1964.)

FOR HISTORY ON P.L. 88-297

WHEAT LEGISLATION

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HEARINGS

BEFORE THE

SUBCOMMITTEE ON WHEAT

OF THE

COMMITTEE ON AGRICULTURE HOUSE OF REPRESENTATIVES

EIGHTY-EIGHTH CONGRESS

SECOND SESSION

JANUARY 7, 8, 9, 17, AND 22, 1964

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WHEAT LEGISLATION

TUESDAY, JANUARY 7, 1964

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON WHEAT OF THE
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The committee met at 2 p.m., in room 1310, Longworth House Office Building, Hon. Graham Purcell (subcommittee chairman) presiding.

Present: Representatives Purcell, Jones of Missouri, Hagen of California, Harding, Duncan, Olson, Matsunaga, Belcher, Short, Dole, and Findley.

Also present: Representatives Cooley, Poage, Hoeven, May, Beer-mann, Reifel, and Jensen.

Staff members present: John J. Heimbürger, general counsel; Hyde H. Murray, assistant clerk; Francis M. LeMay, staff consultant; Robert C. Bruce, assistant counsel; and Martha Hannah, staff assistant.

Mr. PURCELL. The subcommittee will be in order, please.

We are honored to have the vice chairman of the Agriculture Committee here, Mr. Poage. We welcome you attending our meetings.

We have the honor today of having the Secretary of Agriculture appear before us. He has a statement. I could spend half the afternoon introducing you, but I will conclude by saying we are honored and delighted to have you and we are anxious to hear from you at this time.

STATEMENT OF HON. ORVILLE L. FREEMAN, SECRETARY OF AGRICULTURE; ACCOMPANIED BY ED JAENKE, ASSOCIATE ADMINISTRATOR, ASCS, USDA

Secretary FREEMAN. Thank you very much, Chairman Purcell, Mr. Poage, and members of the Subcommittee on Wheat. I appreciate very much the privilege of being here. I am also grateful for the dispatch with which you are moving as this new session of Congress convenes. There is much to be done and I appreciate the opportunity to appear before you early in the session and to set down my views on something to which this subcommittee has already given careful and thoughtful attention.

I have a very brief statement that I would like to present, if I may.

Mr. Chairman, members of the committee, I am here today to testify in support of action on a wheat program for 1964. In the absence of such action, the income of wheat farmers will fall sharply, and agri-

culture will suffer a serious loss (estimated at \$600 million a year) that will be felt adversely throughout the Nation's economy.

We are all aware of the economic impact of a \$600 million decline in the wheat farmers' income, particularly at a time when strong efforts are being made to encourage a more rapid growth in the economy of the whole Nation. A wheat program is essential, and this administration is prepared to work closely with the Congress to insure that prompt action is taken in the interest of the farmer, the rural economy, and the Nation. I am here today for that purpose.

This administration has, from the beginning 3 years ago, sought to develop commodity programs directed toward the basic goals of reducing surplus stocks, holding down Government costs, and strengthening farm income.

In the case of wheat, we believed that if two-thirds of the wheat producers voting in a referendum chose a program of marketing quotas, this would be the most effective way to achieve these goals of higher income, reduced stocks, and lower Government costs.

However, when the growers voted the program down, it was clear the farmers faced a substantial decline in farm income unless they could arrive at sufficient agreement on a wheat program that could be enacted and would further progress toward these three basic goals.

I am confident that we can develop wheat legislation that will improve the opportunity for increased farm income without a substantial increase in budget expenditures and, at the same time, will continue the welcome reduction in wheat stocks still at surplus levels which began in 1961 with legislation enacted by the Congress.

We believe action on wheat is essential. Wheat farmers as a group—and all groups of farmers—are entitled to more income, not to less. At a time when bread is still a scarce commodity to millions of people in this world, the American consumer has so abundant a supply that bread is scarcely given a passing thought.

The achievement of the American family farm in providing a wealth of food and fiber is little short of magic. Yet it is poorly appreciated and even more poorly rewarded. Instead, attention is more often focused on the cost of farm programs, and the disparity between farm and nonfarm returns for comparable effort is largely forgotten. Yet farm income per capita is less than 60 percent of the income of the nonfarm earner. Surpluses receive far more attention than the surprisingly low real cost of food in this country—about 19 percent of the average family budget. Yet no other nation has ever eaten so well for so small a part of the disposable income of its people as the United States.

Today, with less than 8 percent of our population engaged in farming, most Americans fail to recognize that farm commodity programs are as essential to their continued good fortune as they are to the family farmer. The consumer tends to forget that the family farmer deserves much of the credit for the high abundance of low-cost food we enjoy. Without the family farm system of agriculture, there would be no assurance of abundance; and without commodity programs, there is no assurance that the family farm system would survive.

The Communist countries—where scarcity rather than abundance is the problem—envy the productive ability of our agriculture. Yet they refuse to admit the productivity which flows from the incentives and the flexibility and adaptability of free enterprise family farming will never be achieved under their system. And as yet, no other system has been designed that can match the productive capabilities of our family farms.

Thus, so long as overproduction and low prices are the silent companions of abundance, commodity programs will be essential to the family farm system of agriculture. So long as agriculture is subject to the volatile effects of a massive scientific and technological revolution, so long as productivity per farmworker grows 6 percent and more each year, so long as we continue to produce more each year from less land with fewer people, commodity programs will be necessary. They are not welfare programs, but essential tools of adjustment for the well-being of the family farmer as well as every single American citizen.

Most wheat farmers understand this as do most other farmers. Some people may think that the vote in the wheat referendum last May was a rejection of all responsible farm programs. Such an interpretation ignores the fact that the wheat farmer in effect voted not once but twice last year—once by ballot and once with his wheat drill.

It is clear from the recent crop report that most of the winter wheat acreage—probably over 80 percent—has been seeded within the allotment which would have taken effect had farmers voted “Yes” in the referendum. There was no massive expansion of wheat acreage as we had feared. There has been no massive acreage expansion because the wheat farmer this fall voted with his wheat drill for a continuation of wheat programs.

I am here to urge that this committee respond to this voluntary action on the part of farmers by enacting a voluntary wheat program. We can scarcely ignore the faith implied by the farmers’ action. The overwhelming majority of wheat farmers recognize, as they indicated to me repeatedly this fall when I met with thousands of them, that a wheat program is essential. I agree, and am here to urge quick action by this committee on a voluntary wheat program.

Otherwise, despite the fact that acreages generally have so far been kept within allotments, the wheat farmer faces the prospect of a \$600 million decline in income. A decline in farm income of this magnitude will have a sharply adverse effect on the national economy at a time when all America is striving to increase the national economic growth rate.

It is clear, from the record of the past 3 years, that even modest programs—designed to be responsive to current needs—can have a decisive influence on farm income. The feed grain program, the emergency wheat program, and the administrative actions taken to raise support prices on a number of commodities—all these have combined to help increase farm income.

Since 1960, farmers and the Nation have benefited from an increase in net farm income of some \$2.5 billion greater than if farm income had remained at 1960 levels. Gross farm income has been \$8 billion greater over the past 3 years.

This increase in farm income played an important part in the upturn of our economy. The \$8 billion cumulative increase in income since 1960 has enabled farmers to spend more for both the farm enterprise and family living.

For example, farmers invested \$521 million more in tractors, \$900 million more in autos and \$310 million more in other farm machinery and equipment in the past 3 years than otherwise would have been possible with a 1960 level of income. The increase in gross farm income also enabled farmers to spend about \$1,780 million more for purchased feed and about \$286 million more for fertilizer and lime.

Furthermore, farm families were able to spend some \$1,560 million more for food, clothing, and household furnishings because of their enhanced income position.

And in 618 selected agricultural counties, deposits in insured commercial banks in June 1963 were some 20 percent higher than in June 1960. Indications are that this measure of financial activity rose about 8 percent during 1963.

The enactment of a wheat program for 1964 will enable the wheat-producing areas of our Nation to avoid the depressing influence of a decline in the income of the wheat farmer, which not only will affect most directly the wheat States of Kansas, Nebraska, North and South Dakota, Texas, Oklahoma, Washington, Montana, and Idaho, but also the entire economy.

There are a number of proposals designed to strengthen wheat farmer income now before this committee. Each has certain advantages and some disadvantages. The administration will be available at all times to assist the committee as it considers these proposals.

In general, the Johnson administration will be guided by the conditions which President Kennedy set down last year. These, you will recall, are that a wheat program should maintain farm income, that Government costs should not be excessive, and that it should continue to reduce surpluses.

Within these guidelines the program should be a voluntary one. It should incorporate the certificate system because that system will be the least costly to the taxpayer. It will maintain both the price of wheat received by the farmer and also the consumer prices at current levels.

Let me repeat: A voluntary certificate program can:

- (1) Insure stable consumer prices, for wheat users will pay approximately the same for wheat this year as they did in 1963.
- (2) Insure that wheat farm income will be substantially higher than the level estimated for 1964 under current law.
- (3) Hold the line on budget costs.
- (4) Accomplish another substantial reduction in the carryover supplies of wheat—in the neighborhood of 100 million bushels more than would otherwise be the case.

If the wheat farmer is to benefit from a voluntary certificate program, there must be swift action. Because the benefits are so apparent, and the need is so great, we are prepared to make all necessary resources available to the committee and to the Congress.

We are eager, ready, and willing to help you in any way we can. We urge the committee's prompt, affirmative action.

Thank you, Mr. Chairman.

Mr. PURCELL. Mr. Secretary, thank you for coming before us and for showing us again your deep insight into the farm problem, this time dealing with wheat farming.

Our committee chairman for the Agriculture Committee is here, and Mr. Cooley, we welcome you. If you have any questions to ask of the Secretary, or any comments you would like to make, we would be glad to hear from you.

The CHAIRMAN. Thank you very much, but I have no comments or questions at the moment.

Happy New Year, Mr. Secretary.

Secretary FREEMAN. Thank you, sir, and the same to you.

Mr. PURCELL. Mr. Poage.

Mr. POAGE. I would like to commend the Secretary on starting the year promptly with respect to this wheat program. I think unless we take action on it in the next few weeks' time, it is going to be too late.

We are inclined to feel that we have a whole lot of time between now and harvest time. When we look back, all of us realize we do not have much legislative time. I think it is extremely important we take action on this promptly and avoid this \$600 million loss that stares the wheat farmers in the face.

Mr. JONES. Mr. Secretary, I want to also commend you for appearing here and showing your willingness in the face of the fact that the farmers turned down what I know you thought was a good program and what Congress thought was a good program at the time we passed it, and that you are willing to come here now and indicate that you are interested in the farmer and want to do whatever is necessary to help him. I think you are being more charitable than I would be in your position. That is the reason I would never be in your position.

I have always felt when a farmer has made his bed, perhaps he should lie in it a while until he is ready to get out of it. So far we have not had that indication, if I can interpret what has been brought before this committee by the farmers themselves.

On page 6, the last page, you say:

The Johnson administration will be guided by the conditions which President Kennedy set down last year. These, you will recall, are that a wheat program should maintain farm income—

I am for that—

that Government costs should not be excessive.

That is what my question pertains to—what figures can we go to in helping these farmers without getting into an excessive cost, in your opinion?

Secretary FREEMAN. I think the standard is one of comparison in relation to what would take place, costwise, if no program were passed. We can, without any increased cost over existing law, increase by \$400-\$500 million the income of wheat farmers.

Mr. JONES. How can you do that?

Secretary FREEMAN. Well, through the medium of merely returning to the farmer the difference between what the support price would be, which would be \$1.26, and what the price of wheat is now in the market, which is roughly in the neighborhood of let us say \$2, through the medium of the certificate.

Our best estimates are that the certificate and the payments for diverted acres can be adjusted in such a fashion as to restore approximately \$400 million of farm income without any increased costs, or with very small increased costs, somewhere between zero and \$50 million. This can be done, without any increase in consumer costs, because the price of wheat will remain the same. So this is how we think this can be done without any increased cost.

Mr. JONES. In other words, that is predicated upon the assumption that the wheat farmers will be willing to accept a certificate plan and you have indicated that 80 percent of the planting has been within their allotments this year.

Secretary FREEMAN. That is correct.

I might say, Congressman, I tried to indicate in my testimony that I have been very impressed with the farmers' response to this problem. Before I made a final decision as to what I thought was proper and appropriate, I journeyed around the country and had 12 meetings in widely separated places. I tried to answer questions and listen to comments from thousands of farmers, and whereas before I made this tour I had some doubt in my mind as to whether farmers would support a program of this kind, at its conclusion it was my firm conviction they would.

If we could then help them by restoring income without additional cost to the taxpayer, or the consumer, I felt it was certainly our obligation to do everything we could to strengthen wheat farmer income.

Mr. JONES. Let me ask you this: In your opinion, what was the motivation that caused the farmers to stay within their allotments although the law actually permitted them to plant in excess?

Secretary FREEMAN. Well, I hesitate to vouchsafe what their motivations were. I would hazard what would be a guess.

I think that the farmers, after the referendum, did some very serious thinking, and they recognized that a tremendous outpouring of increased plantings which have gone as high as 70 million acres not so very long ago, and could conceivably produce 1.8 billion bushels of wheat, could mean complete catastrophe. I think there was some soul searching in connection with this.

I think that probably the so-called Anfuso amendment, which would have meant a loss of allotment history, had a part in this as well. Farmers felt they wanted to protect their allotments, and they felt if they voluntarily stayed within them it would impress the Congress. It has impressed the Secretary of Agriculture. A program might be forthcoming.

Mr. JONES. Actually, was not the Anfuso amendment one of the major things that kept some of the farmers at least within bounds because they did not want to lose their—

Secretary FREEMAN. I would want to say in the meetings I attended there were frequent questions asked about the Anfuso amendment, and from the number of questions, I would gather there was a good deal of knowledge and concern about it.

Mr. JONES. I think that is true. I think that applies.

You mention this 80 percent of planting. It happens that the area that I have the privilege of representing has not stayed within that limit. We have had what I say is a substantial increase. As far as

the people that I represent are concerned, they are very happy with the situation as it is. I am not getting any pressure for any more wheat legislation from the area I represent.

However, we have never looked upon wheat as being one of our major crops. However, under the present condition, I think it will play a very important part in the economy of that area.

I do not know whether this was such a voluntary program or not. Frankly, I am of the opinion if we do nothing here and if we have another wheat referendum next year, we might see a different vote. I am not sold on the fact we did not have a pretty good law on the books, or still on the books, that could be implemented by another referendum. I do not care to consume any more time.

Mr. PURCELL. Mr. Belcher.

Mr. BELCHER. No questions.

Mr. PURCELL. Mr. Short.

Mr. SHORT. Briefly, Mr. Secretary, it is nice to have you here. I think I usually say something like this when you come up here. I always admire your ability to project your views on agriculture and your dedication to your job. I am sorry we do not always agree.

Let me ask you this simple question, Mr. Secretary, How voluntary actually would a voluntary certificate program be inasmuch as the farmer would have to participate in the program in order to be eligible for certificates, which would mean if he was going to sell any wheat for either domestic use or export, he would have to participate in the program?

Secretary FREEMAN. It would be voluntary because he could produce and plant all he wished regardless of the program and has no compulsion to come into it except his own decision as to what his own interests are.

Mr. SHORT. When quotas are in effect, we have that same type of program now. There is no law against raising all the wheat you want to; you just cannot sell it.

Secretary FREEMAN. I do not know that I completely understand you. You mean the law that is in effect this year?

Mr. SHORT. No.

Secretary FREEMAN. The one that will go into effect?

Mr. SHORT. When quotas are in effect, there is no law that keeps me from raising all the wheat I want to, but I cannot sell it.

Secretary FREEMAN. In this instance, under this program you could produce as much as you want and you could sell it.

Mr. SHORT. If I could get someone to buy it, but it would be limited for feed purposes and that sort of thing.

Secretary FREEMAN. Not under this bill. You could sell it on the market.

Mr. SHORT. Who would buy it?

Secretary FREEMAN. Well—

Mr. SHORT. For what other purpose would they buy it?

Secretary FREEMAN (continuing). Whoever has been buying it. Those who would not choose to join the program would sell wheat on the market at the market price just as they have in the past.

Mr. SHORT. What would the market be for the wheat?

You would have to have the certificate if you were going to sell any wheat for domestic use, or export?

Secretary FREEMAN. No; you would not have to have a certificate at all. You could sell the wheat to anyone who would buy it at any price you could get.

Mr. SHORT. Who would buy it if he did not have a certificate to go with it?

Secretary FREEMAN. I do not think anyone would be bothered by the certificate. That would be the farmer's concern, not the buyer's concern. The buyer could always get a certificate in order to get the wheat to process or export. The fact that certificates are issued would not affect the purchaser of noncertificated wheat at all.

Mr. SHORT. Well, I do not follow you, Mr. Secretary, honestly.

It seems to me there are going to be certificates issued under the certificate program, if I understand it rightly, and I will be frank to say I did not quite understand it completely. We have had your colleague, Mr. Jaenke, up before the committee many times, and we have discussed the application of the certificate program, and I fear there were a few little details many of us did not understand.

The CHAIRMAN. Will the gentleman yield?

I would like the Secretary to explain it so you can understand it.

Mr. SHORT. That is what I was trying to lay before the Secretary, so he could understand what I did not understand.

The CHAIRMAN. He understands exactly what you do not understand. He can explain it in about 2 minutes.

Mr. SHORT. If he can, he can do it quicker than anyone has been able to, so far.

Secretary FREEMAN. No. 1, certificates would be issued to the farmers who complied with allotments under the program.

No. 2, when their wheat was grown, they would take that wheat to market just as he has always done, whether he was in or out of the program. If he was a complier he would have a certificate and would get the support price of let us say \$1.26, or \$1.30, or the market price if it was higher, plus the amount of the face value of the certificate. If he was not a complier, he would sell his wheat exactly the same way, only he would get \$1.30 for it. He would have no certificate to make up the difference between the \$1.30 and the \$2. It would be perfectly voluntary.

If you choose not to sign, you could market the wheat through the usual channel. You would not have to have a certificate, but you would be short the face value of the certificate.

Mr. SHORT. Maybe this is a real important aspect of the voluntary certificate program so-called, as compared to the mandatory certificate program.

Under the mandatory program, certificates in the amount of our estimated exports, plus our estimated domestic consumption, would be issued, would they not?

Secretary FREEMAN. That is correct.

Mr. SHORT. Under the voluntary program, this would not quite be true; is that right?

Secretary FREEMAN. That is correct?

Mr. SHORT. Certificates would be issued only to those farmers who participated in the program.

Secretary FREEMAN. That is correct.

Mr. SHORT. Well, maybe you have a point here.

Secretary FREEMAN. With a mandatory program, you would pay a penalty if you marketed wheat in excess of your allotments.

Under the voluntary program, you can market as much as you want without any kind of penalty, but you——

Mr. SHORT. The point I am trying to make is, the price would not be very good for the amount of wheat you would be able to sell under a voluntary certificate program unless you participated because the individual who was going to export the wheat, or the individual who was going to use the wheat in domestic consumption, would have to have a certificate in order to export or use the wheat. Is that not true?

Secretary FREEMAN. That is correct, but he would not have to get that certificate from the farmer who markets the wheat. All he would have to do is to have that certificate at the time he processed the wheat, or exported it. If he did not get certificates from the farmer from whom he bought the wheat initially, he could get certificates from other places, including the CCC, so that would not be a limiting factor on his willingness to buy wheat at the market price.

The CHAIRMAN. He got confused in the last go-round.

Mr. SHORT. If you had been at the Wheat Subcommittee hearings, you would have been just as confused by the certificate program as I.

The CHAIRMAN. If you will yield.

You say that the noncomplier who harvests wheat can go into the marketplace and sell it?

Secretary FREEMAN. Yes, sir.

The CHAIRMAN. Suppose he goes to a mill and tries to sell it to some processing plant, does he have to have a certificate?

Secretary FREEMAN. No.

Mr. SHORT. The miller does?

Secretary FREEMAN. The miller would only have to have a certificate when he processed the wheat into flour.

Mr. SHORT. For what other purpose would the miller buy the wheat?

Secretary FREEMAN. What you are asking me is, what about the producer, the farmer, and I am saying to you, he could sell on the market, and he would not have to have a certificate in order to sell wheat. However, the processor would have to have a certificate in order to make flour.

Mr. SHORT. That is exactly the point.

Secretary FREEMAN. So for all wheat processed or exported, a certificate would have to be in existence. To simply sell wheat, no certificate would be required.

Mr. SHORT. I hate to take so much time. Could I say this: I think we have come to the time when we perhaps should be exploring some other approaches. We are dealing here with a little bit different version of the same old approaches that we have been dealing with for many years in trying—and very sincerely on all our parts, I hope we can recognize this—to improve the income of farmers. The farmers in their wisdom, or lack of it, last spring rejected the program that Congress passed in a wheat referendum.

Could I ask you this: Do you think that farmers could secure a proper price, a price that would enable them to improve their income to the extent we think it should be improved, by simply managing the supply of wheat?

Secretary FREEMAN. No.

Mr. SHORT. You think that could not be done?

Secretary FREEMAN. Well, let me speak to the conditions that exist under the current law without legislation.

There will be a price support of 50 percent of parity which is about \$1.26, and this will mean, given the acres that are being planted, income sharply less than this year, and we estimate about \$600 million less.

Mr. SHORT. Well, you are assuming, Mr. Secretary, that the price is going to go down to the effective price support level.

Under present conditions, or under the present situation, I do not know this is a valid assumption. The futures market does not indicate it. I would not say that it positively does not indicate it.

Our moisture conditions in the vast majority of the wheat-growing area is not good, which indicates probably a short crop next year. We are disposing of a lot more wheat than we have in previous years. We are not going to have the amount in surplus. So conceivably we are going to have a better price.

What I am getting at is, if the farmer could, with some mechanism, manage his production, acreage controls, bushel controls, or whatever it might be, without compensatory payments, without certificates, without land retirement payments or anything like that, is it in your opinion possible by managing the supply that is going to be offered on the market to bring the price up to the level that the farmer should receive in comparison to everything he buys?

Secretary FREEMAN. No.

I have not seen, and I do not believe there is before this committee any bill, or program, that I have studied that will accomplish this.

If we have no law, I will repeat, it would be my estimate farm income would drop \$600 million. Even if acreage planted goes down to our best estimates, even if prices go up somewhat above the support level, why, the modest increase in price which is the best we could predict will be more than canceled by the drop in number of acres, and we are still at a \$600 million loss of farm income.

Mr. SHORT. I did not mean to imply there was a bill before Congress dealing with wheat that provides for anything like I am talking about.

There is a bill which incorporates this approach, and that is, the so-called voluntary allotment bill for potatoes that has been introduced and is before the committee now.

Mr. HARDING. What do you mean by voluntary acreage allotments?

Mr. SHORT. Perhaps I used the wrong word.

It would be a "mandatory" acreage allotment if the farmers voted it in.

Is that putting it in perspective?

Mr. HARDING. Yes.

Mr. SHORT. Let me ask you this: Assuming that this kind of a program might work for potatoes, and I do not know what the position of the Department was on it, conceivably, could something like this work for wheat?

Secretary FREEMAN. It seems to me if farmers voted in the referendum approving acreage allotments it would then be a matter of law and farmers would be required to comply with allotments.

The best estimates I have been able to personally make and receive have been, there would be little inclination to vote for such a program if it were submitted to referendum.

Mr. SHORT. That would be your assumption.

I think we could make many assumptions as to why the farmers voted the way they did in regard to the certificate wheat program last year.

Secretary FREEMAN. It would amount to voting for the controls without the price supports and related income benefits that were a part of the referendum program submitted last May.

Mr. SHORT. Actually, Mr. Secretary, I think this is something we should be giving more consideration to than we are. We are always talking about cutting down costs for the taxpayers, and this involves a subsidy program.

How much of a subsidy do we want to admit is attached to any of our farm programs?

If we could get rid of the subsidy, if we could simply provide the farmer with a mechanism of managing his supply—is it not conceivable we might be able to arrive at the price the farmer wants? This is the device other industries use, is it not? We are always talking about the steel industry or the automobile industry or some other industry managing its production and managing what they offer on the market. If this works for them, why should it not work for the farmer.

I do not have a bill that does this.

As I said a minute ago, I think perhaps we should be exploring some other approaches to farm commodity programs.

The CHAIRMAN. Like what?

Mr. SHORT. Just what I am talking about.

The CHAIRMAN. You have a few automobile manufacturers, and millions of farmers. You are talking about the very thing the farmers repudiated in the referendum.

Mr. SHORT. I am not.

The CHAIRMAN. You want to let them alone.

Mr. SHORT. I did not say that.

The CHAIRMAN. What did you propose?

Mr. SHORT. I am asking the Secretary if he thinks it is possible if the farmer had a mechanism for managing his supply, a mechanism of bushel allotments, or acreage allotments, whatever it might be, could he use that device and that device alone to enable the farmer to secure the income that we would like for him to have?

What is the matter with that?

The CHAIRMAN. The farmer turned it down.

Mr. SHORT. They did not turn down such a simple program.

The CHAIRMAN. What did they turn down?

Mr. SHORT. Something like that, with a lot of other provisions for certificates, land retirement payments, and price supports.

Mr. POAGE. They turned down a mandatory allotment program. That is exactly what you suggest, a mandatory allotment program.

Mr. SHORT. I am not suggesting this, Mr. Chairman and Mr. Vice Chairman. I am trying to find out if the Secretary thinks anything like that would work.

You know in the certificate program you had the land retirement payments, you had the price support provision.

I am asking here if it is possible to have some kind of a program for farmers that will work without those provisions in it.

The CHAIRMAN. I will answer for you; I will answer no.

The farmers are not going to do a cockeyed thing.

Mr. SHORT. I am glad to have you say that again. You said that one day when we were having a meeting and it was not on the record.

The CHAIRMAN. It is on the record the farmers are not going to voluntarily reduce surpluses and bring supply in line with demand. We have tried it.

Mr. SHORT. You do not give any weight to the fact the farmers have not overplanted.

The CHAIRMAN. I think it is very significant.

Mr. SHORT. This is somewhat contrary to what everyone thought on the committee, except perhaps a few of us.

The CHAIRMAN. Maybe they will get out of trouble themselves without any legislation.

If they go over their allotment, they are going to lose it.

Mr. SHORT. I think we ought to give them a chance to get out of trouble.

Mr. CHAIRMAN. They had a chance.

Mr. SHORT. In other words, you are saying they made their bed last spring, let them lie in it until the next referendum.

The CHAIRMAN. You put your own words in the record. I haven't said that.

Mr. SHORT. You said it a few minutes ago and you said it in this committee a few months ago.

The CHAIRMAN. I said I am not in favor of passing legislation to help farmers when they are not willing to help themselves. I have said that everywhere in the country I go. If they are not willing to make adjustments, don't expect Washington to help them.

Mr. SHORT. Thank you, Mr. Chairman. It is nice to have that in the record.

The CHAIRMAN. That is right in the record. It has been in the record ever since you have been talking about it for 20 or 30 years.

Mr. SHORT. Mr. Chairman, I have taken perhaps far too much time. I thank you, Mr. Secretary. I don't know that I got your viewpoint on this approach that I was trying to get at, but maybe sometime you and I can talk about it more, but I won't take up the time of the committee.

Mr. PURCELL. Mr. Belcher.

Mr. BELCHER. I wonder if we could get back to the bill now.

As I understand it you have got a suggestion here for a voluntary wheat program. That would be based on issuing certificates and the processor would have to have a certificate before he would process the wheat, is that correct?

Secretary FREEMAN. That is correct.

Mr. BELCHER. How many certificates would be issued—enough certificates to permit him to process whatever wheat was necessary for domestic consumption?

Secretary FREEMAN. This would be subject to whatever level of income and expenditure that the Congress saw fit to set.

Mr. BELCHER. In other words, if you determined that there could be approximately 500 million bushels used for the manufacture of flour, it would be possible for manufacturers or millers to get that many certificates to process the wheat.

Secretary FREEMAN. Yes, sir.

Mr. BELCHER. Those certificates in turn then would be issued to farmers that had complied with their allotment?

Secretary FREEMAN. That is correct.

Mr. BELCHER. What adjustment have you got to determine, in other words, to balance that? Suppose you have only 250 million bushels of production that is willing to comply. Would you go ahead and issue the 500 million bushel certificates anyway; is that right?

Secretary FREEMAN. No. As a practical matter, the mechanics of it would probably work something like this, that you would issue the certificates to the complying farmer. If they took your hypothetical 250 million bushels, that many bushels would move from farmers to the processor with certificates. Processors would buy an additional 250 million bushels that would not have certificates. He would then need to get certificates for that amount from another source in order to process the wheat. To that extent he would be paying into the U.S. Treasury the cost of certificates for 250 million bushels of wheat and decreasing the cost of the program by the amount involved.

Mr. BELCHER. I think I understand your program. In other words, the amount of the certificates that would be issued to the miller, would depend on how many he had demand for. The money then would be paid into the Treasury and then the money would be paid out to certificate holders.

Secretary FREEMAN. Well——

Mr. BELCHER. If the whole 500 million bushels complied it would all be paid out. You would not go beyond the 500 million because it would be so allotted that there wouldn't be more than 500 million bushels produced for domestic consumption.

Secretary FREEMAN. If we took the mechanics of it and started from the beginning the farmer who complied with the program would get a certificate. He would carry into, the local elevator the certificate and he would be paid there by the local elevator. The elevator man would in turn sell it to a processor, or redeem it from CCC. The processor could obtain needed certificates from producers, elevator operators, or buy them from CCC.

Mr. BELCHER. If there are not enough certificates issued he would still be permitted to buy certificates from the Department of Agriculture.

Secretary FREEMAN. Exactly.

Mr. BELCHER. To take care of his needs.

Secretary FREEMAN. That is exactly right.

Mr. BELCHER. To that extent if he bought more certificates than were issued, that amount of money would be paid into the Department of Agriculture to help defray the expense of the program.

Secretary FREEMAN. That is right. The number of certificates outstanding at any one time would need not be exactly the same number as the wheat processed because any processor would have to have certificates for all wheat processed into flour. He would get it in the market or from the CCC. It would balance out at the end.

Mr. BELCHER. In other words, before a processor could manufacture flour he would have to have a certificate to manufacture it.

Secretary FREEMAN. That is right. But that certificate would not be required to move necessarily with the wheat through the respective hands that handle it. It would be issued to the producer. It would have to be in the hands of the processor. In between it need not follow the wheat.

Mr. BELCHER. No. It could come from the Department of Agriculture or come from an elevator, come from a bank or any other place.

Secretary FREEMAN. Exactly.

Mr. PURCELL. Mr. Hagen has a question.

Mr. HAGEN. As I understand some of these bills provide for \$2.50 bushel wheat. What is a fair price? Are there any wheat growers that can grow wheat at the world price and make a profit?

Secretary FREEMAN. I do not know as I could really answer that question. Not very many. I don't know of any. At least I haven't found any who say they can.

Mr. HAGEN. There are some cottongrowers who say they can grow cotton at the world price. I wonder if there were any in the case of wheat.

Secretary FREEMAN. I spent the morning with the Cotton Advisory Committee that was representative of cotton everywhere, including some gentlemen from the west coast that represent growers in both the San Joaquin and Imperial Valley and they felt that there wouldn't be enough cotton available to fill our foreign markets with the support rate at 24 cents, so, of course, there is a host of differences. It is conceivable, obviously, some producers are more efficient than others, but I don't think there are many wheatgrowers, given the current cost of operation, who can produce at the world price and can make a reasonable return on their investment and labor today.

Mr. HAGEN. Doesn't the Department have some cost of production figures on production in various areas and on various sizes of farms?

Secretary FREEMAN. Yes. We have cost figures that are approximations, based on representative kinds of wheat farms in various places.

Mr. HAGEN. What do those figures show as a break-even price, or is that too complicated to set forth briefly?

Secretary FREEMAN. I haven't reviewed them recently, Congressman Hagen. The difficulty is that they are not as precise in connection with cost levels and in terms of market prices to give a kind of definitive picture any more than we have it in cotton, because there are so many variations. It varies in different parts of the country. My best recollection of this is that certain parts of the country there was a reasonable return on \$2 wheat; in other parts of the country it represented a pretty small return, given the investment in labor involved and producing wheat.

Mr. HAGEN. Thank you.

Mr. PURCELL. Mr. Dole?

Mr. DOLE. Mr. Secretary, on page 1 of your statement there is reference to a \$600 million decline in wheat farmers' income. What is that figure predicated on?

Secretary FREEMAN. It is predicated on the fact that the market price of wheat would be, let us say, somewhere between \$1.26 and

maybe \$1.40, and that there would be the number of acres planted, which the forecast would indicate at this time, with the overall production of around 1.3 million bushels.

Mr. DOLE. Has this figure been changing any? The other figures have changed. The market figures have gone up, plantings have gone down but we have had the same decline in income figures.

Secretary FREEMAN. They pretty well balance each other out. The number of acres planted has gone down and as a result the price has gone up but they have about canceled each other out and the income figure has stayed relatively constant.

Mr. DOLE. It says it has been estimated \$600 million a year. Who has made the estimation?

Secretary FREEMAN. We made it in the Department of Agriculture.

Mr. DOLE. That is based on the loss of 75 cents a bushel for x bushels?

Secretary FREEMAN. The situation has changed. Initially when it was felt that the price of wheat would drop, if you will recall to as much as \$1.10. When the figures came out in connection with plantings, and it was observed that the likelihood of as much planting and as much wheat in the market had been lessened, the estimates of price strengthened but because the number of acres planted and production was correspondingly less, the loss figure stayed relatively constant.

Mr. DOLE. Isn't there a chance that this \$600 million figure might be much less in view of the policy of sales of wheat to Communist countries?

Secretary FREEMAN. I think not. We would estimate that with the sales, which are now considered likely, that we would get the surplus of wheat down to about 725 million bushels, let us say, that is, the CCC stocks. These sales are, in all likelihood, going to be made in this marketing year. As such they will have little effect on prices in the 1964 marketing year.

Mr. DOLE. What are the best estimates, say, now, as to the price of wheat next year if we do nothing, or the Committee does nothing?

Secretary FREEMAN. I would say at this point probably \$1.30 to \$1.40 a bushel.

Mr. DOLE. They have gone up about then 15 cents a bushel, in your opinion?

Secretary FREEMAN. Something like that. Because of the plantings being lower than expected, the prediction is higher than we would have thought 6 months ago.

Mr. DOLE. Is there the possibility now with the big sale of Durum wheat there may be some overplanting in the Durum area, isn't there?

Secretary FREEMAN. We will have to wait and see. If there is more planting, why, there will be correspondingly increased supply and correspondingly weakening in the price.

Mr. DOLE. I didn't know there was such a large surplus of the Durum wheat.

Secretary FREEMAN. Yes. You will recall we passed a special law, you did, which I recommended, in 1961, and it is an interesting comment on the problems of being Secretary of Agriculture that in 1961 the Durum price was up to about \$3.50 a bushel and some members of the trade called on me and wanted me to embargo it. I suggested to them a better way would be to pay the farmer price and if they didn't somebody outside the country would. We did at that time pass a

special law providing for increased acres for Durum wheat. Then we had 2 years of bumper crops. The 1962 and 1963 crops each were about double the 5-year average. The result is that we will have in July of this year a 2-year supply of Durum on hand, occasioned principally by these two terrific crops. Now we have been able to move some of that Durum and we still have a very abundant supply of Durum nonetheless.

Mr. DOLE. I think the carryover is about 46 million; is that right?

Secretary FREEMAN. We estimate the carryover would be 56 million as of next July.

Mr. DOLE. In June 1961, there was a 20 million carryover of Durum, and at the same time in 1962 it was down to 5, 1963 it was up to 41.

Secretary FREEMAN. The 1962 and 1963 crops were bumper crops, where previously we had had 2 or 3 years of very, very short crops of Durum, and it was due to the weather factor.

Mr. DOLE. Legislation was enacted last year to permit increased plantings in the State of California, increasing the acreage from 8,000 to 12,000 acres of Durum on the basis of testimony that it was in short supply and now I read that 13 million bushels of Durum wheat has been sold to Russia, and added transportation subsidy on top of it. I guess this is a transportation subsidy, isn't it?

Secretary FREEMAN. I am glad you qualified that because it was not a transportation subsidy. In this instance the subsidy was 10 and 11 cents higher than previous subsidies but it is one that we would have been eager to accept wherever it had come from because of the heavy long supply of Durum, and because of the very sharply limited markets for Durum. We move in exports 4 to 8 million bushels—4 to 8 million bushels of Durum a year and so there are very limited possibilities, so in this instance why we were very pleased and would have been regardless of whether it was Russian proposal or whatever it was to move that amount of Durum, 13 million bushels.

Mr. DOLE. How about movement of smaller amounts of Durum? Weren't there a couple of rejections, one based on a 59-cent bushel subsidy and one 75 cents per bushel export subsidy?

Secretary FREEMAN. Yes.

Mr. DOLE. Why was this done?

Secretary FREEMAN. Because we did not feel it was a good policy to sell small quantities of Durum at such heavy subsidy when it was good policy to sell larger quantities. It is kind of a bargain basement sale, if you will.

Mr. DOLE. But they were free world countries, as I understand, too.

Secretary FREEMAN. All the more reason why we would want to try and hold up and get a price without having to pay as heavy a subsidy.

Mr. DOLE. You get the best price you can from the free world countries and give the Russians a bargain.

Secretary FREEMAN. Not at all. Get the best price we can to move a substantial amount of Durum regardless of the purchaser to save the taxpayer money.

Mr. DOLE. Have you ever sold this much Durum before?

Secretary FREEMAN. No. It is the biggest one in history. It has never happened before. We have plenty of Durum. If we get the same proposal again we will be happy to accept it.

Mr. DOLE. From any country.

Secretary FREEMAN. Any country.

Mr. DOLE. Red China.

Secretary FREEMAN. Except Red China.

Mr. DOLE. The program you refer to is not a mandatory program; is it?

Secretary FREEMAN. That is correct.

Mr. DOLE. Is this the so-called McGovern bill?

Secretary FREEMAN. The certificate system was incorporated in the McGovern bill. I am not recommending any particular bill, but rather the system which is incorporated within it. I think there are a number of things that might be adjusted to bring the best relationship between cost and farm income. The McGovern bill is very specific in detail as to the certificate level, and other things.

The CHAIRMAN. Will the gentleman yield?

Mr. DOLE. Yes.

The CHAIRMAN. Isn't this substantially the same proposal that we have passed in the House once or twice before, a bill sponsored by your predecessor, Mr. Hope?

Mr. DOLE. I was not here when Mr. Hope was.

The CHAIRMAN. You weren't here then but you know Mr. Hope's views on this, don't you?

Mr. DOLE. I haven't had a chance to completely familiarize myself with them. He has been rather busy.

The CHAIRMAN. It was almost identical with this. It was without partisan politics and passed the House once or twice.

Mr. DOLE. This is the Hope bill, then?

The CHAIRMAN. Off the record.

(Discussion off the record.)

Mr. DOLE. The thing I am asking about, is it going to be disastrous? Would your bill apply to the wheat now in the ground in winter wheat areas?

Secretary FREEMAN. If Congress passes the bill in time it would apply, yes.

Mr. DOLE. What happens to those who overplant? Would they be permitted to plow down?

Secretary FREEMAN. Yes, sir. They would have a chance to plow down as they have done over the years. That would not change.

Mr. DOLE. Getting back to a question raised by Mr. Short, you indicated the producer can sell his wheat to anyone with or without a certificate?

Secretary FREEMAN. That is correct.

Mr. DOLE. Does he actually have a real chance to receive any substantial price for it if the miller must have a certificate before he can process the wheat?

Secretary FREEMAN. Yes.

Mr. DOLE. How?

Secretary FREEMAN. He would sell it at the market price, whatever it was, at the place and time that he sold it, just like any other producer. The only difference would be that the producer who complied

would have a certificate, which he could sell or redeem. This would give him a superior price. Any producer with an allotment could participate in the program if he saw fit to sign up voluntarily.

Mr. DOLE. But the market price would necessarily be about the feed price.

Secretary FREEMAN. Yes; that is correct.

Mr. DOLE. So, actually you either go in the program or you accept the feed price for your wheat?

Secretary FREEMAN. That is correct. That is right. The market price would probably be close to the loan rate.

Mr. DOLE. That would be the minimum?

Secretary FREEMAN. The market price could be somewhat above that.

Mr. DOLE. Is there a chance that with the anticipated reduction in reserves to around 700 million bushels, that this price might be strengthened or do you think it would stay around \$1.25 or \$1.30?

Secretary FREEMAN. I think it might go to \$1.35 but I don't think it would go any higher. This is necessarily at best an estimate.

Mr. DOLE. You indicated the farmers voted for a program when they drilled their wheat, through the process of drilling. Isn't it true too that the farmers are very responsible and that it might be if supply and demand were able to work they could accomplish many of the things we try to do through legislation?

Secretary FREEMAN. Yes.

Mr. DOLE. And then, of course, there was the very real threat with the Anfuso amendment, or at least the interpretation of it, which, as Mr. Jones pointed out, permitted his farmers to overplant. It did not apply to 15-acre producers, only those in the historic wheat areas. Isn't that true?

Secretary FREEMAN. That is correct.

Mr. DOLE. Why should there be discrimination against our wheat producer?

Secretary FREEMAN. I do not think there should be.

Mr. DOLE. But there is.

Secretary FREEMAN. That was enacted by Congress in the Agricultural Act of 1962.

Mr. DOLE. Is there any real reason why any farmer, whether he overplants or does not overplant, should face any penalty when he does not receive any benefit from the Government?

Secretary FREEMAN. Let me say this, that the Anfuso amendment was in effect when winter wheat was planted. It, therefore, probably, in all fairness, ought to continue in effect through the spring wheat crop. If, however, this program that I have recommended should be adopted, it would seem to me that after the spring wheat was in this year that it would be no longer consistent with the principle in the Anfuso amendment.

Mr. DOLE. But is it your intention that it will apply straight across the board?

Secretary FREEMAN. There is a law now that says it will apply straight across the board unless Congress sees fit to change it.

Mr. DOLE. In your statement on page 6 you indicate there is some merit in every bill that is introduced.

Secretary FREEMAN. Yes.

Mr. DOLE. Is that right?

Secretary FREEMAN. Yes.

Mr. DOLE. That would include mine.

Secretary FREEMAN. Yes; I am happy to be able to say that. I didn't say how much. I said some.

Mr. DOLE. This is different than your statement at Salina, Kans. Let the record show—

Secretary FREEMAN. You are not complaining about the way I treated you in Salina, Kans. I treated you very nicely.

Mr. DOLE. I liked it very much and might say it was the biggest crowd I had.

Secretary FREEMAN. I don't know what to read into that comment.

Mr. DOLE. I read into your statement seriously that you are not saying this committee must accept X bill and pass X bill to satisfy the Secretary of Agriculture?

Secretary FREEMAN. That is correct.

Mr. DOLE. You are then saying we have several proposals introduced by both Republicans and Democrats before the committee which are entitled to consideration, and we might be able to come up with a good plan out of the whole kit and caboodle.

Secretary FREEMAN. Yes; I certainly would never presume to come to this committee and say this, that, and the other thing, and I have indicated my best judgment in connection with the basic features. There ought to be a voluntary program, it ought to incorporate the certificate principle, with which you are familiar. Beyond that, the number of certificates, at what level, the amount of payments that might exist for diverted acres and the rest, I am sure this committee can set in a fair and equitable way with the interests of farming in mind and also in the responsible manner in relation to costs.

Mr. DOLE. Do you envision in the certificate plan some way to continue the conservation reserve or would that be by separate legislation?

Secretary FREEMAN. That would be a separate program.

Mr. DOLE. Is there any plan now in the mill—I know we have had one bill here, but is there any possible plan that would pick up the acres that expired on December 31 and keep 7.4 million acres from going back into production?

Secretary FREEMAN. There is pending before this committee, which has passed the Senate, a cropland conversion bill that would provide, I think, \$20 million for crop land conversion and would provide for the extension of conservation reserves subject to that appropriation for conversion purposes.

Mr. DOLE. That was in effect last year, except it was \$10 million.

Secretary FREEMAN. Crop conversion was \$10 million last year. This would be increased to \$20 million under the pending bill and the conservation reserve would be extended to pick up the acres that are coming out. That is my best recollection. I haven't checked that legislation for some time.

Mr. DOLE. Do you agree that if passed it should pick up these acres; that is, the contracts which expired on December 31?

Secretary FREEMAN. I did not come here to testify on this. I hope we will make allowances for my accuracy.

Mr. DOLE. I mean as part of the wheat problem.

Secretary FREEMAN. Part of the feed grain program, as well. We estimated that at 7 million. It is likely maybe 3 million will move back under wheat or feed grain if it does not stay under conservation reserve. As you know, the Department strongly urged that the cropland conversion principle should apply in this program, where we could seek to move this land into other uses, rather permanently idling it.

The CHAIRMAN. Will the gentleman yield?

Mr. DOLE. Yes.

The CHAIRMAN. The bill that passed the Senate was 1588, to provide \$20 million. You have not testified before this committee on the other bill.

Mr. DOLE. No, sir.

The CHAIRMAN. There is another bill pending before the committee.

Mr. DOLE. We passed one.

The CHAIRMAN. This one is H.R. 7154.

The Secretary has not testified on the thing that you are talking about, but I say to you now that I plan at an early date to arrange for him to come back here to testify on the very thing that you are discussing with him now.

Mr. DOLE. I think it does have some bearing on what we might accept for the wheat program.

Thank you.

Mr. PURCELL. Mr. Harding?

Mr. HARDING. Mr. Chairman, I want to welcome the Secretary back before the committee and say that I am impressed with what he is attempting to do for the farmers in America.

He mentioned in reply to a question from Mr. Jones that he had been meeting with farmers in 12 meetings in widely separated places. I remember reading last year that he was doing this. I called the Secretary's office and requested to go along on one of these trips. I accompanied him to Cedar Rapids, Iowa, and to Salina, Kans. In both places there were big crowds. The reception was very good, and I believe that the farmers of America really appreciate what the Secretary is trying to do. As for the charges that have been made that the Secretary of Agriculture is a big spending Democrat, I would like to repudiate those charges, because after we got back I got a bill for \$8.20 for my share of the food that we ate on the airplane. However, I won't complain because the food was good and so was the company. I appreciate very much the job you are doing for the farmers, Mr. Secretary. Again today, Mr. Secretary, you have pointed out that we are not giving our farmers deserved credit for doing the finest job in the history of mankind in providing food and fiber. They have given us one of the greatest weapons that we have in the cold war today.

Mr. Secretary, I agree with Congressman Jones when he points out that he wants to see more of a desire on the part of the farmers themselves for a wheat bill. I assume that your recommendations are based on the fact that you are convinced that the farmers themselves do want the wheat legislation.

Secretary FREEMAN. This was certainly my observation, as I asked for a show of hands at the respective meetings—I would say 85 to 95 percent. I think Herschel Newsom, master of the Grange, testi-

fied before this subcommittee some weeks ago that he had invited all farm organizations to a meeting which was attended by all the farm organizations save one. This group concurred generally on a program that would involve a voluntary certificate type of wheat program; so I believe there is substantial support for such program. I can understand your feelings, Congressman Harding, and those of Congressman Jones, but if we are able, without any significant cost to the taxpayer to restore through this medium \$400 million, approximately, of farm income, and with no increase of cost to the consumer, why, it would appear to me that we ought to do so, even though some may feel that the referendum result was not as we would have felt to the national interest and the farmers' interest that it might have been.

Mr. HARDING. Would you feature a referendum provision as being part of the voluntary certificate program?

Secretary FREEMAN. No.

Mr. HARDING. The voluntary program would not be essential?

Secretary FREEMAN. A referendum would not be essential; no.

Mr. HARDING. In reading various economic reports in magazines and newspapers over the past few weeks, I have noted that all of them project the economic picture as being exceedingly bright in all areas of our economy except agriculture, and the big reservation in agriculture is they feel that agricultural income will be down on an average, primarily because of the decline in wheat income. Is that your feeling, Mr. Secretary?

Secretary FREEMAN. That is correct. It was rather graphically and dramatically portrayed in Monday morning's New York Times, in their financial analysis and prediction section, in which Bill Blair wrote the story that said, "Everything is up in agriculture except income." In this instance the income which was predicted to be less was occasioned by the drop in wheat prices, unless legislation was enacted.

Mr. HARDING. You feel that this committee and Congress by its offering a voluntary wheat certificate program could restore agricultural income to the position where the prospects would be good for calendar year 1964.

Secretary FREEMAN. They would be significantly improved. They would not be as good as they would have been under the program submitted last May, but they would be significantly improved.

Mr. HARDING. I want to thank the Secretary, Mr. Chairman. I also want to note the presence of Congressman Reifel in the hearing room. He used to be a member of this committee and a very good member. It was my privilege to sit next to Ben on the committee. I appreciate his interest in the wheat problem in South Dakota.

Mr. PURCELL. I would like the record to show at this point that Mr. Reifel, a former member of the committee, is here, Mr. Beermann is with us, although not on the subcommittee, and Mrs. May, whom we do not have the privilege of having on this subcommittee, Mr. Ben Jensen, who is not on our committee, but is always interested in agriculture, and in due time we would like to hear from you folks. Our members will question first.

Mr. Findley?

Mr. FINDLEY. Mr. Chairman—Mr. Secretary, do you support the McGovern bill?

Secretary FREEMAN. I support the principle of the voluntary certificate application which is incorporated in the McGovern bill.

Mr. FINDLEY. Is it pretty close to what you plan to propose or do you plan to propose a bill for our consideration?

Secretary FREEMAN. No. I think you have had before you the principle involved in a number of bills. I think this committee would be able to make a decision as to some of the mechanics. For example, what ought to be the payments for diverted acres and what ought to be the level at which certificates would be redeemed.

Mr. FINDLEY. When we do take up a specific language, will you be willing to appear again before the subcommittee?

Secretary FREEMAN. If you ask me, I am always willing to appear before the subcommittee.

Mr. FINDLEY. Would you be satisfied with the proposed wheat program that you talk about if it makes a record as good as the 1963 feed grains program?

Secretary FREEMAN. I am not sure I understand your question.

Mr. FINDLEY. If the record of accomplishment of the proposed wheat program is as good as the accomplishment of the 1963 feed grains program, would you be satisfied?

Secretary FREEMAN. I am not sure yet. Your question is so broad. Our goal here, which we feel will be accomplished, will be to cut back the amount of wheat on hand, to do it without additional cost to the taxpayer and restore the farm income to the wheat producer. The situation in wheat and feed grains is different. We have had a wheat and feed grain program since 1961. This is a different principle. It is different because we are able to take from the marketplace the amount to maintain farm income without increasing the price of wheat and so there really isn't a real parallel between the two programs.

Mr. FINDLEY. Could you tell us what your production target for wheat would be under this proposed program?

Secretary FREEMAN. It would be probably about 100 million bushels short of use, which would be in the neighborhood of 1,250 million bushels, predicting a use of about 1,350 million bushels.

Mr. FINDLEY. Would this program be more expensive than the mandatory program which was suggested May 21?

Secretary FREEMAN. No.

Mr. FINDLEY. Why was the effort made last May to put over the mandatory program if the cost for a voluntary one is no greater? Why were the farmers confronted with such a tough choice?

Secretary FREEMAN. Because the income which would go to the farmer under the program voted down in May would be greater than the income that he would get under this program and I have consistently supported that.

Mr. FINDLEY. The farmer would have been better off under the rejected monetary program?

Secretary FREEMAN. Yes.

Mr. FINDLEY. Could you give us an estimate of how much better off he would have been?

Secretary FREEMAN. \$200 to \$300 million.

Mr. FINDLEY. Would this new wheat program enable you to make any substantial cutbacks in the USDA payroll in line with the Johnson objective?

Secretary FREEMAN. We have put into effect and are putting into effect now some administrative changes. You might not have been that close to it, but you may recall that while the fiscal year 1964 budget was pending before the Congress, that the Agricultural Stabilization and Conservation Service filed some amended figures which cut back about \$3 million of the funds asked for administrative purposes.

Mr. FINDLEY. And you expect a reduction in payroll, though?

Secretary FREEMAN. This was a reduction in payroll, and we think that some of the things that we have underway now would mean that we can improve further, and that this program will be easier to administer, so I think there will be administrative savings under this program as compared to the earlier one.

Mr. FINDLEY. Considering the export angle of wheat for the moment, if it proves that a freight subsidy was in fact apparent in the Continental deal, would you rescind the sale of Continental for this Durum wheat?

Secretary FREEMAN. This is a purely spurious question because there wasn't any freight subsidy.

Mr. FINDLEY. If one becomes apparent, would you rescind the sale?

Secretary FREEMAN. There isn't any so one won't become apparent, so the question does not even call for an answer.

Mr. FINDLEY. Was the bidding competitive in determining the acceptable bid at 72 cents for Continental?

Secretary FREEMAN. Yes.

Mr. FINDLEY. How many bids were there?

Secretary FREEMAN. Under the procedures which were inaugurated way last July, and have been in effect for Durum since then, special bid procedures, any of the grain companies who had seen fit to submit a comparable bid were free to do so at any time. There were no changes, no adjustments in relation to this transaction. It followed well-established procedures that have been in effect since last July.

Mr. FINDLEY. There were several bids made?

Secretary FREEMAN. No, I said that any—

Mr. FINDLEY. Was there more than one?

Secretary FREEMAN. Of course, under the procedures there are usually not more than one bid submitted. On this day I do not know whether any other bids were submitted on the same day or not.

Mr. FINDLEY. So far as you know it was the only bid.

Secretary FREEMAN. As far as I know it was the only bid.

Mr. FINDLEY. 72 cents presently is posted in the Department as an acceptable bid for Durum export.

Secretary FREEMAN. We don't post bids that are acceptable, otherwise there wouldn't be bidding. What we do say, anyone who wants to buy grain is free to make a bid. That bid is accepted or rejected by 4 o'clock in the afternoon. That is open to anyone who wishes to bid.

Mr. FINDLEY. If the party who offered to buy 110,000 bushels about a week ago at 59 cents offered 72 cents today would you take it?

Secretary FREEMAN. Probably not.

Mr. FINDLEY. Is the bargaining price available only to the big fellows? Does it have to be a gigantic transaction to get entitlement for a bonus subsidy?

Secretary FREEMAN. In effect in this instance we have felt that it would not be good public policy to accept a bid involving this high a subsidy unless it would move a significant amount of grain.

Mr. FINDLEY. How big a transaction is necessary to get consideration?

Secretary FREEMAN. We pass on the bids when they are submitted. We do not make a statement as to what we will or will not accept or obviously there wouldn't be bid procedure and this would be illegal and improper.

Mr. FINDLEY. Do you have reason to think the grain trade generally had knowledge of this 72-cent bid the day it was accepted?

Secretary FREEMAN. No 72-cent bid was accepted, so the grain trade could not have knowledge of it. The grain trade knew we followed a procedure and the grain trade, any of them, could have submitted a bid for any kind and any quantity and could bid.

Mr. FINDLEY. Is it true you made tentative decision immediately afterward not to accept any 72-cent bids?

Secretary FREEMAN. No.

Mr. FINDLEY. Thank you, Mr. Chairman.

Mr. PURCELL. Mr. Duncan?

Mr. DUNCAN. Just a couple of questions, Mr. Secretary. Do I understand your proposal to reduce your stocks under this plan that you have discussed here today would be accomplished by issuing certificates for about 100 million bushels less than you figure the domestic consumption plus exports would be for any year?

Secretary FREEMAN. No. We would issue certificates, of course, depending upon the number of farmers who complied with the program. The certificates would then be required of all processors. The amount of wheat that would move out of our surplus stocks would depend upon the difference between the amount produced and the amount consumed for all uses. Under the program contemplated it is our estimate that there would be a 100-million-bushel difference between the amount produced and consumed, and as such we would draw down stocks by 100 million bushels.

Mr. DUNCAN. That difference could be filled by grain moving from a noncomplier without a certificate?

Secretary FREEMAN. Yes. Our estimate would include total production and on that basis we would feel that we would be short about 100 million bushels.

Mr. DUNCAN. Are these certificates going to be in terms of bushels? You will issue so many bushels worth of certificates?

Secretary FREEMAN. Yes.

Mr. DUNCAN. How are you going to figure out how many of those to issue? Will it depend on the number of farmers?

Secretary FREEMAN. Based upon his allotment just as we would have figured out under the so-called mandatory program.

Mr. DUNCAN. An average production per acre.

Secretary FREEMAN. Yes, based upon his normal production per acre times his allotment.

Mr. DUNCAN. You would figure the number of acres within the allotment would be such that it would produce so many bushels, less consumption, less exports?

Secretary FREEMAN. That is correct.

Mr. DUNCAN. There would be no obligation on the Government to store grains produced by noncompliers?

Secretary FREEMAN. Well, no. Noncompliers would not have any support and therefore they would sell in the market and would not be eligible for a loan.

Mr. DUNCAN. It should subtract from the Government's burden of storing the surplus?

Secretary FREEMAN. That is correct.

Mr. DUNCAN. But even with the proposal that you are making today you would estimate as I gather some \$200 million decline in wheat income during the next year.

Secretary FREEMAN. I stated that to hold the line on the costs under the no-vote option, we could, through the certificate method, increase farm income approximately \$400 million.

Mr. DUNCAN. Over what it would be if no law is passed?

Secretary FREEMAN. That is correct.

Mr. DUNCAN. Which, according to your estimation, would leave a \$200 million difference.

Secretary FREEMAN. That is correct.

Mr. DUNCAN. You are not suggesting any provision whereby a farmer could produce wheat beyond his allotment for feed consumption?

Secretary FREEMAN. Yes. He could produce all he wanted. He could produce all the wheat he wanted to produce.

Mr. DUNCAN. But he could not do that and still comply?

Secretary FREEMAN. No.

Mr. DUNCAN. He would be a noncomplier, then?

Secretary FREEMAN. That is correct.

Mr. DUNCAN. And he would have to either take a lesser wheat for human consumption or else use it all for feed.

Secretary FREEMAN. That is right.

Mr. DUNCAN. I think that is all the questions I have. I would like to comment on Mr. Short's discussion just briefly. It seems to me that he has described a pot of gold at the end of the rainbow that everybody would like to get to and nobody really knows the road to follow to get there.

Mr. SHORT. I was just asking for some observations from the Secretary.

Mr. DUNCAN. I understand. I think you have described the millennium. I would like to see us get there. I would even support a bill with Mr. Short's name on it if he could figure one out that would accomplish that.

Thank you, sir.

Mr. PURCELL. Mr. Olson.

Mr. OLSON. I have no questions, Mr. Chairman.

Mr. MATSUNAGA. Mr. Chairman, one compensation of being a junior member is that before your turn comes all the wise questions, as well as the foolish ones, have been asked.

I would like to join the others in commending the Secretary for his presentation and for the forthright manner in which he has advocated enactment of a law which would take care of the situation which today faces the farmer.

Hawaii raises no wheat and perhaps I was placed on the committee to give some objectivity to the committee and objectively speaking, I must say that I am sold 100 percent on your presentation, Mr. Secretary.

Secretary FREEMAN. Thank you, Congressman.

Mr. PURCELL. Mrs. May, we would be glad to hear from you, if you have questions.

Mrs. MAY. Thank you, Mr. Chairman.

Happy new year, Mr. Secretary.

Secretary FREEMAN. Thank you, ma'am.

Mrs. MAY. I have one brief question. Mr. Secretary, when you went out on your series of meetings in several States—and I know you were in my State, as well as a number of other States—and at that time I believe in a speech you made to one of the groups in Ohio, you said that about four out of five of the wheat farmers that you talked to said they wanted some sort of a wheat program. However, you did indicate at that time there was very little unanimity of opinion on what kind of a program. I remember some of them wanted a referendum again and some of them didn't, and some wanted a voluntary approach and some wanted other approaches.

Have you, since that time, found any unanimity among our wheat-grower groups throughout the Nation on a type of plan? Are there any certain factors you think they would agree on that might prove to be guidelines for the Subcommittee on Wheat and the full committee?

Secretary FREEMAN. Yes.

Mrs. MAY. And that is the basis of what you feel they feel, in making your recommendations today?

Secretary FREEMAN. Yes; I think in 9 out of 10 of the wheat producer State organizations, in their resolutions were for a voluntary certificate-type program. Similar actions were taken by the Grange, by the various farmer organizations, and a somewhat different emphasis in the Farmers' Union, but generally they are for it. You can say it is fairly apparent that the organized leadership of the wheatgrowers; that is, the general farm organizations with the exception of the Farm Bureau, have met, and have indicated very clearly to me and I think to this committee their preference for a voluntary certificate-type program.

Mrs. MAY. In your statement today you said that one of the reasons you are recommending the certificate approach is that it should be voluntary. Second, that the cost of the certificate program would be less?

Secretary FREEMAN. That is correct.

Mrs. MAY. Is that from an administrative point of view, a payroll point of view? Could you give us one or two points on this?

Secretary FREEMAN. I think there is a table, Mrs. May, that the committee has which sets down the various cost factors and this would be the most inexpensive program and the amount, the level of costs and

the effect on farm income could vary as the certificate price and the payment for acres varied.

I would make the point that with virtually no costs beyond the present law, approximately two-thirds, or \$400 million of the \$600 million can be restored. From that point on it would be almost a dollar-for-dollar cost to the Government and in turn, a dollar-for-dollar increase return to the wheat farmer, above \$400 million.

Mrs. MAY. In other words, the mechanics of the certificate way of handling this, you feel have greater economic benefits?

Secretary FREEMAN. Yes, because you see we now have a price of wheat in the market place at \$2, plus. The law now provides for a support rate of about \$1.30. That gap roughly is bridged by a certificate. The total price would then be \$2 and there would be no increase in consumer costs. Basically it would not mean any increased Government costs. It would hold the status quo on costs and prices, but it would fill that income gap.

Mrs. MAY. If the subcommittee and the full committee presented to the Congress a plan titled "The Voluntary Certificate Plan," do you think there would be any psychologically unfavorable reaction, retroactive to last year's referendum to the word "certificate?" You will recall, I recommended a new program should not have the word "certificate" in its title. Do you feel we can sell this with the word in it?

Secretary FREEMAN. I am not enamored with the word, "certificate." If the committee leaves out the word "certificate" I would be very pleased.

Mrs. MAY. Thank you very much, Mr. Secretary.

Mr. PURCELL. Mr. Hagen has another question.

Mr. HAGEN. Mr. Secretary, I want to commend you for going to Salina, Kans. I was there during the war, and I was treated very courteously.

We sell a lot of feed grains abroad; do we not?

Secretary FREEMAN. Yes, sir.

Mr. HAGEN. Are they subsidized in any way for export?

Secretary FREEMAN. No; in recent years they haven't been.

Mr. HAGEN. How can our American farmers raise feed grains which are marketed abroad without subsidy if they can't raise wheat? They are very closely related and grown in essentially the same areas?

Secretary FREEMAN. I can only say in this instance that I think by and large we have perhaps gone faster and further in the technology of raising feed grains with increasing efficiency rather than wheat. That our average yield a bushel on wheat may be 23 to 25 bushels, and on feed grains it is close to the 70-bushel-an-acre mark. The feed grain production has zoomed up more rapidly on a unit basis than has the wheat production.

Mr. HAGEN. They are getting 50 or 60 bushels of wheat per acre; aren't they?

Secretary FREEMAN. There is intensive cultivation in some of the hard wheats. In the Hard Red Winter and the Hard Red Spring, the yield does not run that high. In the heavy wheat producing areas of the country, particularly those with relatively little rainfall, it hasn't run that high.

Mr. HAGEN. Essentially those are marginal farm areas.

Secretary FREEMAN. I think not. I can't quite join in your comment about Kansas, and I would hesitate to say it is a marginal producing area, although I can agree with you on that, too.

Mr. DOLE. I would say California was marginal.

Secretary FREEMAN. I would stay out of this.

Mr. JONES. In response to what Mr. Hagen said about the fact that we were selling the feed grains without the subsidy and we were selling the wheat with the subsidy, don't you think that the fact that the general practice throughout the world—I don't know of any country that is selling or growing wheat that doesn't subsidize the producer. Would that have some effect on it? I know of no place in the world where they are selling wheat, where they are producing it at the world price. Do you know of any place where they are?

Secretary FREEMAN. Offhand, no.

Mr. JONES. Why is it in these international wheat agreements and stuff like that, that various countries can't get together to bring up the world price of wheat to have it approach the cost of production? It seems to me everywhere in the world we have this thing prevailing. I never have been able to understand why we couldn't reduce the subsidy in all of the countries and it wouldn't reflect any disadvantage to any of the countries.

Secretary FREEMAN. That is what, of course, effort is made to do under the International Wheat Agreement, where they have a maximum and a minimum of which you are informed, and we cannot fall below that minimum. But even so, as you properly point out, there exists subsidies on wheat in every country I know of.

Mr. JONES. It seems we have a unique situation in wheat that we don't have in other commodities like that, and I have never been able to understand it.

The CHAIRMAN. Mr. Hoeven, we are glad to have you here. I am sorry you haven't heard the questions and the statement of the Secretary. If you have questions or comments or a speech to make, we would be glad to hear you, sir.

Mr. HOEVEN. Thank you, Mr. Chairman. I am sorry I could not be here earlier, and am happy to sit in. I have no questions.

The CHAIRMAN. Mr. Beermann, do you have any questions?

Mr. BEERMANN. In your statement, under "No," you talk about the economic impact of a \$600 million decline in the wheat farmers' income. Then the estimated effect on income and costs under the current legislation as shown in the data we have here under table 3, No. 2, the "Program Costs."

Under "No," the total cost would be \$755 million under column 1 and under "McGovern," which is the legislation we are discussing here, cost would be \$1,174 million or a net difference in these two types of legislation of \$419 million, which would absorb all but \$181 million. This is on table 3, and in No. 2, "Program Costs," under "No," \$755 million. So there is a net differential of \$181 million. I was wondering why—of course, this was prior to the recommended costs in the Federal Government, but why the Secretary would be for the higher cost program?

Secretary FREEMAN. In this instance some of the cost features in the McGovern program are high. I think I made it clear there needs

to be some adjustments in that program. I leave that to the discretion and good judgment of this committee. I have tried to make it clear that up to a point where about \$400 million of income is restored it can be done with no cost increase over the program currently in effect. As we go up further it will be almost a dollar-for-dollar cost, and this is something that will need to be determined.

Mr. BEERMANN. There are two things about it. One is that the taxpayers will have more costs. If the taxpayers are called upon on this kind of a program, then the farmers have less income.

Secretary FREEMAN. No. I said that up to a point of restoring \$400 million income loss, it would not involve any significant increase in appropriations. If you go up to restoring the income level, where there was a "yes" vote on the referendum, it would mean significant increased costs on almost a dollar-for-dollar basis, and this committee will have its own judgments, I am sure, as to where that figure ought to rest.

Mr. BEERMANN. If the Department of Agriculture or the Department of Justice has taken a dim view of any group of farmers or organization of farmers attempting to fix prices, why does it look favorably upon the Government fixing prices?

Secretary FREEMAN. Well, the Government can do many, many things that individuals can't do.

Mr. BEERMANN. I guess that is a good answer.

Secretary FREEMAN. I believe the Government represents all of us in their democratic processes. They are not perfect, but this is the best system I know of, and when you, as a democratically elected representative, and peers, make a decision here in the Congress, that becomes the law for all the people. That is the best system we have been able to devise and I am in favor of it.

Mr. BEERMANN. I intend to see that we continue that system, too. Thank you very much.

Mr. PURCELL. Mr. Reifel, have you questions or comments?

Mr. REIFEL. Mr. Chairman, I appreciate your asking me to come over and I appreciate listening to this presentation.

The other day when some of the bills were discussed, the question was raised with regard to the market for the noncooperating farmer's wheat. I believe you said then pretty much what has today been pointed out, he would get whatever the world price was, or whatever the market price was. For the cooperator, he would have one price, and the noncooperator could sell on the market. Mr. Secretary, you said it would be about \$1.35 a bushel?

Secretary FREEMAN. Something like that.

Mr. REIFEL. Would this certificate include also not only the milled wheat for domestic consumption, but also for the wheat that we would export?

Secretary FREEMAN. Yes, it would, probably.

Mr. REIFEL. Then, as Mr. Belcher pointed out earlier, if we got compliers who agreed to produce say up to half, say the 500 million bushels, then wouldn't this tend to have—let's say that the millers needed say 600 million bushels of wheat for flour or whatever that figure may be, and you needed a similar amount for export wheat and you had compliers who would take up only 250 million bushels. You

would have three-quarters of a billion bushels that would still be in demand for this first-class, or higher, certificate of wheat. Would this tend to push the prices up a little, too?

Secretary FREEMAN. No, I don't think it would have any effect, because the wheat would move through the market at whatever the market price was, and it would be in relationship to feed grains and it would move into the hands of the exporter, or the processor, and that processor or exporter would then be required to have certificates of equivalency to the amount he would process or export. The total supply would remain the same. We would believe that there would be, as this program continued, a lessening in the amount of production. I think, looking down the road, that if there is not any wheat program this year, if there is none that apply to next year's crop, if the farmers come to the conclusion there is not going to be any wheat program at all, why then I think the likelihood is there will be a substantial increase in acreage and a heavy increase in production. We can go as we have in the past as high as 70 million acres. We can certainly produce, if we want to, nearly 2 billion bushels of wheat. This might happen. I think the fact it didn't this year was in a significant way the recognition that there still was a chance that there might be some wheat legislation and a kind of declaration by the individual farmers who stayed within their allotments. If it looked like there definitely was not going to be a wheat program, we can only surmise, but my speculation would be that we would then see a sharp increase in the volume of acres.

Mr. REIFEL. In the time I have served in the Congress I have been directly opposed to many controls. It seems to me that if we have a two-price system on a voluntary basis, with the noncooperator having the same opportunity on the market as anyone else, and if you got other features corrected as you pointed out here, we could have a program that begins to determine whether we are moving in the direction of more controls or whether the free market is a better place to determine prices for the farmer. It seems to me we have a compromise coming out of this committee. The farmers in my district are concerned with getting some type of program to bolster prices while we continue the search for some long-range program that will fit in. It looks like we have a start in that direction. I would hope that something would be hammered out.

In the 2 years I was on this committee, I really appreciated the statement—the observation among Members of Congress—that we could disagree without being disagreeable.

Now that didn't always apply while the committee was in session, but we certainly were agreeable as we left the committee room. I think under that type environment we can hammer out something which will really work.

Mr. PURCELL. Mr. Jensen, we are glad to have you. If you have questions or comment, we will be glad to hear from you at this time.

Mr. JENSEN. Mr. Chairman, this has been a most interesting hearing. Thank you for permitting me to ask questions or comment on this important matter. As you know, I come from the great agricultural State of Iowa.

The thing that disturbs me in all this colloquy I have listened to today is the fact that it seems to me that you base most every bill that has been proposed on the basis of a 50-percent parity for wheat. Is that right, Mr. Secretary?

Secretary FREEMAN. That happens to be the law as it now stands.

Mr. JENSEN. And you are still talking about that same 50 percent of parity. Is that right?

Secretary FREEMAN. We are suggesting a program here which would accomplish the equivalent of current market price. Let us say \$2, it would be about 80 percent of current parity for the compliers.

Mr. JENSEN. The problem in agriculture today is the fact that we have a cost-price squeeze. So if we are going to have a program for wheat and feed grains, that program should, in my opinion, bolster and raise the farm income.

Now, any percent under parity certainly is not going to bolster farm income. I can't understand why these compliers, if they would reduce their acreage, say 20 percent below the past 3 years, shouldn't have parity.

Secretary FREEMAN. They would, under this program, get around 80 percent of parity.

Mr. JENSEN. Under what program?

Secretary FREEMAN. Under the voluntary certificate program that I have discussed with the committee here today.

Mr. JENSEN. Who gets the 50 percent of parity?

Secretary FREEMAN. The noncomplier would get the market price which would probably be close to 50 percent of parity.

Mr. JENSEN. When you reduce acres, you reduce bushels, then up goes the price of wheat, and the noncomplier also derives benefit.

Secretary FREEMAN. We think that would not happen, here. There would be, we estimate, a price, a market price not much in excess of 50 percent of parity for the noncomplier. The certificate payment would bring the compliers' return up to the equivalent of about 80 percent of parity.

Mr. JENSEN. If he does what?

Secretary FREEMAN. If he complies with the acreage allotments and voluntarily signs up for the program.

Mr. JENSEN. How much will he have to reduce acres?

Secretary FREEMAN. About 10 percent.

Mr. JENSEN. What if he reduced 20 percent? You would have less wheat which is at times a drag on the market. And by reducing it 20 percent you could pay the producer a better price for his wheat, could you not? Would that not naturally follow?

Secretary FREEMAN. Well, to the extent that it resulted in a lessened production, it would tend to have the effect of increasing the price.

Mr. JENSEN. Sure it would, So if we are going to raise the wheat farmer's income, the thing we have to do is to give him a price that will show a profit for him to raise wheat.

Now, you take a 100-acre farm, for instance, that raises 40 bushels to the acre, on an average. You would raise 4,000 bushels. Now, reduce his acres by 20 percent, he may get 20 cents a bushel more. And by

so doing, you would reduce your surplus and that is the thing that is holding down the price of wheat, is it not?

Secretary FREEMAN. Not necessarily. What is holding down the price of wheat is when in any particular year you have a production in excess of use.

Mr. JENSEN. Sure, but when you take more acres out, you have less production.

Secretary FREEMAN. That's right.

Mr. JENSEN. Even though they fertilize to the hilt, there is a limit to what they can produce, and I think they are fertilizing pretty much to the hilt now.

Anyway, Mr. Secretary, and Mr. Chairman and members, I can see no other way to raise the farm income other than to pay the farmer more than we are today to take land out of production. That goes for not only wheat, but corn and other feed grains. You can talk until doomsday as to how you are going to increase the farm income but if you don't give him a better deal for taking wheatland out of production or cornland out of production, we are just not getting the job done. I think it is just that simple, Mr. Secretary.

Secretary FREEMAN. Thank you.

Mr. JENSEN. Don't you believe that?

Secretary FREEMAN. Yes, sir.

Mr. JENSEN. All right. Then, why not program your farm legislation on that basis? If we are going to have a farm program, let's have a good farm program that will really raise the farmer's income, or have no program at all. And you will find that 90 percent and possibly 95 percent of the farmers would go along with that premise. I have talked to a lot of them. I hear from a lot of them. I was born and raised on a farm and dealt with farmers all my life until I came to Congress, and I have talked with a lot of them since. But you can't raise the farm income unless you give him a better deal from a legislative standpoint than he has received so far. So I say again, Mr. Chairman, and then I will close, that if we are going to have a farm program, let's have one that will raise the farm income.

Mr. PURCELL. Mr. Secretary, I thank you again very much for being here. I know we all have benefited from your presentation, and we look forward to seeing you again before this committee at the first opportunity. Thank you.

Secretary FREEMAN. Thank you, Mr. Chairman.

(Whereupon, at 4 p.m., the committee adjourned to reconvene at 10 a.m., Wednesday, January 8, 1964.)

WHEAT LEGISLATION

WEDNESDAY, JANUARY 8, 1964

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON WHEAT OF THE
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittee met, pursuant to recess, at 10 a.m., in room 1310, Longworth House Office Building, Hon. Graham Purcell (chairman of the subcommittee) presiding.

Present: Representatives Purcell, Jones of Missouri, Hagen of California, Harding, Olson, Matsunaga, Belcher, Short, Latta, Dole, and Findley.

Also present: Representative Beermann.

Staff members present: John J. Heimbarger, general counsel; Hyde H. Murray, assistant clerk; Francis M. LeMay, staff consultant; Robert C. Bruce, assistant counsel; and Martha Hannah, staff assistant.

Mr. PURCELL. Mr. Shuman, everybody is reported in the area and on their way, but that is what they were saying 20 minutes ago. If it is all right with you, we shall be glad to start with you at this time.

STATEMENT OF CHARLES B. SHUMAN, PRESIDENT, AMERICAN FARM BUREAU FEDERATION; ACCOMPANIED BY MARVIN L. McLAIN, ASSISTANT LEGISLATIVE DIRECTOR

Mr. SHUMAN. I shall be glad to, Mr. Chairman.

I have with me Mr. Marvin McLain, assistant legislative director in the Washington office.

We have a brief statement.

We appreciate the opportunity to update our recommendations with respect to new wheat legislation.

Since the essential feature of the position presented to you on July 23, 1963, were reviewed and reaffirmed by the elected voting delegates of our member State organizations at our annual meeting in December, we will endeavor to be brief.

Farm Bureau members believe that a change of direction in farm programs is long overdue. They believe there is a need for changes which will—

(1) Permit market prices to serve as the dominant influence in guiding the use of farm resources and the movement of farm output into consumption;

(2) Provide for price supports which will facilitate orderly marketing without substituting Government price fixing for

market prices that reflect the economic forces of supply and demand;

(3) Protect markets for farm products against the burden of accumulated CCC stocks so that prices can rise above support levels as the balance between output and market requirements improves;

(4) Provide Government assistance, by means of a cropland retirement program, to help farmers make needed adjustments in resource use and output during the transition to freer markets; and

(5) Eliminate price-depressing surpluses and clear the way for higher per family net incomes through a healthier supply-demand situation by bringing production into line with current market requirements.

THE PRESENT SITUATION

The result of the 1963 wheat referendum clearly indicates that a majority of wheat producers want to move away from restrictive Government programs and to assume greater personal responsibility in the production and marketing of wheat.

New legislation is needed to sweep away the debris of the restrictive programs that have been rejected: to provide assurance against the disruptive dumping of CCC stocks; and to remove uncertainties with respect to the direction of future policies for wheat and feed grains.

If no new legislation is enacted, it will be necessary to hold another referendum on the certificate plan next spring. There is absolutely no evidence that the decision already rendered by wheatgrowers would be changed by another referendum. On the contrary, a 1964 referendum would only mean further delay in the solution of the wheat problem. Our wheat farmers are prepared to go all out to defeat the plan again, but we do not see how another referendum and delay could benefit anyone.

The present outlook for wheat is far brighter than the drab picture presented by the proponents of a "Yes" vote in their efforts to influence the outcome of the referendum. In the face of increased uncertainty with regard to future prices, producers exercised considerable and wise restraint in seeding winter wheat for harvest in 1964. This is a natural reaction as uncertainty is one of the disciplines of a market system.

In a prereferendum statement entitled "Wheat—The Program for 1964, an Economic Analysis," the Department of Agriculture said that with a "No" vote "growers might plant 70 million acres or more of wheat, compared with 49 million acres in 1962." If growers seeded winter and spring wheat in the same proportion as in the 5 years, 1958–62, plantings of 70 million acres would mean 54.5 million acres of winter wheat and 15.5 million acres of spring wheat.

In November, after it was clear that wheat acreage had not skyrocketed, the Department of Agriculture's outlook experts discussed the wheat situation in terms of an assumption that farmers would seed "about 60 million acres" to wheat for harvest in 1964. In terms of the 1958–62 average, plantings of 60 million acres would mean 46.7 million acres of winter wheat and 13.3 million acres of spring wheat.

The first official estimate indicates that growers actually seeded only 43 million acres to wheat last fall. This is 2.3 percent more than was seeded a year ago when a voluntary (feed grain type) acreage reduction program was in effect. But it is less than the 43.4 million acres seeded to wheat in the fall of 1960—when the 55-million-acre national allotment was in effect without a special program to reduce the planting of allotted acres. This first official Department of Agriculture estimate of 1964 wheat production further shows that earlier statements made by some top Department of Agriculture officials were unwise and irresponsible and again proves that wheat farmers understand the economic facts of life better than some of the bureaucrats.

Export prospects have been improved by poor crops in Western Europe and the Soviet Union. The Department of Agriculture now estimates that exports will reach a record 800 million bushels in the current marketing year without projected sales to Soviet bloc countries which could boost the total to 1 billion bushels. By way of comparison, exports totaled 639 million bushels last year and 720 million bushels in the previous record year of 1961-62.

As a result of increased exports, the carryover of wheat is being reduced. If exports actually reach 1 billion bushels the carryover will be down to about 725 million bushels on July 1, 1964, and the lowest for any year since 1953.

The market system has begun to work in wheat. The futures market has shown little regard for the prereferendum predictions that the farm price of wheat would drop to \$1 per bushel or less if farmers disapproved the certificate plan. Furthermore, the market has begun to reflect changes in the supply-demand situation. The improvement in export prospects was almost immediately translated into higher prices in both the cash and the futures market. Those who lack faith in the market system may argue that the futures market is too high, but it may actually be too low. They could be as wrong now as they were when they predicted seedings of 70 million acres and a price of \$1 or less per bushel. There may never be a better time for wheat producers to make the transition to freer markets.

The major wheat bills introduced in the House and the Senate since the referendum fall into three general categories:

(1) Bills to extend the principal features of the present feed grain program—with additional undesirable provisions—to wheat;

(2) Bills to put the certificate plan into effect on a so-called voluntary basis without a referendum; and

(3) Bills to implement the approach recommended by the Farm Bureau.

All of these bills, except those based on the Farm Bureau's recommendations, involve further efforts to establish a Government supply-management program for wheat. This is not the direction we want to go. In our opinion the outcome of the 1963 referendum is a clear indication that a majority of wheat producers do not want such a program.

Efforts to control wheat and feed grain production have failed dismally. They have created inefficiencies in the production of farm commodities. They have increased production costs. They have shifted the surplus problem from one commodity to another. Acreage restric-

tions have stimulated offsetting increases in per-acre yields. Program "benefits" have been capitalized into land values, a process which benefits landowners but creates problems for those who must rent or buy land in order to farm.

EMERGENCY WHEAT AND FEED GRAIN PROGRAMS ARE COSTLY AND
INEFFECTIVE

Year-to-year land diversion programs such as the emergency wheat and feed grain programs have been extremely costly in relation to the limited results that have been achieved.

Feed grain stocks have been reduced, but this is largely the result of increased utilization that would have been achieved without the emergency feed grain program. As a matter of fact, if the feed grain program is given credit for stopping the buildup in stocks, virtually all of the reduction in the carryover must be credited to increased utilization. If the proponents of the expensive feed grain program are going to take credit for the increase in utilization they must also take responsibility for the sharp drop in hog and cattle prices.

Payments under the feed grain program have increased from \$782 million in 1961 to \$844 million in 1962 and \$875 million in 1963. In 1963 after 3 years and the expenditure of \$2.5 billion for payments, plus additional millions for administrative expenses, feed grain production was the largest on record. The USDA now estimates that expenditures for payments under the feed grain program will rise to \$1,200 million in 1964.

Such an experience does not recommend continuation of this program for 2 more years for feed grains or its extension to wheat. On the contrary, the need for fiscal responsibility at a time when we are experiencing balance-of-payments problems, large Federal deficits and strong pressure for a tax cut supports our view that this wasteful program should be repealed.

The basic fallacy of Government efforts to fix prices and control production cannot be overcome by shifting from compulsory controls to voluntary programs. A new approach is needed. The only sure way to solve our feed grain and wheat problems is to let the market system guide production and consumption. We believe the wheatgrowers who voted "no" in the referendum understand this fact.

THE SO-CALLED VOLUNTARY WHEAT CERTIFICATE PLAN SHOULD BE
REJECTED

To the best of our knowledge no one told wheatgrowers prior to the referendum that defeat of the certificate plan would make it possible for the Government to continue to support wheat prices, without mandatory controls, at anything like the levels of recent years. There was not the slightest suggestion by anyone during the referendum campaign that the issue of wheat policy could be resolved by putting the certificate plan into effect on a voluntary basis. This was not the issue.

Any idea that objections to this complicated scheme can be overcome by making participation voluntary is completely false. This is true because the proposed voluntary plan still embodies a great deal of compulsion and Government allocation of the market for food wheat with-

out regard to the quality of wheat a grower produces or the use that is actually made of it.

Participation would not be voluntary for wheat processors who would be subjected to a processing tax that can, and would, be labeled a "bread tax." In addition, the penalties for nonparticipation would be so great that many wheat producers would have little freedom of choice. The opportunity to stay out of the program would really amount to nothing more than a feed wheat exemption. Such a plan could be expected to restrict production of milling quality wheats and to encourage additional production of high yield feed wheats. The wheat producers who voted against the certificate plan don't want a control program with a feed wheat exemption—they want an opportunity to compete for markets on the basis of comparative advantage.

We find it little short of incredible that Members of Congress from wheat districts would even consider action to effectuate a plan that has already been rejected by a majority of wheat producers.

RECOMMENDATIONS

In order to provide for an orderly transition from the programs of the past to a program that will better serve the interests of both wheat producers and taxpayers, Farm Bureau favors the immediate enactment of legislation as follows:

(1) The existing authority for wheat allotment, marketing quota, and certificate programs should be repealed.

There is no justification for insisting that acreage allotments remain in effect for a crop for which marketing quotas have been disapproved. Wheat farmers have indicated a desire to move away from restrictive Government programs, and they should be permitted to do so. Our program would allow each farmer to decide for himself which grains he should grow and how much of each he can best produce.

(2) Beginning with the 1964 crop, price supports for wheat should be set at the higher of the U.S. farm price equivalent of the average world market during the immediately preceding 3 marketing years—currently about \$1.30 per bushel (see table 1 attached) or 50 percent of parity—with premiums and discounts to reflect market demand for milling and baking quality.

This approach would eliminate administrative discretion with respect to price support levels. It would automatically adjust support prices to changing supply and demand conditions. It would also assure other wheat-producing countries that the change in our price support policy will not break world wheat prices.

Support prices set in this manner would not impede the working of the market; would not be an incentive to increase production; and yet, would provide real protection against any substantial drop in wheat prices.

Since price supports set in this manner would not be an artificial stimulant to production, it would not be necessary to couple them with restrictions on production or marketing. Price supports set at higher levels, as proposed in other bills now before this committee, would stimulate production and make impossible the elimination of controls on individual farms. These proposals for higher levels of price support would grant to the Secretary of Agriculture discretionary author-

ity to increase the level to 90 percent of parity. We could not defend the high cost to taxpayers of such proposed programs, nor do we believe it wise to grant such discretionary authority to any Secretary of Agriculture.

(3) Wheat and feed grains should be placed on a comparable basis as soon as possible. The areas that produce wheat and feed grains overlap, and these commodities have historically competed with each other for land and markets. Farmers need the freedom to shift land from one grain to another to take advantage of changing market demands, to work out efficient crop rotation programs and to adjust to variations in weather conditions. It also must be recognized that programs for both wheat and feed grains affect the livestock, poultry, and dairy industries which account for roughly two-thirds of our total cash farm receipts. Wheat should be allowed to compete for feed markets, but it should not be forced into feed on a subsidized basis as would occur under the certificate plan.

In order to clear the way for a coordinated wheat and feed grain program, the 1963 Feed Grain Act, which applies only to the 1964 and 1965 crops, should be repealed. Price supports for corn and other feed grains should be set at the higher of 90 percent of the average price received by farmers for these grains during the immediately preceding 3 years or 50 percent of parity (see table 2 attached).

Under the present conditions price supports based on the market average would be higher than 50 percent of parity. We would expect this to continue to be true under a program that permits the market system to function; however, we see no need to repeal the 50 percent of parity provision that is already in the law.

(4) To protect farmers against undue competition from the release of Government-owned surpluses the CCC should be prohibited from offering its stocks domestically at less than 115 percent of the applicable support level, plus reasonable carrying charges, except for sales that are offset by open-market purchases. (This exception is designed to provide needed flexibility for the maintenance of good inventory management practices.) The proposed restriction would not apply to sales for export and it is assumed that existing export programs would be continued as long as CCC stocks remain at burdensome levels.

(5) In order to facilitate individual adjustments to freer markets, the Secretary should be authorized for a period of 3 years to enter into contracts for the voluntary retirement of cropland with emphasis on whole-farm retirement. Payment rates should be established through competitive bidding by farmers, and land placed in this program should be retired for periods of not less than 3 years.

A cropland retirement program of this nature would lead to the withdrawal of much greater productive capacity per dollar of cost and would eliminate most of the administrative problems associated with the emergency-type programs of recent years.

In our opinion the USDA has grossly exaggerated the cost of the cropland retirement program by assuming that 80 to 100 million acres would be retired under such a program. The amount of land that needs to be retired to bring production and markets into balance is related to price support levels.

With the support levels we are proposing for wheat and feed grains we are confident that the job could be done with a cropland retirement program of 50 to 60 million acres, including the land already in the conservation reserve. Such a program could be carried out for less than the annual cost of the present feed grain program.

Producers of all commodities should be given an opportunity to participate in the cropland retirement program. Producers should be required to establish and maintain proper vegetative cover on the retired acres. They should not be allowed to graze or harvest any crop off the land. The voluntary nature of this proposed cropland retirement program minimizes the likelihood that it could have any adverse effects on individual counties or communities; however, to make certain that no area would be adversely affected, the Secretary should be directed to place a maximum limitation on the percentage of total cropland which could be retired in any one State or county.

The legislation needed to carry out these recommendations is the Wheat and Feed Grain Act of 1963 which has been introduced by 17 Members of the Senate and 19 Members of the House as the Wheat and Feed Grain Act of 1963.

The 19 House bills now before this committee which carry out Farm Bureau recommendations—with slight modifications in 3 instances—include the following bills introduced by members of the House Agriculture Committee: H.R. 6869, Beermann; H.R. 6848, Findley; H.R. 7035, Hagan of California; H.R. 6994, Harvey of Indiana; H.R. 7633, Hutchinson; H.R. 7001, McIntire; H.R. 6825, Teague of California.

We are happy that members of both parties have joined in sponsoring this proposal in the House and the Senate.

While all major provisions of our proposal would make important contributions to the adjustments that are needed to place wheat and feed grains on a sound basis, the most urgent provisions are those relating to CCC sales policy; future price support policy for feed grains and wheat; and the termination of existing authority for wheat allotments, quotas, and marketing certificates. The cropland retirement program would help many individuals make the adjustment to a market system; however, we are confident that greater dependence on the market system can cure our wheat and feed grain troubles either with or without additional authority for a temporary land retirement program.

We urge this Congress to consider each provision of our program on its merits.

TABLE 1.—Wheat: U.S. average farm prices, export payment rates, and estimated world prices

[U.S. farm price basis]

Marketing year	Average farm price received	Export payment rate	Estimated world price
July-June:	<i>Per bushel</i>	<i>Per bushel</i>	<i>Per bushel</i>
1956-57.....	\$1.97	\$0.74	\$1.23
1957-58.....	1.93	.61	1.32
1958-59.....	1.75	.47	1.28
1959-60.....	1.75	.53	1.22
1960-61.....	1.75	.50	1.25
1961-62.....	1.84	.54	1.30
1962-63, preliminary.....	2.00	.64	1.36

TABLE 2.—*Feed grains: U.S. season average farm prices, per bushel*

Crop year	Corn	Grain sorghum	Barley	Oats
1952-53.....	\$1.52	\$1.58	\$1.37	\$0.789
1953-54.....	1.48	1.32	1.17	.742
1954-55.....	1.43	1.26	1.09	.714
1955-56.....	1.35	.977	.920	.600
1956-57.....	1.29	1.15	.990	.686
1957-58.....	1.11	.973	.887	.605
1958-59.....	1.12	.999	.900	.578
1959-60.....	1.04	.858	.860	.646
1960-61.....	.997	.836	.838	.598
1961-62.....	1.08	1.01	.981	.640
1962-63 (preliminary).....	1.11	1.02	.925	.622
1960-61/1962-63 average.....	1.06	.955	.915	.620
90 percent of 1960-61/1962-63 average.....	.954	.860	.824	.558
50 percent of November 1963 parity price.....	.795	.695	.625	.425

Mr. PURCELL. Thank you, Mr. Shuman. I am sure there are questions.

Mr. Belcher?

Mr. BELCHER. Mr. Chairman, I have no questions. I want to express appreciation to Mr. Shuman for appearing before the committee and laying out the Farm Bureau program.

Mr. SHUMAN. Thank you.

Mr. PURCELL. Have you any questions, Mr. Harding?

Mr. HARDING. Mr. Chairman, I also wish to thank Mr. Shuman for coming before this committee and presenting the views of the Farm Bureau.

Mr. Shuman, in your proposal the guidelines are very broad and you give a lot of authority to the Secretary of Agriculture. For example, on page 9 of your testimony you state:

To make certain that no area would be adversely affected, the Secretary should be directed to place a maximum limitation on the percentage of total cropland which could be retired in any one State or county.

What is your recommendation on the maximum limitation?

Mr. SHUMAN. We have no specific recommendation. We have not discussed what percentage or what limitation there should be. If the Congress does not wish to give as much discretion to the Secretary, we would certainly favor, if it wishes, tightening it up. I would be glad to institute some discussions with our leadership as to what kind of limitation there might be. At the present time we have no specific recommendation.

Mr. HARDING. I believe it would be well to be more specific, Mr. Shuman. You stated a little earlier in your testimony that giving the Secretary authority to set price supports at 90 percent of parity was unreasonable. Yet, under this feature of your program he could theoretically set the maximum limitation at 90 percent of the cropland in a county that is eligible for retirement, could he not?

Mr. SHUMAN. Yes. There would be only a general guideline under our recommendation. I would be glad to present this problem to our executive committee and discuss a possible recommendation. We have none at the present time.

Mr. HARDING. Mr. Chairman, I have no further questions.

Mr. PURCELL. Mr. Latta?

Mr. LATTI. Mr. Shuman, yesterday the Secretary of Agriculture testified before this committee that—

In the absence of such action—

meaning a new wheat program in 1964—

the income of wheat farmers will fall sharply * * * and agriculture will suffer a serious loss—estimated at \$600 million a year * * *.

Do you agree with that statement?

Mr. SHUMAN. No, sir; I certainly do not. I have examined the projections made by the economists in the Department of Agriculture. I find that in the narrative they indicate that the drop of \$600 million estimated for agricultural income in 1964 is due to the decline in the income of wheatgrowers. But, as you examine their own figures, you find they also indicate that the cash costs of farm operation will increase by \$600 million. So, I would say, to begin with, that the \$600 million indicated drop in farm income may just as well be charged to increased costs of operation as to even their own indication of drop in wheat income.

I certainly do not agree that wheatgrowers' income will drop by anywhere near as much as \$600 million. I think there will be some decrease of income for the producers of certain kinds of wheat. I think others will actually show an increase. If we should have a continuation of the drought and unfavorable weather conditions, it may even be possible that the total wheatgrowers' income will increase in 1964 over 1963.

Mr. LATTI. I am not familiar with the futures market. On page 3 of your statement you say, "The futures market has shown little regard for the prereferendum predictions that the farm price of wheat would drop to \$1 per bushel or less if farmers disapproved the certificate plan."

What is the futures market showing?

Mr. SHUMAN. I believe Monday was the last I looked at the July figure, and July futures were in the neighborhood of \$1.78 or \$1.79, and in September it was \$1.81 on the Chicago Board of Trade, which is a far cry from the \$1 per bushel predicted before the referendum or even the projections that were made in the outlook information by those who are predicting disastrous collapse in wheat prices. A farmer can now sell wheat for next summer's delivery at considerably over the figure which was used in these estimates of a \$600 million drop in wheat farmers' income.

Mr. LATTI. If the futures market is so high, why should this committee take any action on wheat?

Mr. SHUMAN. There are two or three reasons. One is that we think there should be restrictions on the dumping of Commodity Credit stocks to depress prices on the domestic market. We think there is no need to have an additional wheat referendum. It has already been voted on and decided. This will take place unless there is legislation.

Beyond these two needs, there is not a great deal of compulsion.

Mr. LATTI. My question is directed to this particular program.

Mr. SHUMAN. Actually, it is not a critical need. I think the members of this committee have detected that wheat farmers themselves are not demanding any new program, if we think of a new program as some scheme to control or establish prices.

Mr. LATTA. I have not found any interest in my district for any type new program. The farmers seem to feel they would like to try it the way it is. It may be best for us to wipe out this whole bill containing the certificate program as you have indicated, so you would not have a second referendum, which is very costly.

Mr. SHUMAN. I want to make perfectly clear that our proposal is not a new wheat program. Our proposal is designed to assist farmers to go ahead and to sell their wheat on the market. We do not call this a wheat program at all. It is a proposal to help the wheat farmers make the adjustments.

Mr. LATTA. If I get what you are saying, you think it would be just as wise if we did not pass any legislation, other than to correct the dumping feature and wipe this legislation off the books.

Mr. SHUMAN. We would think there might be some merit to putting a little price support direction in there so it is specific and not open end.

Mr. LATTA. Does not the matter of price support have a psychological effect, though? Does not the selling price follow the price support? Does it not have a tendency to bring the price down?

Mr. SHUMAN. We do not think so at the level we propose. We think we are far enough below where the market will be that it will not have a depressing effect. The answer to your question is, "Yes, if the price support is set at a level that is anywhere near where the market is, it does have a depressing effect and tends to be a ceiling on the price as well as a floor."

We think our proposal is far enough below what the market will justify that it will not have that effect. Actually, our proposal is really taking it out of the discretionary area and saying that it be 50 percent of parity or the world price, whichever is the higher, and that is quite a way below the present market.

Mr. LATTA. That is all, Mr. Chairman.

Mr. PURCELL. Have you any questions, Mr. Jones?

Mr. JONES. The only comment I would make has been brought out by Mr. Latta, the fact that if the farm income is not to drop, which seems to be your statement, that the wheat farmers' income has not dropped and it does not look as if it will drop, why do anything about it at all? I am in the same position Mr. Latta is.

Mr. SHUMAN. I agree we do not need a new wheat program, but I do think it would be rather important to provide this protection against dumping on the domestic market to provide for this minimum level of price support and to make it unnecessary to have this wheat referendum again which neither side is anxious to have. That is not a new wheat program. That is just simply implementing the action that the farmers took.

I want to make perfectly clear I did not challenge the prediction of the Department that farm income would drop in 1964, but I did say that, in my opinion, it would not drop \$600 million because of the drop in the wheat farmers' income. I think it would be more apt to drop that much because of the carryover effect of these low livestock prices, which in our opinion are due to the feed-grain program, very largely.

Mr. JONES. Pursuing this thing about dumping, in other words, when you say you want to remove or put a provision in the law to prevent dumping, does that not assume that you might have a Sec-

retary of Agriculture who would be interested in trying to bring the price down? As far as I can recall, I do not think we have had any Secretary who showed any inclination to do that. I think every Secretary has tried to preserve the income of the farmers. Certainly, I think that would be one of the obligations that any Secretary would feel that he had to operate the program in the interest of the farmer. Would not your suggestion just assume that you were going to have a Secretary who would try to do some violence to the farmer?

MR. SHUMAN. Our experience under the feed-grain program from 1961 and 1962 was that the Secretary and the Commodity Credit did dump huge quantities of feed grains on the market with the purpose of depressing the price, as they so stated, because they were intending to penalize the noncooperator. So we know that this has happened in the past.

I do not assume that anybody is going to be in favor of dumping wheat on the market to depress a price in 1964—I think you are right—but there are other years following. We are thinking about future years.

MR. JONES. I never played the stock market and I do not think I am going to. It would seem to me that, with these wheat futures where they are, anybody wanting to play the market and do a little gambling, it seems to me he has a pretty good shot. Do you think the price of wheat in July or September is going to be \$1.70 or \$1.80 a bushel?

MR. SHUMAN. I do not think anybody is in a position to make an accurate forecast because so much depends upon the weather, not only in this country but in all other countries. With the low level of reserve moisture in much of the wheat-producing area and the poor condition in which wheat went into the ground, coupled with the fact that we did not have any significant increase in planting, I think there is the possibility that the wheat price in the summer could be much higher than futures would indicate at the present time. Apparently many farmers and speculators think there is that possibility or they would not be buying and selling wheat at the present time.

MR. JONES. Is there any evidence that somebody is trying to manipulate that market now to hold this price up there? Is there any evidence of that?

MR. SHUMAN. No, sir; I do not see any evidence of market manipulation in the current strength of the wheat market because it seems to me it is fully justified on the basis of the world market condition and our own domestic production situation.

I do not think this price today is a fictitious price at all. I think it is fully justified and is an indication that the market system works and that these folks who predicted dollar wheat last spring and summer were completely irresponsible or did not understand the operation of the market system.

MR. JONES. What will happen in the section where I live? We have had, of course, a tremendous number of 15-acre wheat farmers who, without any restriction, have increased their plantings tremendously. In other words, I know of many cases where a fellow had 15 acres and is now planting 100 or 300 acres. I know one fellow who had 15 acres last year and is planting 600 acres this year.

In that area it seems to me, based on past experience, we are going to have a shortage of cars, barges, and storage facilities. I have seen it operate in the past.

Of course, I think that is one of the reasons I have always felt the Government was justified in getting into this support program as a matter of orderly marketing to hold it. But I am fearful that many of those people down in the area I represent are going to have so much wheat coming off next June that there will be no place on earth to put it. I think they are going to be forced to sell it.

I still say we are going to see wheat selling for a dollar a bushel in that particular area because there is no place to put it. Can you think of any area of the country where that might happen?

Mr. SHUMAN. If it is feed wheat, of course—

Mr. JONES. I am talking about this wheat, Soft Red Winter wheat.

Mr. SHUMAN. I do not think there is much likelihood that the price of Soft Red Winter wheat or good quality Hard Winter wheat will be materially lower than it is predicted at the present time on the basis of futures.

Actually, as to what someone will do with his crop of wheat if he expands beyond the capacity of his storage or of his handlers, this is a risk that he apparently took knowingly. Overall production of wheat in the United States, as indicated by the increase in winter wheat planting, is only up 2 percent. Therefore, if you have an area in Missouri or some other State which has expanded more than that, presumably some of the areas have cut theirs. Therefore, the handling of the wheat will be, I am sure, a local congestion in some areas, but there is no indication that there will be any sizable increase in wheat production. My guess is it will be less than it was last year overall. Our capacity to handle the crop will be just as good as it was, perhaps there will be more tendency for farmers to store wheat themselves than there has been in the past.

Mr. BELCHER. Will the gentleman yield?

Mr. JONES. Yes.

Mr. BELCHER. I might say if you can get that wheat across the State line into Oklahoma, we have a hundred-million-bushel capacity without a bushel of wheat in it. We can store it if you can get it over there.

Mr. JONES. It would cost quite a bit to truck it over there.

Mr. BELCHER. It would not cost the difference between \$1 a bushel and \$1.78 in order to truck it over.

Mr. LATTI. Will the gentleman yield?

Mr. JONES. Yes.

Mr. LATTI. I would like to say something about the 15-acre farmers in Ohio. Figures show that we have not increased but have decreased our plantings.

Mr. JONES. We have.

Mr. LATTI. I want to point out the difference between us.

Mr. SHUMAN. I think, Mr. Chairman, this point ought to be made. There are some areas where wheat plantings were increased. There is the Southeast and parts of Missouri.

There was a very good reason why they increased this. They have felt—and probably rightly so—they could produce more feed and more bushels of this grain, even if not for feed, in some cases it is

feed, others for the market. They can produce more of this product per acre than something else. You have to bear this in mind. Every acre that went into wheat this year came out of something else. There will be less feed grain, less cotton, or less soybeans as a result of this increased planting of wheat.

Mr. JONES. A lot came out of soil bank.

Mr. SHUMAN. Some of it may have, but this was not a very large part of it, I do not think. If an individual farmer increased his planting of wheat from 15 to say a hundred acres, he had to take that 85 acres out of some other crop—most of it.

Mr. JONES. Thank you.

Mr. PURCELL. Mr. Dole, any questions?

Mr. DOLE. Mr. Shuman, yesterday Secretary Freeman was before our committee. He talked about this \$600 million decline in farmers' income. Some are curious because apparently the price has gone up and plantings have gone down, yet the \$600 million figure remains the same. It seemed to me the reverse effect would be true and that the income gap would be less. Have you any projections on this?

Mr. SHUMAN. No, we have never made projections on income ahead of time. Occasionally we comment on the outlook information. We think that the Department has folks who are qualified to make projections better than we. However, when they interpret the figures, as they did this time, to take another propaganda blast as the market system in wheat, we feel compelled to challenge it and to point out that the \$600 million can be accounted for by increased costs just as much as it can be by their so-called reduction in wheat farmers' income. I challenge that. I do not think there is any question but what the wheat farmers' income, if it goes down, will not go down by \$600 million. I think it will go up, myself.

Mr. DOLE. It has been clearly stated, all the gloom-and-doom predictions about overplanting all over the country did not come to pass. Do you think this recent sale of Durum wheat for sale to Russia will increase planting in Durum areas in the spring?

Mr. SHUMAN. I think the planting of Durum wheat will be based pretty much on what the farmer's guess as to the future market would be, and the sale of Durum wheat is not enough to make any great difference in his planting intentions, I do not believe.

I do not know what the planting will be any more than anybody else. But I would be very much surprised if there is very much increase in Durum wheat planting.

Mr. DOLE. Other than the statement, do you have any other reasons or ideas as to why farmers did not overplant? The American farmer met the problem headon.

Mr. SHUMAN. It is a good demonstration that farmers can manage their own business themselves and do better than the Government in managing it. The fact that there was practically no increase in winter wheat planting is an indication that the uncertainties of the market system provide a better discipline than the rules laid down by some bureaucrat.

It also demonstrates that what we said all along, that there would not be any great increase in wheat planting, because every acre of wheat increase in planting, practically every acre had to come out of

some other crop. Some small part may have come out of conservation reserve or some other acreage, but the large bulk of it had to come out of some other crop. These crops are competing for the farmer's production ability.

Mr. DOLE. We can do nothing else, should Congress repeal the law on the books now, which would dispense with any referendum; raise the release price to 115 percent, the release price, plus other charges. If this were done the wheat farmer would get along fairly well?

Mr. SHUMAN. I think most wheat farmers would feel they could do fairly well. We would prefer to have some more specific direction on price support. We think it would help many individual farmers to have some type of retirement program. We do not believe there is any great compulsion for a new wheat program.

Mr. DOLE. Then there has been considerable discussion that no one can be found any more who will admit he voted "no" on May 21. Has this been your experience?

Mr. SHUMAN. Our experience is we do not find many who will admit they voted "yes." Every test and every check we have had would indicate that, rather than a 52-percent "no" vote, if we have the referendum this spring, we will be surprised if we do not get an 80-percent "no" vote.

Mr. DOLE. I doubt the administration wants any referendum other than the big one in November this year.

Mr. SHUMAN. We would agree with you.

Mr. DOLE. With reference to the expiring conservation reserve contracts, contracts that expired December 31, 1963, would you suggest Congress pick up these expiring contracts in addition to the other that will be expiring hereafter?

Mr. SHUMAN. Yes, we think this would be helpful to many individual farmers where they have few alternate crops. This conservation reserve would provide a means of helping them make the transition.

Mr. DOLE. What is the Farm Bureau's greatest objection to the so-called voluntary, McGovern certificate bill?

Mr. SHUMAN. No. 1, it is not really voluntary because under this program the noncooperator would be forced to sell his wheat regardless of quality on the feed grain market. This feed grain price would be artificially depressed by the very fact that the certificates are going to be used to provide for a higher price for part of the crop. This then puts the pressure of increased production and the results of increased production onto the feed grain market. Therefore, the noncooperator, the person who did not choose to go along, would be discriminated against so heavily that in effect he would be forced to go along with it.

Our objections primarily are, No. 1, this is the very same thing that the wheat farmers voted against last spring. There was not any indication ahead of time that a voluntary program would be an alternate. They voted against it. This was a back-door approach to cram the same thing we voted against down our throats and make it almost compulsory.

No. 2, it stimulates increased production by the very fact that it is maintaining a fictitious price for wheat.

No. 3, it is in effect a bread tax because we would be placing on our consumers of the wheat that is converted into human food a tremendously heavy burden. It is not voluntary with the consumer or with the processor. Of course, it would result, No. 4, in the need for a strict control program, because of the increased production that it would stimulate.

Mr. DOLE. Is there any split among different Farm Bureau organizations—Oregon, Kansas, Nebraska—as to whether or not this is a good or bad approach?

Mr. SHUMAN. No, sir; this is one that we have had unanimous action on in our convention. It was not even challenged on the floor by any delegate. I have not heard of any Farm Bureau organization, of our organization, county or State, that has challenged our position in opposition to the certificate plan.

Mr. DOLE. You are opposed to all the bills except the Farm Bureau proposal?

Mr. SHUMAN. I have not examined every wheat bill, but we are opposed to the major ones that are being pushed, the compensatory payment and the certificate plans.

Mr. DOLE. There are a number of us who felt we had a middle-of-the-road approach. I note the Members who introduced the Farm Bureau bill and not many of them come from wheat-producing areas.

Are you bound by the Farm Bureau bill or do you feel there is a possibility of working out something on the basis of the various bills now before the committee?

Mr. SHUMAN. I think there is quite a bit of wheat produced in Congressman Findley's district and Congressman Beermann's district and probably Congressman Harvey's district.

One of the reasons, of course, was that our bills were introduced just within a few days after the wheat referendum last summer. There was quite a bit of confusion, I am sure, in the minds of many people and many Members of Congress as to the exact meaning. We had the response when we invited folks from wheat areas: I want to wait and see. I do not criticize them at this time at all. I am sure that many would support this legislation now who did not choose to put their name on it at that time.

Mr. DOLE. If it came to a point where we either are going to have a new program or simply—if it was not the Farm Bureau program or maybe making changes in the existing law, repealing the referendum requirement, raising the release price, and so forth—do you think this second alternative might be better if we cannot get together on a comprehensive wheat bill?

Mr. SHUMAN. Yes, sir; we will support any one of our points individually or together. In other words, we hope that the subcommittee and the committee and the Congress will consider each one of these proposals on its merits. We are not throwing down the gauntlet and saying it has to be this or nothing else. We are completely opposed to compensatory payments and to the certificate approach. So we make these suggestions, not that they are the last word or that they all must be in. We will support each one of them individually or in a group.

Mr. DOLE. But if we reach a stage in the subcommittee or the full committee where we cannot possibly enact an overall wheat program, then you feel some changes should be made in the existing law?

Mr. SHUMAN. Yes, absolutely. Certainly the referendum would be a useless piece of baggage.

Mr. DOLE. I wonder if you have any comments on the sale of Durum wheat.

Yesterday Secretary Freeman said there was no transportation subsidy paid or included in the export subsidy of 73 cents. I understand this morning Secretary Hodges says it was included. Do you have any knowledge as to whether or not there was a transportation subsidy involved in the overall subsidy?

Mr. SHUMAN. I have no direct knowledge, but by using pencil and paper, using the figures that were announced, the subsidy is 72 cents a bushel. By my calculations, this is approximately 12 cents a bushel more than we have subsidized the sale of similar wheat to our friends very recently.

I, as one citizen and taxpayer and farmer, resent this because I think we ought not to sell to Russia and their satellite countries for 12 cents a bushel less. Why the 12 cents extra subsidy? I presume it was because of the transportation, but I have no direct knowledge.

Mr. DOLE. I think the Secretary did point out very recently they turned down a 59-cent export subsidy to an exporter who wanted to sell to a free world country and more recently turned down an exporter who bid 73 cents export subsidy on Durum for another small amount for export to a free world country.

Some of us are concerned, too, that it appears we are giving preferential treatment not only to Continental Grain Co., but to Communist Russia, and also violating the guidelines laid down by the late President Kennedy on October 9 when he indicated that half the wheat should go on American-flag ships. Do you know whether the Department has any authority to include a transportation subsidy?

Mr. SHUMAN. I do not know anything about the legal authority, but I do not believe the citizens and taxpayers of this country will look kindly upon an additional 12-cent-a-bushel subsidy to Russia that we are not willing to give to friendly nations.

Mr. DOLE. Thank you.

Mr. PURCELL. Mr. Olson.

Mr. OLSON. Under the wheat program that the 1963 crop was raised you had idle acres. You were given a quota. Could you use those idle acres to produce any other crop, or what happened to them?

Mr. SHUMAN. The 1963 wheat program, I do not recall.

Mr. McLAIN. My understanding is it was handled the same as the feed-grain program. In other words, you were supposed to keep your conserving acres no less than what they had been.

Mr. OLSON. In other words, if you had so much permanent pasture, permanent hay land, and you had to idle some acres to be eligible to participate in the program, you idle them—period—put no other crops on.

Mr. McLAIN. They prevented you from decreasing your conserving reserve land.

Mr. OLSON. Plus you had to idle additional acres out of your wheat base?

Mr. McLAIN. Yes; this would automatically be if you cut back. This did not mean that you could not do some shifting, soybeans and other things, within this pattern. Some did this because soybean acreage went up.

Mr. OLSON. You did maintain so many idle acres on your wheat base, did you not?

Mr. McLAIN. Yes, I think that is correct.

Mr. OLSON. Mr. Shuman, you stated that all of the acreage that came into increased production in the areas where there are increases undoubtedly came from another crop. Is it not pretty logical to assume that where the wheat plantings went up, they might not be in any programs so that they took the acreage they merely idled in the previous year to be in the program and brought up the production and planting in this way, so it does not necessarily follow that there would be a reduction in feed-grain acres?

Mr. SHUMAN. I think I said most of it would come from other crops. If I did not, I should say most of it. I did think some of it did, but most from other crops. Actually, under the actual operation of these programs the farmer has got a pattern where he does not need to idle specific acres.

He maintains this level of the conservation acreage, but this is included in his pasture and hay and other things like that. Most of these fellows have a pattern of use so that their livestock population is such that if they reduce the amount that was in pasture and cover crops in order to increase wheat, they would be short on their feed supply.

There have not been many what you would call idle acres except those taken out of the feed-grain program.

Mr. OLSON. There was not very much participation in the 1963 wheat program?

Mr. SHUMAN. There was participation, but you had established the pattern of a certain percentage of your land which was in these crops, and you just did not change it.

Mr. OLSON. You did have to reduce your wheat plantings up in the wheat area, where a farmer's basic crop had been wheat. It would seem to me if he participated in the program in 1963, the acres available to him now are the ones idled in the past.

Mr. SHUMAN. He can make a modest adjustment upward in wheat production without reducing his other cropland, but he could not make the kind of dramatic increase which Congressman Jones indicated some in his area were doing without taking it out of other crops. He could make a modest adjustment but not large.

Mr. McLAIN. The important thing is when we talk about fall wheat planted, this pertains to the 1964 crop. If he increased his fall wheat planting, he in all probability, when he gets ready to plant other things next spring, will reduce those plantings because the land will not be there. It is not available.

Mr. OLSON. He had idle land in the past. This is an area where there is some room for discussion.

This is getting off the subject, but you did bring out the fact that the reduction of beef prices and hog prices were related to the feed-grain program. All my mail indicates it is a problem of imports. I have been answering mail every day.

Has the price of corn been reduced since the time when cattle were selling high a year ago?

Mr. SHUMAN. No. The price of corn, though—the reduction in the price of corn under what it would have been under a free market, occurred in the years 1961 and 1962. Of course, there is a lag between the time when the feed price is encouraging to feeding and the time that livestock comes to market. This is both for hogs and cattle. It is a longer lag for cattle.

The buildup in numbers as well as the increased feedings to heavier weights of cattle would not come on the market until approximately a year after the effect of the feed-grain program, lower feed-grain price.

I do not think there is any question. I do not think anyone who has studied the cattle marketing situation and the cattle cycle in this country—I do not think anyone can deny that the lower price of feed grains and the assured price, known in advance, because of the dumping of feed grains under the 1961 and 1962 programs, prolonged and extended the buildup in numbers and extended and increased the feeding to heavier weights of cattle which started on feed in 1961 and 1962—then finally came to market in 1963, late 1962, and 1963.

The imports, yes. There is no question but what the increase in imports in the last 2 years of beef have had a weakening effect on the market. But I think that the major part of the responsibility for the decline, the drastic decline in beef prices, is the 1961 and 1962 feed-grain program. We would have had a normal cattle cycle without the feed-grain program.

The normal cattle cycle would have seen some downturn in prices perhaps a year or 18 months before they did turn down. This prolonged this cycle and made it more severe. The history of these cattle cycles indicates the longer the cycle is prolonged the more severe the drop in prices. The feed grain dumping in 1961 and 1962 prolonged the cattle cycle.

Mr. OLSON. You make the statement that feed-grain prices would have been higher had there been no sales, but you do not relate it to the actual past price of feed grains.

Feed-grain prices have not in general been lower than they were previously, so the cattlemen were not told that they were going to have cheaper feed than they had yesterday, last week, the previous month, or the previous year.

Your contention is that we created a situation whereby prices would have been higher than they are today. In other words, if they are \$1.25, they would have been \$1.40.

My contention is that the price of feed grains is higher than it has been in the past. While the 1959–60 average price of corn, according to your table, is \$1.04, 1962–63 is \$1.11. As I say, I have been trying to answer to the best of my ability the letters coming to me every day in regard to the low beef prices. In my study of the statistics, I find that we are putting on an awful lot of poundage that we should not be putting on. This is one of our problems today in the increased marketings.

Here we insist on putting that poundage with \$1.11 corn when it used to be \$1.04.

You are as interested as I am in these beef prices. I just want to make sure we are theorizing and not actually saying that feed grain prices are lower than they were because this is not true.

Mr. SHUMAN. There is another more important factor than what the feed grain price might have been. I will agree with you that this speculation as to what the feed grain price might have been is a little superficial.

However, the most important factor in stimulating increased feeding to heavier weights, you are absolutely right that one of the major causes of the decline in price of cattle is feeding to extra weights—one of the major causes of feeding to heavier weights is the fact that in 1961, when the feed grain program was passed, the Secretary indicated he was going to keep the price of feed at about that \$1.05 or \$1.06 level, and next year it would stay there. With this kind of legislation, every cattle feeder in the United States knew he had an insurance policy. He knew the price of corn that he would have to pay would not be much over \$1.10 to \$1.15. It was like an insurance policy for him. He could expand or he could feed to heavier weights and all the speculation he had would be the selling price. He did not have to speculate or be concerned about the uncertainty of the buying price of feed. That is a tremendous stimulation to increased feeding.

Mr. OLSON. The letters I get indicate that the people writing are beef feeders and I am sure they can judge better than I, what the situation is. But it is impossible to comprehend their insistence to feed this higher priced feed when the price is down. They might have speculated a year ago, but they know today that they are putting on the poundage that is most uneconomical and they are doing it with higher priced feed.

Perhaps we should get back to wheat. One question I would like to ask is this. We have been toying with total farm income next year, which can get us involved in a lot of discussion. Just what is your estimate of the actual price of wheat? Could you give us any idea of what you think might be the average price of wheat, what it might level off at?

Mr. SHUMAN. My best basis is that of the futures price on the Chicago Board of Trade, because these people who trade in wheat futures are in the business, they have better sources of information, and they are more experienced than I am. The only basis I would have would be to project what might be the price on the basis of approximately \$1.80 wheat for September delivery 1964.

On that basis the farm price of wheat would be something like 25 cents or 26 cents under this, which would put it somewhere around \$1.55 a bushel. This is on the basis of present conditions.

If the weather gets worse, if the crop has a heavy winter kill, then the price would go considerably higher. I think the chances of a high wheat yield this year in the United States are not as good as they have been for several years because of the low reserve moisture.

Mr. OLSON. Isn't it correct that the average price received per bushel on the farm was \$2 in 1962-63? That is what your table No. 1 shows, average farm price received, 1962-63.

Mr. SHUMAN. This was a preliminary estimate of 1962-63. Average price in our area was considerably less than that, but I assume this is an estimate based on all kinds of wheat.

Mr. OLSON. If you feel it might be \$1.55, that is a reduction there of about a dime a bushel, which would cost about \$120 million on the 1.2-billion-bushel crop. So 40 cents a bushel would be \$480 million.

Mr. SHUMAN. \$120 million less.

Mr. OLSON. You went another nickel. Now we are over 500. According to your—

Mr. SHUMAN. You have to also take away from that the fact that if we take the average, at this price we are going to sell $21\frac{1}{2}$ percent more bushels, which takes quite a few million dollars off of the differential.

Mr. OLSON. Who is going to sell the extra, Mr. Jones farmers or the real wheat farmer in North Dakota or Oklahoma?

Mr. SHUMAN. On estimates of the U.S. Department of Agriculture, planting is up 2.4 percent. You have to multiply 2.4 times bushels times the \$1.55 to get the amount of increased sales due to the increased planting as presently estimated and take that off your \$480 million. I do not know what that brings it to.

Mr. OLSON. We have to compute the increased production cost, seed, fertilizer, machinery, everything else, against 2.4, and take the profit we have there.

Mr. SHUMAN. It is a matter of opinion.

Mr. OLSON. You still agree there is going to be a drop in price per bushel of wheat?

Mr. SHUMAN. I think there will be some drop unless the weather conditions are worse than now indicated. I think there will be some drop in wheat farm income as a result of lower prices for wheat, but I do not think it will be in the neighborhood of \$600 million.

Mr. OLSON. According to your testimony on the weather, this committee would be well advised to check with the Weather Bureau to assist in determining what approach we should take with the new program. I agree with you that if weather conditions are so bad as to produce no crop, there ought to be a good price.

Mr. SHUMAN. This is what the market does automatically. This is the error of going to Government to manage farm production, because the Government cannot check with the Weather Bureau as quickly or day by day as the market does.

Therefore, since the Government cannot do it, they ought to get out and stay out of the business of telling the farmer what to raise and what price he is to get.

Mr. OLSON. If that is what the market does, how do you suppose my farmers or anyone else's farmers or all the farmers feel when they get hailed out or dried out? They just have no income. If the market can do that to them, I suggest that if we have a vehicle at our command to try to improve this situation, we should take a step in that direction.

Mr. SHUMAN. That vehicle we have never discovered and I do not think we ever will.

Mr. OLSON. That is a matter of disagreement.

Mr. SHUMAN. As far as hail is concerned, we can all buy hail insurance.

Mr. OLSON. I am referring to weather conditions which you were referring to.

Mr. SHUMAN. We also have Federal crop insurance available for most counties.

Mr. OLSON. I just got a letter this morning saying they are in such bad shape and have been for 3 or 4 years that they are withdrawing the privilege of selling Federal crop insurance. So even that presents problems.

Mr. SHUMAN. I agree with you.

Mr. PURCELL. Mr. Findley.

Mr. FINDLEY. Mr. Shuman, I am doubly glad you are here because you are a citizen of Illinois and a farmer there and because of the content of your statement.

It looks like Illinois is doing very well today. We have Professor Stice, of the University of Illinois, in the audience, and until a few minutes ago, Ralph Bradley, former director of agriculture of the State of Illinois, was here, too.

Some discussion was had on details of export shipments of Durum wheat under the license to Continental Grain Co. I do not know if you are aware of it or not, but yesterday Secretary Freeman testified that there was no ocean freight subsidy involved. Yesterday the Secretary of Commerce testified there was.

In light of this conflict and in view of your resentment as a taxpayer over the possibility that Communist countries were getting a better deal from the Department of Agriculture than free world countries are, would you not agree that it would be in the public interest for the President to suspend the export license until this conflict can be resolved and the question of the legal aspects clarified?

Mr. SHUMAN. I certainly think if there is a question as to the legal aspects of it, it ought to be held up until that is clarified. We would be opposed to selling, absolutely opposed to selling, wheat to Russia at a higher rate of subsidy than to any other country.

Mr. FINDLEY. You provide no dollar ceiling in the Farm Bureau approach. One of the minor changes made in the version of the bill I introduced, Mr. Shuman, was to place in it a \$600 million a year limit on rental payments. You mention in your statement that the total cost of the land retirement program for feed grains and wheat would be less than the payments under feed grains alone in 1963.

In light of that, do you see any objection to putting such a dollar ceiling on it?

Mr. SHUMAN. No, sir; I do not. In fact, the almost insignificant increase in planting of winter wheat would indicate that this adjustment problem is not as severe even as we thought it might be. Therefore, we would have no objection to a dollar ceiling.

Mr. FINDLEY. Being practical and considering the possibility that a bill along the lines of the McGovern bill may be the only wheat legislation considered this year, if that is the only alternative, do you think it would be better for the wheat farmer to have no legislation this year than to go to the McGovern route?

Mr. SHUMAN. Absolutely; I think the McGovern proposal is a step backward and it is in conflict with the wishes of the majority of the wheat growers as expressed in their referendum. I think it will be

resented. It will be an issue in the campaign and would disrupt and tear us apart again. I think it is a dangerous kind of proposal in 1964.

Mr. FINDLEY. Am I correct in understanding that the Farm Bureau approach does not anticipate permanent paid land retirement?

Mr. SHUMAN. That is correct, we suggest 3 years.

Mr. FINDLEY. The contract period might extend beyond the 3-year period? It might cover a total of 5 years altogether; is that correct?

Mr. SHUMAN. Yes, because we would anticipate some would come in the second year for a 3-year period, but we do not anticipate more than a 3-year contract.

Mr. FINDLEY. Beyond that limited contract period, you do not recommend any paid land retirement?

Mr. SHUMAN. That is correct.

Mr. FINDLEY. Thank you, Mr. Chairman.

Mr. PURCELL. Mr. Beermann, do you have any questions?

Mr. BEERMANN. Mr. Chairman, thank you. Mr. Shuman, I appreciate your appearing before our committee and expressing the views of many people who met throughout my State and passed resolutions in the county and State before coming to the national convention. I would like to explore this wheat sale just a second with you.

A 72-cent export subsidy is on a large transaction to a Communist country but a 59-cent export subsidy was rejected on a relatively small transaction to a friendly country, which in effect cost the taxpayers an additional 12 cents per bushel to sell Communists a higher quality product.

During the year of 1963 this committee was asked to allow an 8,000-acre area of production in California to increase production to 12,000 acres, same quality wheat, because it was in short supply. Yesterday the Secretary of Agriculture told this committee there was a surplus of this quality wheat.

I do not think there has been a change in the predictions or the records from the Department, but apparently in private industry or as a farmer, if I sold some commodity in small transactions for a few days, it would somewhat establish my price. Then a larger buyer comes along and wants a higher quality, I would certainly get at least the price that I had been selling for plus an additional amount for higher quality.

My observation and my question might be this: I wonder if we do not need some people making these transactions that understand practical economics instead of the kind propounded in a bureau.

I am wondering why we cannot get direction from the Secretary of Agriculture and the Secretary of Commerce and the Secretary of State to do business as a business should instead of asking the taxpayers to continually subsidized more Federal Government interference.

I refer back to the hearings held by Mr. Jones and our Subcommittee on Departmental Oversight and Consumer Relations. Brazil wanted to sell the United States 500,000 tons of sugar and they were going to buy 500,000 tons of wheat.

When the transaction was completed we had bought 225,000 tons of sugar but had sold no wheat, they took our sugar money and bought wheat from Russia.

Now we are selling wheat to Russia at a subsidized price.

I think it points out the economic plight of the farmer due to Federal intervention, and from that standpoint I want to compliment you highly on your analysis of the situation and the recommendations you have made.

I want to compliment you for the discussion you had with Congressman Olson and others on the depression of prices. As a farmer in the livestock area I feel strongly that the present feed grain programs have contributed to the depressing livestock prices, and I so commented to the Secretary of Agriculture a couple years ago. You have done us a great service and I appreciate your comments.

Mr. SHUMAN. Thank you, sir.

Mr. BEERMANN. Thank you, Mr. Chairman.

Mr. PURCELL. I also want to thank you, Mr. Shuman, for your appearance today. I appreciate your taking your time and I appreciate your presenting the Farm Bureau plan.

I have one question: When you were here in July we spent more time on the Farm Bureau proposal than we have this morning.

Mr. SHUMAN. That is right.

Mr. PURCELL. At that time I had a series of questions regarding the number of acres that you proposed to take out of production and put into various commodity productions.

Mr. SHUMAN. That is right.

Mr. PURCELL. I do not want to go back into that, but would your feeling and testimony now be about the same as it was then? We have it all in the record and there is no need to duplicate it.

Mr. SHUMAN. It would be approximately the same, although in the light of these intervening months' experience we are placing less emphasis on the need for an extensive cropland retirement program. We think it would be desirable. We think it would help many individual farmers make adjustments. We favor it, but we do not believe that it is quite as imperative to have an extensive cropland retirement program as we thought was necessary at that time.

It is modified primarily by the fact that the wheat farmers are not going all out in planting.

Mr. PURCELL. With those facts in mind, would you feel that the wheat farmer would be about as well off if only the referendum provisions and the Anfuso amendment were deleted? Would this be about as beneficial now as any program you propose?

Mr. SHUMAN. We would like to have included the restriction on the sale of not less than 115 percent of the support price and we think there is general agreement on that provision.

Mr. PURCELL. With those three exceptions do you feel then that leaving the farmers loan provision it would be as beneficial as any other provision?

Mr. SHUMAN. Yes, sir. With all the committee would want to consider, including some type of cropland adjustment thing, I think there might be substantial agreement in that, without getting into the area of trying to battle our price supports or some control mechanism.

Yes; generally I am in agreement with your statement.

Mr. JONES. You brought up one question and I want to be sure we get you straight. In my view it was the Anfuso amendment that was

one of the contributing factors in holding down the planting and it was not a voluntary action, so you are still recommending that you repeal the Anfuso amendment?

Mr. SHUMAN. Yes. However, I do not believe this was a real major factor in holding down production.

Mr. McLAIN. If you are going to do away with allotments it is no factor.

Mr. SHUMAN. We recommended doing away with allotments which would take out the Anfuso amendment.

Mr. PURCELL. I know all of us have questions we might otherwise have in mind, but we are all short on time.

We thank you very much for being here. We appreciate the knowledge you have brought us, and unless there are other questions we shall excuse you at this time.

Mr. SHUMAN. Thank you very much.

Mr. PURCELL. I will ask Mr. Jones to introduce the next witness.

Mr. JONES. Mr. Chairman, we were to have had this morning Mr. Fred Heinkel, president of the Missouri Farmers Association, but he could not be here.

Appearing for him is Mr. L. C. Carpenter, an official of the Missouri Farmers Association.

Mr. Carpenter is a former commissioner of agriculture in Missouri. He is also the former State administrator, director of the farmers home administration of the State, and I think he is one of the more knowledgeable individuals in Missouri on all farm problems.

We have had him here before and I am sure we shall be glad to hear from him again today.

Mr. Carpenter, of Missouri.

STATEMENT OF L. C. CARPENTER, DIRECTOR, PUBLIC AFFAIRS, MISSOURI FARMERS ASSOCIATION

Mr. CARPENTER. Mr. Chairman and members of the committee, it is a pleasure to be here.

Congressman, I appreciate that fine introduction.

Gentlemen, this will be a short statement of Mr. Heinkel and I shall read it:

Mr. Chairman and members of the committee, I regret that previous commitments make it impossible for me to appear personally before you today. However, with your permission, I have asked a member of our staff, Mr. L. C. Carpenter, to present my statement to you.

As president of the Missouri Farmers Association, a farm organization comprised of 156,376 farmer members, I wish to make a short statement supporting much needed wheat legislation.

Although net farm income has, by virtue of emergency legislation, shown some improvement since 1960, it is still at a level that is unfairly low, compared to the income of other segments of our economy.

Economists estimate that without effective wheat legislation now, net farm income in 1964 will decline approximately \$600 million. Gentlemen, if this is allowed to happen, family farmers and rural businesses will be "tottering" on the brink of economic disaster. We need a new wheat program for 1964—and it must be passed soon.

Wheat farmers in Missouri cast a 64.9-percent favorable vote in the May wheat referendum. Moreover, the MFA annual convention delegates, on August 12, 1963, voted unanimously to support voluntary wheat legislation incorporating price supports coupled with supply adjustment and conservation payments to cooperators.

Therefore, we urge this committee to report favorably an effective bill incorporating these principles, and we specifically urge price supports at least 10-percent higher than 1963 for all commodities, including wheat.

Missouri ranks third in the Nation in the number of wheat producers—144,005—which makes this legislation important to our economy. However, the price of corn and feed grains is even more important to Missouri farmers. Without wheat legislation, the present feed grains program will be jeopardized and eventually rendered totally ineffective, due to low-priced wheat competing with corn and sorghum grains for livestock feed. This would lead to an even greater hazard to farmers, as history reveals. Low feed prices have traditionally resulted in substantially lower livestock prices at the marketplace.

The voluntary feed grains programs in effect since 1961 have worked to the definite advantage of farmers. This is evidenced by the number of producers participating, increased farm income, and substantial yearly reductions in surplus grain stocks in Government storage. And of course a reduction in storage costs is a benefit to the American taxpayer.

You gentlemen have before you a number of legislative proposals for the solution of the wheat problem, and no doubt other farm organizations have or will present their specific recommendations on this subject. I have full confidence that this committee can and will select the good features in these proposals and report out of committee a bill which will result in worthwhile and effective farm legislation.

In conclusion, let me say that I appreciate the opportunity of expressing the views of Missouri Farmers Association to you today, and to reaffirm our position.

We need and will support farm legislation whereby prices to producers will be substantially increased, surpluses will be reduced, and costs to the taxpayers will be decreased.

Mr. Chairman, that is a rather general statement but we are in a position to support that type of legislation that is needed.

Mr. PURCELL. Thank you very much for your statement, Mr. Carpenter.

We appreciate your appearance and that of your organization before our committee.

I expect there may be questions from members.

Mr. Jones?

Mr. JONES. I do not have any particular question. I will say that the Missouri Farmers Association is not only the largest farmers organization in Missouri but it is an old, long-established association.

I have had the privilege of attending some of their State conventions where they do have several thousands of farmers attending each year. I would say it probably comes as near reflecting the feeling of the farmers in Missouri as any organization in any part of the country.

Mr. Heinkel, the president of this organization, has been head of it for a long time. He has served as Chairman of the Feed Grains Advisory Committee in the Department of Agriculture for some time, and I know that this organization has always been most cooperative in trying to get legislation that would be helpful.

Thank you.

Mr. PURCELL. Mr. Short?

Mr. SHORT. Just a couple of brief questions, Mr. Chairman.

Mr. Carpenter, I note in your statement you stated the low feed grain prices always result in low livestock prices.

Mr. CARPENTER. That is right.

Mr. SHORT. Would you attribute the rather substantially lower livestock prices at the present time to the present feed grain prices?

Mr. CARPENTER. I would not subscribe, we would not subscribe, to that theory. At present feed grain prices are protected rather sub-

stantially and we do not consider them to be unduly low, certainly not low compared to what it would be if we had no effective legislation at this time. We would not attribute the low livestock prices to that.

What I am actually saying is this: If wheat gets down to the dollar-plus, then certainly it will be in competition with corn and grain sorghums and obviously it will bring that price down from \$1.25.

If it does then we will really have low feed prices and we will obviously have lower livestock prices.

Mr. SHORT. But at the present time wheat prices are not down at that level?

Mr. CARPENTER. That is right.

Mr. SHORT. Feed grain prices are not down at the low level.

Mr. CARPENTER. That is right.

Mr. SHORT. Yet livestock prices—being a livestock producer myself, I know from experience—I think are at a pretty low level.

We keep hearing this reiteration all the time, that cheap feed grain means cheap livestock.

I have never quite been able to tie the two positively together. Certainly it can be argued there is a relationship, but I sometimes wonder if it is positive as some people would like to make it and it seems to me the present experience indicates it is not.

Mr. CARPENTER. Congressman, I think we will find this when we go back in economic history—that without exception when feed grains have been extremely low, livestock prices have followed them.

Mr. SHORT. Was this the result of a broader economic condition that existed?

Mr. CARPENTER. This does prevail. Today's prices on livestock, we admit, are lacking in sufficiency. We do not attribute that to the feed grain program. It is attributable, I think, to some increase in imports, and larger numbers, there is no secret about that.

Mr. SHORT. Would you say we are approaching the time when we might need some kind of production management program for livestock?

Mr. CARPENTER. I don't think we would want to advocate that. I think there is a meeting going on right now in which they are discussing the possibility of curtailing some of the imports.

I think that may be the first place to start and then we will see where we go from that.

Mr. SHORT. Deviating from the subject of wheat legislation a little bit, may I ask you this: What do you think the possibilities are of securing any restriction on beef imports?

Mr. CARPENTER. It is my understanding, and our chief counsel is participating at that meeting this morning, that the existing law probably permits some better enforcement, so to speak, and there may be some voluntary arrangements, too, but there is some hope under existing law the imports can be cut down somewhat.

That is the area in which I believe they are delving today. We would like to see that explored first.

Mr. SHORT. I am taking too much time on something aside from the subject before the committee. There is a relationship here, and I would like to ask this: What do you think of the present feed grain

program? This is a voluntary program and you have said you endorse that principle.

Mr. CARPENTER. The voluntary feed grains program since 1961 has been accepted very readily by the farmers in the State of Missouri.

We gage our results and our interest in our organization by our members' interest, and our members are highly favorable to the feed grains program.

Mr. SHORT. If the feed grain program is a successful voluntary program we wondered why it would not be a rather simple matter to add wheat as one more commodity to this type of a program.

Mr. CARPENTER. I think in effect we have said that. It is a different type of a commodity but the same principles in effect would work. We think it could work and we are recommending that it be that.

Mr. SHORT. You would not have any particular objection, then, to a program similar to the feed grain program which would include wheat?

Mr. CARPENTER. No, sir; we would favor the good parts of the feed grain program being utilized in a wheat program.

Mr. SHORT. Thank you very much.

Mr. PURCELL. Mr. Dole?

Mr. DOLE. I appreciate you appearing, Mr. Carpenter, and understand there is no specific recommendation. In other words, you are not recommending any specific program introduced by X, Y, or Z.

Mr. CARPENTER. We are not recommending any, Mr. Congressman, and neither are we opposing any. We just hope these principles that you gentlemen will see fit in your wisdom to incorporate will be these voluntary principles in whatever bill you do come up with.

Mr. DOLE. You feel as many of us do—if there is a program, No. 1, it should be voluntary?

Mr. CARPENTER. That is right.

Mr. DOLE. From there on we shall try to work out a program to help the farmer and also be reasonable insofar as the taxpayer is concerned.

Mr. CARPENTER. And reduce the surpluses to where we are meeting this problem head on and making headway.

Mr. DOLE. In line with this, it is not directly related but it has a relationship with what we might do in this committee—what position does your organization take with reference to sale of wheat to Communist countries?

Mr. CARPENTER. We have not taken any particular stand on it.

We favor the sale of wheat under reasonable conditions to anyone. That has been the only stand we have taken. We have not entered into this phase of the amount of subsidy, and so forth, because that is not in our bailiwick.

Mr. DOLE. In other words, cash on the barrelhead proposition which would not impair our security?

Mr. CARPENTER. That is right.

Mr. DOLE. You have no objection to this type of transaction?

Mr. CARPENTER. That is right.

Mr. DOLE. Has there been a lot of overplanting in the State of Missouri because of the no-vote program?

Mr. CARPENTER. It depends on the area. In Mr. Jones' area there has been tremendous overplanting.

In some other areas, in the northwestern portion of our State where a substantial amount of wheat is grown, they have been just a little bit more cautious about it. In fact, they are cautious about their allotment. They think there will be some type of wheat legislation come along, so the State as a whole will not be substantially overplanted, but in specific areas, in the delta, and along the Missouri River, we will find considerable overplanting.

Mr. DOLE. Is there any general reason given for the overplanting in that particular area?

I suppose the land is available?

Mr. CARPENTER. Land is available. Some of it, as Congressman Jones pointed out, has come out of conservation reserve. I do not agree with Mr. Shuman—I think there is a tremendous amount of conservation reserve, and out of wheat reserve acres we have had 40,000 producers or thereabouts participating in the voluntary wheat program of 1963, so to speak. A lot of that has gone into wheat this year.

Mr. DOLE. Have you any idea of the number of acres overplanted in wheat?

Mr. CARPENTER. The crop reporting service has not yet come out with an estimate on it.

I could make a guess that in toto in Missouri there will not be a substantial overplant this year. In some places it is tremendously over, but in others it is substantially under.

Mr. DOLE. Of course, I understand the 15-acre and under are not threatened with any penalty because of the Anfuso amendment. They are in a special category and they will not be affected.

Mr. CARPENTER. Their quota will not but their cash intake will be affected rather materially if the price goes down.

Mr. DOLE. There are a lot of "ifs," and that would be the gamble.

Mr. CARPENTER. This past year they had a support price of \$2. The gentleman just preceding me talked of \$1.78 on the Chicago board. There is a whale of a difference with the price on the Chicago board and what it is when it is delivered at Podunk on an elevator.

Mr. DOLE. What is it in Kansas City, do you know?

Mr. CARPENTER. It will be down approximately 20 cents, I think, and then it goes on down as you get to the farm. We look at \$1.78 in Chicago and we look at \$1.35 or \$1.40 in rural Missouri, so there is considerable differential.

Mr. DOLE. I think even \$1.40 or \$1.50 could still make money if he can get into an elevator have some space to dispose of it. I suppose it will be sold as cash wheat.

Mr. CARPENTER. I would think so.

Mr. DOLE. Thank you very much.

I appreciate your comments, and I know you recognize Mr. Jones has been very helpful to our committee.

Mr. CARPENTER. He certainly is.

Thank you.

Mr. PURCELL. Mr. Hagen?

Mr. HAGEN. I have no questions.

Mr. PURCELL. Thank you very much, sir.

The committee will adjourn until 10 o'clock tomorrow morning.

(Hearing adjourned at 12 noon to reconvene at 10 a.m. Thursday, January 9, 1964.)

WHEAT LEGISLATION

THURSDAY, JANUARY 9, 1964

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON WHEAT
OF THE COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittee met, pursuant to recess, at 10 a.m., in room 1310, Longworth House Office Building, Hon. Paul C. Jones presiding.

Present: Representatives Jones of Missouri, Hagen of California, Harding, Olson, Belcher, and Dole.

Also present: Representative McIntire.

Staff members present: John J. Heimburger, general counsel; Robert C. Bruce, assistant counsel; and Martha S. Hannah, staff assistant.

Mr. JONES. The committee will come to order. Unfortunately, the chairman of the Wheat Subcommittee, the Congressman from Texas, Hon. Graham Purcell, is unable to be here today. He asked that I preside at the hearing this morning.

We have two witnesses to appear, Mr. Reuben Johnson of the National Farmers Union and Mr. Lail Schmidt, president of the Rocky Mountain Farmers Union, of Denver, Colo.

I understand, Mr. Johnson, that you want Mr. Schmidt to make the statement.

Mr. JOHNSON. That is correct.

Mr. JONES. You may proceed, Mr. Schmidt.

STATEMENT OF LAIL SCHMIDT, PRESIDENT, ROCKY MOUNTAIN FARMERS UNION, ACCOMPANIED BY REUBEN JOHNSON, DIRECTOR, DIVISION OF LEGISLATIVE SERVICES, NATIONAL FARMERS UNION

Mr. SCHMIDT. Mr. Chairman and members of the committee, I am Lail W. Schmidt, president of Rocky Mountain Farmers Union, which covers the States of Colorado and Wyoming, and am a wheat, feed grains, and livestock farmer at Lamar, Colo. I appear here today with Reuben L. Johnson of the National Farmers Union Division of Legislative Services, in behalf of National Farmers Union.

The prompt and early action of this subcommittee in this 2d session of the 88th Congress is highly commendable and National Farmers Union President James G. Patton has asked me to extend to you his appreciation of your interest and concern for the economic welfare of the Nation's wheat farmers.

We are most encouraged by the fact that President Johnson has expressed a view that farm income must be raised and that his opinion

is shared by Secretary Freeman. Farm income generally is too low and Farmers Union therefore urges that the committee give top priority in its deliberations to the means of substantially increasing the income of wheat and other producers in 1964.

It is imperative that there be a wheat program to apply to the 1964 crop. It is apparent to us and to the Nation's wheat farmers that without legislation, price support this year will drastically drop to the 50 percent of parity level the law provides. This means about \$1.25 per bushel and a \$600 million loss of income from the 1963 level.

Farmers Union wholeheartedly concurs with the statement released on December 13 in Washington by nine general farm and commodity organizations as to the adverse economic impact on the national economy that such a loss would bring. Their statement is as follows:

National economic growth cannot be expanded unless farm income is maintained and improved. The drag on the economy posed by an expected \$600 million loss in farm income in the absence of an effective farm program would be disastrous.

Prevention of this loss is therefore of prime concern to farmers, Main Street businesses of rural America, and factoryworkers whose job and livelihood depend on a healthy farm economy that must continue to contribute to the strength of the Nation's economy, receiving in the process its equitable share of the Nation's income.

We are greatly encouraged by the recent crop report which indicates that compliance with acreage allotments in winter wheat plantings is the rule. It appears now that overplanting of all wheat may be only slightly above last year. This will mean a crop of about 1.4 billion bushels instead of the estimated 1.6 billion bushels. Present indications are that over 80 percent of the winter wheat planted is within allotment. This voluntary action on the part of farmers is significant, we believe, because it demonstrates clearly the expectation and the interest of farmers in having a workable supply-adjustment program.

Farmers Union has been intensely studying the various wheat program alternatives under discussion the latter part of 1963. We came to no hasty or premature decision as to the kind of program our organization will support. On December 18, 1963, the executive committee of National Farmers Union met to formulate a program to be submitted for the consideration of Congress. This committee, consisted of the following Farmers Union State presidents: Edwin Christianson, Minnesota; Leonard Kenfield, Montana; Gilbert C. Rohde, Wisconsin; Ed Smith, North Dakota; Douglas Simpson, Utah; Ben Radcliffe, South Dakota and myself. We believe that we have a program which will (1) substantially increase farm income, (2) reduce costs to the Government, and (3) simplify and streamline administration. The program is simple and would operate as follows:

(1) Price support level of \$2.50—100 percent of parity—on domestic consumption and exports for farmers who sign up in the program. The new program is voluntary. Noncooperators would receive no price supports and would sell wheat at the free-market price.

(2) Program would cover 1964 and 1965 to permit congressional consideration of wheat and feed-grain program for 1966 and after.

(3) New program would provide price support through the use of certificates on wheat consumed domestically and direct payments to farmers on the portion of wheat exported.

(4) To qualify for the program farmers would cut wheat acreage by 10 percent which nationally would mean 49.5 million acres.

(5) A family farm cutoff in the allocation of each family's pro rata share of price support payments and certificates under the proposed program.

(6) Sales by the Commodity Credit Corporation of wheat stocks would be at 115 percent of the support level, plus handling charges.

(7) Cooperators in the program could grow oil seed crops on the 10 percent of diverted acres, but without price support.

Both certificates and payments are called for, with certificates applicable to domestic consumption and direct or price support payments applicable to exports.

In passing, I might state that on the side of domestic consumption which constitutes the certificate wheat, these certificates would be issued on the producer's pro rata share of domestic consumption, even if the crop failed. This, in effect, would be a stabilizing factor in the income of the wheat producer.

I will also state that in this program the average net price to the producer will be \$2.26 per bushel or exactly 90 percent of parity.

I call your attention to the following table to further illustrate how the program would operate:

Utilization	Price support	CCC loan level	Payment or certificates	Cost to Government
Domestic consumption: 500,000,000 bushels.....	\$2. 50	\$1. 30	\$1.20 (certificate).....	(1)
Exports: 460,000,000 bushels.....	2. 50	¹ 1. 30	\$1.20 (payment).....	\$552,000,000
Miscellaneous: 240,000,000 bushels.....	1. 30	1. 30	.....	(1)
Total: 1,200,000,000 bushels.....	² 2. 26	.....	.....	.....

¹ Cost to CCC of loan at \$1.30 would be negligible.

² Average.

Under this program the total national income of wheatgrowers is calculated at \$2,712 million. This compares with \$2,363 million under the 1963 program and would therefore increase gross wheat income in 1964 by \$349 million over 1963. Significantly, by using certificates on the domestic portion of the 1964 crop and payments on exports, cost to the Government attributed directly to the program would be about \$552 million. Inasmuch as the \$1.30 loan level would sharply curtail CCC lending operations, administrative and storage costs as compared to past years could be reduced, we believe, substantially over several years.

We have studied very carefully the effect that such a program would have on the price of bread. The national average price for a loaf of white bread in 1962 was 21.2 cents. In August 1963 the average price of a loaf of white bread was 21.6 cents—68 loaves of 1 pound each can be produced from flour processed at an extraction rate of 72.5 percent from 60 pounds of wheat.

The farm value of wheat going into a loaf of bread of 1 pound was 2.6 cents in 1962.

To justify an increase of 1 cent per loaf on the basis of wheat costs alone, the average farm price of \$2—seasonal average received by producer in 1962 would have to be increased about \$0.75 or \$0.80 for a total of \$2.80 per bushel.

The average price received by the producer in September 1963 was \$1.84 per bushel. At Kansas City, a principal market for hard wheat used for bread flour, No. 1 Hard Winter, ordinary protein, averaged \$2.23 per bushel for the 1962-63 crop year and was \$2.09 for September 1963. Since the current bread price is based on 1962 cost of wheat, it would appear that the price of wheat at Kansas City would have to advance to approximately \$2.70 per bushel before a 1-cent increase in a 1-pound loaf of bread could be justified, all other costs remaining unchanged.

We believe the subcommittee will agree that response by producers would be excellent to such a program as we have outlined. We firmly believe that 90-percent participation would be realized.

Mr. Chairman, in behalf of Mr. Patton and members of the board of directors of National Farmers Union, we appreciate the opportunity to appear before you to discuss legislation which vitally affects not only wheat farmers, but all segments of the national economy. We in Farmers Union have always considered both this committee and its counterpart on the Senate side to be desirous of maintaining the farm programs and income needed to strengthen and preserve our family-farm system of agriculture. We know it has always been your aim to devise the kind of programs that would enable farmers to get their fair share of the Nation's income. We stand ready to cooperate with the committee and the Congress toward this objective and pledge our support in behalf of earliest possible action in devising and enacting a new wheat program.

Mr. Johnson and I will be happy to respond to any questions that members of the subcommittee may have. But before moving on, I request permission to insert in the record of these hearings the brief outline of the program attached to the statement, together with a statement concerning the relationship of wheat price supports and exports to bread prices.

Mr. JONES. Thank you, Mr. Schmidt. Without objection, the attachment to your statement will be made a part of the record.

Mr. SCHMIDT. Thank you.

(Attachment to Mr. Schmidt's statement follows:)

FARMERS UNION WHEAT PROGRAM

Approved by the Executive Committee, December 20, 1963

The program outlined below is predicated on the following objectives:

1. To increase income substantially toward the longtime goal of full parity returns to family farmers.

2. To reduce the cost of farm programs to the Government.

3. To simplify farm programs and streamline administration.

Major provisions of the program are as follows:

1. Voluntary program applicable to 1964 and 1965 crops permitting feed grains and wheat to be considered in combination of 1966 and subsequent crop years.

2. Both certificates and price-support payments are called for with certificates applicable to domestic consumption and price-support payments applicable to exports. Noncooperators would not be eligible for price support nor price-support payments and certificates.

Utilization	Price support	CCC loan level	Payment or certificates	Cost to Government
Domestic consumption: 500,000,000 bushels.....	\$2.50	\$1.30	\$1.20 (certificate).....	(1)
Exports: 460,000,000 bushels.....	2.50	¹ 1.30	\$1.20 (payment).....	\$552,000,000
Miscellaneous: 240,000,000 bushels.....	1.30	1.30	.....	(1)
Total: 1,200,000,000 bushels.....	² 2.26	.....	.....	.....

¹ Cost to CCC of loan at \$1.30 would be negligible.

² Average.

3. Ten percent reduction from 55-million-acre national allotment required for price support. This would mean 49.5 million acres in wheat.

4. No land-diversion payment is called for but the Secretary is authorized to permit the 10-percent diverted acres to be devoted to the production of guar, sesame, safflower, sunflower, castor beans, mustard seed, canary seed, soybeans, flax, and other oilseeds when such crops are not in surplus supply if permitted to be grown on the 10-percent diverted acres. Such production is not eligible for price support.

5. A national safety reserve of 600 to 700 million bushels.

6. A family-farm cutoff in the allocation of each family's pro rata share of price-support payments and certificates.

7. Sale by CCC of wheat stocks shall be at 115 percent of the support level plus handling charges.

Under the proposed program the total national income of wheatgrowers is estimated at \$2,712 million (domestic use, \$1,250 million; exports, \$1,150 million; and miscellaneous, \$312 million). This compares with \$2,363 million under the 1963 program.

Mr. JONES. Mr. Harding, do you have any questions?

Mr. HARDING. Just an observation, Mr. Chairman—I feel that Mr. Schmidt presented a very fine statement. I appreciate his taking his time to come before the subcommittee to present the views of the Farmers Union on this important matter.

Mr. JONES. Mr. Dole.

Mr. DOLE. I appreciate your appearance, too, Mr. Schmidt.

You indicate the wheat farmer will have a loss of income of around \$600 million. How do you arrive at that figure?

Mr. SCHMIDT. This is a figure which I believe came out of the Department of Agriculture. This is their estimated loss.

Mr. DOLE. This is how you arrived at it?

Mr. SCHMIDT. Yes.

Mr. DOLE. Do you know how they arrive at it?

Mr. SCHMIDT. I imagine by computing the lower level of price which would not be very difficult to estimate.

Mr. DOLE. It appears there has been very little overplanting, I think 2.3 percent. The price has gone up instead of down, as everybody predicted who was prodding for a "Yes" vote in the referendum.

It would seem the income gap should be less than the \$600 million because while the price has gone up and plantings have not, the \$600 million income gap stays the same. Do you have any comments on that, Reuben?

Mr. JOHNSON. Of course, I think that the Department is attempting to use the set of factors that they were working with at the time they

came up with the \$600 million projected loss. I suspect they did about as well as anybody could have done.

We expect about 1,400 million bushels of wheat. This will not permit CCC to move wheat into the market so even if we had CCC resale of wheat at 115 percent of the support price, it absolutely would have no effect in raising the price to the farmer.

With the supply of wheat available to the market, as we would have, even at a 1,400 million-bushel level, my judgment is that we could still expect, in the absence of a farm program to apply to the 1964 crop, wheat prices at about the 50 percent of parity level or \$1.25 to \$1.30. They may or may not go that low, but we have facing us all the economic factors and conditions which could very well force the price to that level.

I think it would be ill advised for us to proceed on the assumption that we would produce little enough wheat to limit the supply to the extent that we would have substantially higher prices over that level.

Mr. DOLE. In other words, the \$600 million loss in income is predicated on the assumption wheat will be \$1.25 a bushel next year.

Mr. JOHNSON. \$1.26 or whatever it is, I guess it is \$1.25½ if you get down to what 50 percent of parity amounts to currently.

Mr. DOLE. Do you have any opinion why the Department was so far off in what they felt would be overplanted? They were predicting 70 million acres to be planted to wheat if the farmers voted "no" in the referendum.

Mr. JOHNSON. No; I think that the Anfuso amendment is a factor. However, I think that more than that is the fact that farmers themselves apparently realized they were not going to better their situation any, individually or as a group, by excessive wheat planting.

I also think that the bankers and other credit sources put on quite a damper in terms of the amount of wheat planted. I do not think the bankers were sympathetic to making loans for greatly expanded acreages of wheat. I do not think the capital was available. When you get down to it, this may be one of the main reasons.

There is another important reason. We like to think, as Mr. Schmidt pointed out in his testimony, that farmers are anticipating a time when they will have a program. They are voluntarily holding down on production for that reason.

Mr. DOLE. Do you have any information through your own research facilities on how much overplanting there has been among 15-acre wheat producers?

Mr. JOHNSON. No; we do not. We have no way of analyzing that. I am not even sure that the Department of Agriculture can do very well in such an estimate. I have seen no figures from the Department.

Mr. DOLE. Did you take any position on whether the Anfuso amendment should have been applied when the farmer did not receive benefits? In other words, should the farmer lose acreage history when he does not receive benefits from the Government?

Mr. SCHMIDT. For this present year I think this is good that it should apply.

Mr. DOLE. Why?

Mr. SCHMIDT. It is just another one of these stabilizers. It is there. We just as well use it as is. There is nothing we can do about it.

Mr. DOLE. Is that not taking property without due process of law?

Mr. SCHMIDT. After this crop year, I think a producer should not lose or vary his allotment whether he overseeds or underseeds. I think this should be done.

Mr. DOLE. The point some of us have made is we think the Anfuso amendment served a very good purpose before quotas were voted down but when those who overplant are not entitled to any benefits, it is difficult to explain why the farmer should be threatened with a loss of acreage history.

Mr. SCHMIDT. That is right.

Mr. DOLE. I have never been able to understand why the farmer should lose something when he gets nothing. If he gets something then he should comply.

Does your statement, more or less, endorse the Young bill, or the McGovern bill?

Mr. JOHNSON. I do not think it endorses any bill. This is a new program as far as any proposal that has been made. We have picked up pieces of the McGovern bill and the Humphrey bill in arriving at our program because we use the certificates on the domestic consumption and payments on the exports. This is our program and since it was developed only recently, has not as yet been introduced in the Congress.

Mr. DOLE. I do not know how your board operates. I am wondering if my friend Martin Byrne, from Kansas, endorses this program.

Mr. JOHNSON. Martin Byrne was not present when the program was approved by the executive committee. He has had it made available to him. But, I have had no direct communication with him.

Mr. SCHMIDT. I have not, either.

Mr. DOLE. Does your program apply to winter wheat now seeded?

Mr. JOHNSON. Yes.

Mr. DOLE. Would yours be a 2-year program and then in 1966, when the Feed Grain Act expires you advocate another program?

Mr. SCHMIDT. That is right.

Mr. DOLE. To be certain I understand it, is your program sort of a composite?

Mr. JOHNSON. I have not checked these bills to the extent that I am able to tell you. But there are some similarities between our program and several of the bills introduced. The main parts, those relating to how you give support, comes from the McGovern bill, which provides for certificates across the board. We would limit certificates to domestic consumption.

The Humphrey bill provides for payments across the board. We would limit payments to the export side only.

Mr. DOLE. Do you envision noncooperators would ever obtain more than feed price for their wheat?

Mr. JOHNSON. I think when you use certificates in payments, as we have, that you pretty well establish that so-called free wheat or wheat out of the program would be most of the time very close to \$1.30.

Of course, there might be some different factors in a year when we shorted the domestic consumption and export requirement, say by a hundred million bushels and CCC would sell at 115 percent of the support price. Obviously, the bottom side of wheat prices would tend to rise, how much I would not predict.

Even if they did rise, I think there would still be sufficient spread between the so-called free market price and the support price to bring a very high percent of cooperation in this type of program.

Mr. DOLE. Have you made any projections on what participation you might have percentagewise?

Mr. JOHNSON. Yes, we have. I have not only used our judgment, but our executive committee in looking at this program believes very strongly that we would have upward of 90 percent. I have unofficially and informally visited with some of my economist friends in and out of the Department. They agree with this. We feel very strongly that we could have 90 percent participation in this type of program and it could be higher.

Mr. DOLE. As I understand it, there are no diversion payments provided.

Mr. SCHMIDT. That is right.

Mr. DOLE. You are permitted to raise certain crops on diverted acres under your program?

Mr. SCHMIDT. Yes.

Mr. JOHNSON. We would let a producer raise any oilseed crop on these acres, I might say, as long as they are not in excess supply at harvesttime. This is essentially the same, I believe, as Senator Humphrey provided in his bill.

Mr. DOLE. On December 31 there were several million acres of land under conservation reserve contracts, and those contracts expired. Do you have any position with reference to extending these expiring contracts and picking up not only 1963 but those which expire in 1964 and 1965?

Mr. JOHNSON. Yes. Congressman, I think the record of hearings on the so-called cropland diversion bill, which this committee held, will indicate we were here to support not only extension of contracts expiring in 1963 but also the 3.3 million acres that would go out from under contract this year.

We believe that this would be a big asset to the operation not only of a wheat program but also of the feed grain program as well.

Mr. DOLE. I recognize it is not a part of the wheat program as such, but it has a very important bearing on what the committee might do.

Mr. JOHNSON. Mr. Dole, if I might just call the chairman's attention a minute, we would like to request that we insert in the record of these hearings a short statement we recently prepared for our Washington newsletter which further explains our position on this cropland diversion program.

Mr. JONES. Without objection, we will permit that to be inserted in the record.

(The document referred to follows:)

The return to production of approximately 7.4 million acres of cropland previously under the conservation reserve program in 1963 will materially increase the output of crops now in surplus and lessen the effectiveness of programs designed to bring about a better supply-utilization balance.

The Department of Agriculture estimates that less than one-quarter of land in the conservation reserve last year will remain in cover for pasture, hay, or other noncrop uses in 1964. While some of this released acreage will be retained in grass as diverted acres under the feed grain program, more than half is expected to be back in cultivation.

Substantial acreages undoubtedly will be planted to price-supported crops, including wheat and feed grains, making an expensive addition to agriculture adjustment problems.

Recognizing this, the National Farmers Union believes there is urgent need for legislation authorizing a long-term cropland conversion program to channel cropland into noncrop uses but still fully utilize the income potential of the land.

This program should be made large enough to at least offset the 7.4 million acres in the conservation reserve last year.

This program offers long-term agreements to farmers for converting a part or all of his cropland from crops to other more needed uses including outdoor recreation, pastures, forests, etc.

The conversion will produce income for the farmer while at the same time conserve soil and water resources. Emphasis should be on land use as opposed to on-use or idling.

Land remaining under conservation reserve contracts in 1964 is 17.5 million acres with contracts on 3.3 million acres expiring at the end of the year. Intelligent action calls for such a program to include these acres which otherwise may be in crop production next year.

Mr. DOLE. I do not know what the statement said, but does it recommend an extension of the conservation reserve or would it be a cropland adjustment program which permits both payment and grazing on the land, or land use, not particularly grazing?

Mr. JOHNSON. When we appeared here before, we strongly supported that these expiring acres be renewed in the program. We do very strongly believe that the emphasis on land utilization to cover reforestation or recreation, or whatever, be emphasized in these programs.

On the matter of grazing, we find in our organization that we have mixed feelings among our members. Consequently, I believe our reaction at the time of the hearing was to leave this up to the good judgment of the committee as to whether or not grazing should be permitted at a lower payment rate. There are good arguments on both sides. It depends whether you are a farmer on what your individual situation is on the farm. Because of this mixed feeling, we thought you on the committee would be very much more well advised as to how to proceed.

Mr. DOLE. We have rather mixed feelings on the committee, too. In fact, it is almost equally mixed, I guess.

Do I understand now that your recommendation is to actually produce about \$251 million less income to the wheat farmer than he had last year?

Mr. JOHNSON. Our program?

Mr. DOLE. Yes.

Mr. JOHNSON. No; our program would raise gross wheat income by \$349 million over 1963 gross income for wheat.

Mr. DOLE. You are basing that on this \$600 million figure. Nobody knows where it came from?

Mr. JOHNSON. That has nothing to do with the \$600 million figure. That compares with the gross income received in 1963.

Mr. DOLE. In other words, your program would take up the \$600 million slack and add \$349 million additional?

Mr. JOHNSON. Yes; if you compare us with the projected loss of \$600 million, you have to add \$600 million to the \$349 million.

Mr. DOLE. It would be about a billion dollars actually?

Mr. JOHNSON. That is exactly right.

Mr. DOLE. Do you feel there was any significance in the fact farmers were not mentioned yesterday in the state of the Union message? President Johnson mentioned sharecroppers but not farmers.

Mr. JOHNSON. I have not read the statement that carefully. The President covered a lot of important issues of great magnitude. He has had a meeting with the farm organization representatives. I have no concern over whether he mentioned farmers or the wheat program. I have no question but what he will be inclined to support programs that will not only maintain but increase farm income, because he has made concrete statements to that effect.

Mr. DOLE. Can the loss of farm income, in your projections, be traced to the loss of income to the livestock producer, beef imports, in other words?

Mr. SCHMIDT. I think this loss of income they speak of here pertained wholly to wheat.

Mr. DOLE. It is, then, your understanding the \$600 million relates only to wheat?

Mr. SCHMIDT. Yes.

Mr. DOLE. Thank you.

Mr. JONES. Mr. Hagen, any questions?

Mr. HAGEN. No questions; thank you.

Mr. JONES. Mr. Belcher?

Mr. BELCHER. No questions.

Mr. HARDING. Mr. Jones, I have a question that I would like to ask Mr. Johnson.

Mr. Johnson, I notice that your certificate payment value is set at \$1.30 a bushel.

Mr. JOHNSON. No, it is \$1.20, I believe. The loan level would be \$1.30.

Mr. HARDING. That is correct. The certificate is \$1.20. Would that apply to every producer that complies, whether he lived in Colorado or Kansas, or would there be an attempt, as there presently is under our price support program, of using some type of a complicated national average formula that could result in a farmer in Utah only receiving a certificate or payment of 90 cents and a farmer in Kansas receiving a certificate or payment for \$1.40?

Mr. JOHNSON. That would not be possible under our program. Every farmer that participated in this program would get his pro rata share of the 500 million bushels we estimate to be consumed domestically. His pro rata share certificates are valued at \$1.20 everywhere in the United States. The same thing would be true of the direct payments which are spelled out on the exports.

Mr. HARDING. But that would not be true under the loan level of your program.

Mr. JOHNSON. The loan level would fluctuate depending upon all of the various factors that change that price of wheat out of the country, yes.

Mr. HARDING. Would you have any objection if the subcommittee established a loan level at a flat \$1.30 throughout the United States?

Mr. SCHMIDT. No; that would be all right with us. It would be all right with me.

Mr. JOHNSON. That is an interesting thought. I expect you would find there would be some difference of opinion. Perhaps some of the people operating the program might have a little different view, I don't know.

I think it is worth looking at. I hope you will look at it.

Mr. HARDING. It appears to me that wheat producers from all over the United States are subsidizing the wheat producers in Kansas under the present system of price supports—

Mr. DOLE. Would the gentleman yield?

Mr. HARDING. I would be most happy to yield.

Mr. DOLE. You mentioned Kansas. In fact, I agree with your statement. They talk of \$2 price supports but get about \$1.85 or \$1.76 for the same reason people in your area get less.

Mr. HARDING. Some of the people in western Kansas do. Some of those in eastern Kansas, close to Kansas City, get \$2.12 and \$2.15.

Mr. DOLE. Most of Kansas City is in Missouri, however, a part of the area is in Kansas.

I agree with your comments and believe it is something which should be considered. We lost two mills to the State of North Carolina in the last 3 years because of the freight rates, and so forth.

Mr. HARDING. Would not the gentleman say it is all dependent upon whether we are thinking of price supports in the true sense of the word or whether we are trying to establish the market price?

If we want a price support it should be the same throughout the Nation. If we are attempting to set the market prices then the Government should attempt to adjust for freight, protein, quality, and other matters. I do not think they should. I think if we are going to call it a price support that is what it should be.

Mr. DOLE. Right, but if we are going to call it a \$2 wheat program let us point out it is not a \$2 wheat program in certain areas.

Farmers are criticized by others who are not getting any support for their particular program or particular business. They say they received \$2 for wheat and in many cases they do not receive anywhere near \$2 for it.

Mr. HARDING. I am glad the gentleman from Kansas and the witness agree with me we should look into this matter.

Mr. JOHNSON. I think you still would have a reflection of these various factors but it would be above the \$1.30 level.

Mr. HARDING. Why not let the market price take care of that?

Mr. JOHNSON. That is exactly right. That is the point I am trying to make. The market price above this level would tend to reflect the demand, transportation, and other factors that the Department now works into the calculation of price supports.

Mr. HARDING. Then we would not have someone down at the Department of Agriculture using some complicated formula to compute a wide range of support prices only to have the facts prove that their computations are wrong.

Mr. JONES. Mr. Hagen?

Mr. HAGEN. You mentioned the family farm cutoff. What do you visualize is the proper point for the cutoff?

Mr. SCHMIDT. I would say this would be left up to people of this

committee and the Congress of the United States to determine. We would not have the available information to make a clear-cut rule on this.

I think this is something that——

Mr. HAGEN. I do not think you can throw the responsibility on us. You must have some idea as to what you visualize as a fair cutoff.

Mr. SCHMIDT. I would say this would be in a bracket that would serve the purpose of what we are trying to arrive at but still not deprive anybody along the line in the way of production. This we do not have available, where the production is and what the percentages are.

Mr. HAGEN. You are offering a policy without any facts. Why should you throw the responsibility on us?

What do you visualize to be a fair family-farm cutoff?

Mr. SCHMIDT. Again I would not know without having the statistics to look at, which we do not have available.

Mr. JONES. As I understand it, this family-farm cutoff is a limitation of payment. That would be the limitation on the payment or the certificates that any one family farm could draw.

Mr. SCHMIDT. That is right.

Mr. JONES. Surely you have some criterion that you have used in making this recommendation.

Mr. SCHMIDT. I don't know where we have. At least I have never seen them. I have been unable to secure these. I don't know where to start on this thing.

Mr. HAGEN. Are you a farmer yourself?

Mr. SCHMIDT. Yes, sir.

Mr. HAGEN. What is the gross value of your production?

Mr. SCHMIDT. We have about a 360-acre allotment.

Mr. HAGEN. What is the gross value at \$1 a bushel, let us say? Make it \$2 a bushel—what would be the gross value? What do you average per acre?

Mr. SCHMIDT. Around 35 bushels, because we have irrigated and nonirrigated. I average a little higher than normal on account of the irrigation factor.

Mr. HAGEN. You have 300 acres?

Mr. SCHMIDT. 360 acres, I believe it is.

Mr. HAGEN. 15,500 bushels. You propose to pay yourself \$2.50 a bushel. Assuming all your wheat would be certificated that it would be valued at \$26,250. That is \$25,000. Do you figure you qualify for this family farm——

Mr. SCHMIDT. When you take something like this you have to take into consideration the net you will derive from this operation and whether you have enough to live on after this has been computed. This is the thing I am unable to get figures for in order to compute the cutoff.

In my opinion you cannot take the gross as being the effect of what we are talking about. You have to take the net that you have left after the production costs are out and determine whether a man can live off of this.

Mr. DOLE. About like our salaries?

Mr. SCHMIDT. That is right. These are the figures we do not have available at this point.

If you are going to use just a gross figure and say that is it, this could be way off because still the family would not have sufficient funds to live off of after their production costs were taken out.

Mr. HAGEN. What did you pay for your land?

Mr. SCHMIDT. We have owned this land for a good long period of time. I forget what the price was when we bought it.

Mr. HAGEN. Approximately?

Mr. SCHMIDT. I could come closer to giving you the value at the present time which would be around \$50 an acre.

Mr. HAGEN. On to this \$2.50-a-bushel figure, 35-bushel-an-acre production, every year you will recover more than the value of the land.

Mr. SCHMIDT. No, no, no. You have to remember we are planting only about 50 acres out of a quarter section. You cannot take this as a rule of thumb.

Mr. HAGEN. \$2.50 a bushel, 35 bushels, \$87.50 an acre return.

Mr. JOHNSON. You are using the gross figure and not taking production costs into account.

Mr. HAGEN. Production cost of wheat is not as large as it is for other crops.

Mr. SCHMIDT. Yes, but there is a lot of investment in equipment.

Mr. HAGEN. You farm your own farm, which you probably paid for at much less than \$50 an acre.

Mr. SCHMIDT. This is not all of it. You cannot do this with just a skimpy amount of equipment. You have to have the equipment which really costs money these days.

Mr. HAGEN. What is your investment in equipment?

Mr. SCHMIDT. Around \$70,000 in the wheat operation.

Mr. HAGEN. What is the useful life of the equipment?

Mr. SCHMIDT. This varies from 5 years and on.

Mr. HAGEN. I know a lot of farmers who would be very happy if they could gross the value of their land every year at its original acquisition cost to say nothing of its present market value.

Mr. SCHMIDT. I would be very happy if I could, too, because I have not been doing it in the past. I know this from my accounting records.

Mr. JONES. You say you grow a flat 50 acres of wheat to a quarter section?

Mr. SCHMIDT. Right.

Mr. JONES. And the rest of it is feed grains, grazing, livestock?

Mr. SCHMIDT. Most of it is idle.

Mr. JONES. Other questions?

Mr. DOLE. I want to point out that 35 bushels would be a pretty good year, too, would it not?

Mr. SCHMIDT. This would be tops, and you have to take into consideration that half of our allotments are on irrigated wheat which brings up the average. This is far above the county average.

Mr. DOLE. And you live in a rather high-risk area from the standpoint of weather?

Mr. SCHMIDT. That is right. This past year we raised no wheat.

Mr. DOLE. If you compute a 10-year average yield on your land it would be far from 35 bushels to the acre?

Mr. SCHMIDT. That is right.

Mr. DOLE. You have to consider this, if a farmer has 50 acres on a quarter he has a good allotment. Many farmers in that area have less. It is about like locking up three-quarters of the grocery store and telling the grocer to have a lot of fun and make a good living.

Mr. SCHMIDT. That is right.

Mr. DOLE. The overhead is the same or higher and every year you take a little out in acreage, so it is not quite as "rosy" as Mr. Hagen indicates.

Mr. SCHMIDT. That is right.

Mr. HAGEN. Is your equipment investment geared to the allotment or the amount of land you have?

Mr. SCHMIDT. You have to work the land regardless.

Mr. HAGEN. The point I am trying to arrive at is that you might be better off if you were allowed to grow more wheat and grow it at a lower price.

Mr. SCHMIDT. Oh, no.

Mr. HAGEN. Because your equipment, if you bought it at a time when there were less restrictions on production, you are now operating inefficiently.

Mr. SCHMIDT. I tried this back in the 1930's and it didn't work.

Mr. JONES. What did you sell wheat for at the low ebb in the 1930's?

Mr. SCHMIDT. 26 cents.

Mr. JONES. These are young men and don't remember those times. Any other questions? We have another witness.

Mr. HAGEN. I am curious about the \$2.50 figure. I think the other bill provides \$2. It seems unusually generous.

Mr. SCHMIDT. Let me put it this way—is 90 percent of parity too much for a wheat farmer? That is what this averages out.

I would like to propose this question: Is this too much for the wheat farmer, 90 percent of parity? That is what the \$2.26 figure is.

Mr. HAGEN. This parity thing is a fiction. They have a parity on many crops and I know farmers who make a killing on 85-percent parity.

You know a lot of wheat farmers ride Cadillacs and ride airplanes at 85 percent of parity.

When you talk of 100-percent parity there may be some souls who do not make it at that, I don't know, but there are a lot of them who do.

When you mention 90 percent of parity it does not mean you are losing money. I am sure you are not.

Mr. JOHNSON. Mr. Chairman, pertinent to this discussion, here is a little table I worked up which compares the economic situation on the farms with other groups.

Mr. HAGEN. They threw in everything in the category of a farm. If some man owns 10 acres, we have to get into a point of talking

about people who are really not farmers and we should take those who are not farmers out of the statistics.

There is no use kidding the public. There are many farmers doing rather well. It is just a question of how far you go in tapping the Federal Treasury or proposing raising the cost of products to the consumer to help the farmer.

Mr. JOHNSON. These figures show, Mr. Hagen, that business and professional income is up over last year by \$1.3 billion; interest received by creditors is up \$2.3 billion; farmers are paying a big part of the total interest paid to creditors. This table shows farm production expense is up \$700 million while farm income was projected down \$600 million as compared to 1962.

Everybody is making more money but the farmer.

I would like to ask permission to insert this table in the record.

Mr. HAGEN. The farmer gets a home, for example, which he does not pay rent on, which a city dweller must pay anywhere from \$100 to \$200 for. The farmer depreciates that as part of the cost of running a farm. Many farmers pay small income taxes for various reasons.

Mr. JOHNSON. The reason they are not paying income taxes is because they have no income after expenses.

Mr. HAGEN. We should deal in the realm of reality rather than some fiction. Men of good will should be able to arrive at a farm program that is justifiable. We are not going to do this as long as we look at some of these ballooned-up statistics which are really meaningless.

I know plenty of cottongrowers, for example, who make an awful lot of money on 85 percent of parity, even 80 percent. I am sure there are wheatgrowers in the same category.

If you take any other crop I am sure that is true.

Mr. SCHMIDT. I might just say this, though: If our farm income is such, why are we losing 1,000 farmers a year in Colorado? They are not quitting on their own volition.

Mr. HAGEN. The figures of migration go up during a period of greatest prosperity. Farm life is not attractive to many people. If they can get a job in the city they will get it regardless of the amount they make. This is particularly true of qualified young people who cannot procure the large land investment required by capitalized farm allotments.

Mr. JOHNSON. I think that is debatable.

Mr. SCHMIDT. This is not the case in our area.

Mr. HAGEN. People went back to the farm during the depression because they had a home there. They presumably raised some of their own food, and so on. It is the only time in recent history the farm population increased, during the depths of the depression, when they were equally depressed on the farm, because there were no opportunities in the cities. By way of conclusion I would say that Mr. Schmidt has a net worth greatly in excess of \$90,000 and I suspect that few people in this room could equal it, including the members of the committee, although we gross \$22,500 a year in salary.

Mr. JONES. Mr. Johnson, you may insert the table you refer to in the record.

Mr. JOHNSON. Thank you very much, Mr. Chairman.
(The table referred to follows:)

Farm economic situation compared with other groups

[In billions of current dollars]

	Annual rate average, 1962	Annual rate average, 3d quarter, 1963
Farmers, total net income.....	¹ 13.3	¹ 12.7
Farmers, total gross income.....	40.8	41.1
Farmers, production expenses.....	28.2	28.9
Interest received by creditors.....	22.0	24.3
Dividends received by corporation stockholders.....	16.6	² 18.5
Business and professional income.....	36.5	37.8
Rental income of landlords.....	12.0	12.1

1962 DOLLARS

Average weekly earnings of manufacturing workers.....	96.56	³ 98.85
Gross national product (1962 prices).....	554.90	578.20
Unemployment (month of November, 1963):		
Millions.....	4.3	
Percent of labor force (seasonally adjusted).....	5.9	

¹ Including net inventory change.

² November, 1963.

³ October, 1963.

Source: Economic Indicators, published by President's Council of Economic Advisers, September, 1963.

Mr. JOHNSON. Mr. Chairman, I also ask permission to insert in the record a legislative analysis entitled "Wheat Export Program and Bread Prices."

Mr. JONES. Without objection, you may insert that material in the record at this time.

(The legislative analysis referred to above follows:)

WHEAT EXPORT PROGRAM AND BREAD PRICES

(Prepared by Reuben L. Johnson, Director, and Walter A. Hasty, Jr., Assistant Director, Division of Legislative Services)

The announcement by General Mills, Pillsbury, and others of price increases at \$0.40 per hundred pounds on flour that was purchased and committed even before the Canadian sale of wheat to the Soviets has caused a great deal of concern by consumer interests. This concern was first exemplified by Congressman Charles A. Vanik, Democrat, of Ohio (member of the Consumer Affairs Subcommittee of the House Committee on Banking and Currency) in a statement made on the floor of the House October 24, in which he said: "It is apparent that manipulators and dealers in wheat futures are greedily parlaying profits from the proposed sale of American wheat to the Soviet Union and its satellites, with the sale price of wheat futures rising almost 10 percent since the Canadian sale of wheat was announced.

"The proposed American sale will provide even further pressure for flour price increases and the additional increase could well exceed another 2 cents per 5-pound bag—a price increase in bread is almost a certainty."

Background on wheat exports and bread prices

In response to this announcement by certain millers and bakers concerning flour price increase and the alarm sounded by consumer interests caused by the resulting expectation of bread price increases, National Farmers Union Division

of Legislative Services conducted an extensive investigation and study concerning the justification of a bread price increase based on the proposed wheat export policy and the resulting wheat market condition.

According to the wheat situation of October 1963, the wheat and flour exports in 1963-64 are currently estimated at 1 billion bushels, assuming that prospective sales to the Soviet bloc are realized. This estimated record export stems from poor crops in many traditional exporting countries although the world crop is a near record. As a result, if this export volume materializes, the carryover on July 1, 1964, would total about 725 million bushels—about 465 million below a year earlier. While this would mean the smallest carryover since 1953, it is still adequate. The carryover of all classes of wheat, except Durum, would be reduced with the greatest decline in stocks of Hard Winter (supply and distribution, table 4, attached).

Prices of most classes of wheat are above their loan rates, reflecting the sharp increase in export demand and the tight supply of privately held wheat. Prices of many classes have been so high that traders have purchased large quantities from the Government at the resale formula price. As a result of the strong market, there has been very little price-support loan activity for 1963 crop wheat.

An important factor in American prices is the statutory level of Commodity Credit Corporation sales from its stocks, at 105 percent of the loan plus carrying charges. Some cash prices in a few areas are at the statutory levels, but futures on which 1963 wheat may be delivered are, according to the Southwestern Miller (a leading trade publication), as much as 20 cents below the statutory sales figures of CCC.

However, as the Southwestern Miller points out, "A powerful strengthening factor in U.S. prices that is becoming increasingly important is the diminishing balance of free supplies, or wheat outside of loan impoundings and CCC stocks, as exports expand. The great enlargement that has developed in export workings is pointing increasingly to a shortage of free wheat. To overcome that deficit, the domestic trade may have to turn more and more to CCC stocks at 105 percent of the loan plus carrying charges. It is conceivable that some wheat not available from CCC, particularly in the case of soft wheat and the top protein ranges, might reach still higher prices—if great tightness prevails in the markets."

With reference to hard wheat, CCC-owned stocks are ample and of good quality. There is no shortage of good quality wheat which can be milled into good flour.

Most bread producers buy on a long-range future delivery basis, usually at the beginning of the availability of new crop wheat. In many cases they have arranged for their flour supplies through next March. The purchases were made at prices prevailing in the July-August period, well before Russia began its purchase program.

Millers operate on narrow margins, and prices for flour usually reflect changes in wheat prices on a current basis, taking into account the price of mill feeds. (The mill feed returns are used to offset the price of wheat in computing cost of producing flour.)

The Southwestern Miller, in its October 8 issue, states: "The fact that the 1964 wheat program includes only a support rate of \$1.25 a bushel on farms to the growers complying with acreage allotments, as against \$1.82 on the 1963 crop, is a limiting brake on American advance. This difference is leading to inventory planning that will hold down accumulations of the grain and flour as well to a minimum on the eve of the 1964 harvest. The discounts on July 1964 wheat futures are now as much as 38 cents as compared with the old crop May 1964 deliveries. But the impact of the world demand is narrowing their discounts."

According to the trade, wheat markets have not yet completely appraised the influence of the Russian buying of wheat and flour over the world or the trades of current crop year of 1963-64. In fact the aggregate of the Russian purchases is yet to be revealed in the current crop year. However, the wheat futures market has already largely anticipated what is going to happen and has fairly well taken into account the prospective U.S. sales of wheat to Russia. Factors helping to strengthen nearby futures have been the huge exports to countries other than Russia and that the prospect for exports will remain high throughout the current year.

Wheat price effect on bread price

The national average price for bread in 1962 was 21.2 cents per pound for a loaf of white bread and in August 1963 the average price of bread was 21.6 cents per loaf (68 loaves of 1 pound each can be produced from flour processed at an extraction rate of 72.5 percent from 60 pounds of wheat).

The farm value of wheat going into a loaf of bread of 1 pound was 2.6 cents in 1962.

To justify an increase of 1 cent per loaf on the basis of wheat costs alone, the average farm price of \$2 (seasonal average received by producer in 1962 would have to be increased about \$0.75 or \$0.80 for a total of \$2.80 per bushel). However, it could be anticipated that bread prices would be increased a full cent on the basis of an increase of one-half that amount in cost of wheat or about 30 to 40 cents per bushel to about \$2.30 to \$2.40 per bushel at the farm level. The average price received by the producer in September 1963 was \$1.84 per bushel. At Kansas City, a principal market for hard wheat used for bread flour, No. 1 Hard Winter, ordinary protein, average \$2.23 per bushel for the 1962-63 crop year and was \$2.09 for September 1963. Since the current bread price is based on 1962 cost of wheat, it would appear that the price of wheat at Kansas City would have to advance to approximately \$2.70 per bushel before a 1-cent increase in a 1-pound loaf of bread could be justified, all other costs remaining unchanged.

Bakers, of course, buy flour from wheats other than Hard Winter Ordinary, but the illustration would be relative. It takes 2.3 bushels of wheat to produce 100 pounds of flour.

The farmers' share: 3.1 cents

According to a recent study made by the Department of Agriculture and published in a booklet entitled "The Food We Eat" (Publication No. 280, revised August 1963) the wheat used in baking a 21-cent loaf of bread costs 2.6 cents. Other farm products used in the bread add 0.5 cent to its cost.

In 1962, when the retail price of a 1-pound loaf of white bread average 21.2 cents:

The farmer received 2.6 cents for his wheat and 0.5 cent for the milk, shortening, and other farm products in the bread; the miller received 1 cent; the baker-wholesaler 11.5 cents; and the retailer 4 cents. The other 1.6 cents went for transportation, storage, handling, and other processing.

Trends in prices and consumption

Mr. Kenneth E. Ogren, Marketing Economics Division, ERS, in an address delivered on October 29, 1963, at Peoria, Ill., in discussing "Trends in Prices and Consumption" had this to say about bread prices:

"* * * Now let's go back to bread prices. The data for bread are U.S. averages that also mask much variability. For example, in the 20 large cities' prices by BLS, the average retail price in 1962 varied from a low of 17.4 cents in Houston to a high of 28 cents in Los Angeles, 61 percent higher than in Houston (table 2, fig. 1). Even more significant are the following statistics: The price of bread in Houston increased about 5 cents from 1947-49 to 1962 or about 40 percent, while the price in Los Angeles rose by 14 cents, or 100 percent * * *."

"What caused the rise in the average U.S. price of bread?"

"* * * Primarily, the higher costs of baking and distributing bread (table 2, fig. 2). The difference between the estimated cost to the baker of all ingredients and the wholesale price rose from 6 cents in 1947-49 to 11.5 cents in 1962, an increase of almost 100 percent. Gross spreads of millers and retailers also increase during this period. But these spreads increased by a smaller amount; they also are a much smaller part of the total price of bread, especially the millers. The price of wheat has little effect or relationship to the retail price of bread. In 1962, it would have taken a 40-percent drop in the price of wheat to lower the price of bread by 5 percent or by a single cent. Conversely a 40-percent increase in the price of wheat in 1962 would have increased the price of bread by only 1 cent—roughly 5 percent. We have not experienced such a large change in the price of wheat in recent years."

Conclusion of investigation and study

As a result of this investigation and study it is concluded that there is no justification for flour or bread increases based on the present or expected future price of wheat (see table 1).

It was further found that proposed sale of wheat to the Soviet Union will not cause any significant shortage of stock for domestic use since the U.S. Government will still have a carryover of about 752 million bushels, which would be more than adequate (see table 4). It should also be noted that although there will be an increase in the exportation of wheat caused by the recent decision by the President to permit the sale of wheat to the Soviet Union that an important factor in U.S. prices of wheat is the statutory level of CCC sales reflecting 105 percent of the loan plus carrying charges. The present policy of CCC is that sales generally are made at the higher of market or the formula price. CCC's large inventories of hard wheat is expected to have a stabilizing effect on wheat and flour prices. Hard wheats used for bread flour are in ample supply and are of good quality.

Flour prices will vary and wheat prices will fluctuate but are not expected to rise above last year's level. It is also very significant to note that although flour prices have remained constant for the period 1947-62, that bread prices continued to rise and that decreased flour prices have not resulted in decreases in bread prices (see table 2, fig. 2).

A recent analysis by the Economic Research Service shows a 40-percent increase in the price of wheat in 1962 would have increased the price of bread by only 1 cent—roughly 5 percent.

TABLE 1
Cash wheat prices

	Oct. 21, 1963	Year ago
Kansas City: No. 1 Dark Hard.....	\$2.16¼-\$2.54	\$2.18¼-\$2.65¼
Minneapolis: No. 1 Dark Normal.....	2.31½- 2.46½	2.25½- 2.65½
St. Louis: No. 2 Red Winter.....	2.18 - 2.19	2.10¾- 2.11¾

Wheat futures prices

	Oct. 21, 1963	Year ago
Kansas City:		
December 1963.....	\$2.12½	\$2.13¾
July 1964.....	1.70	1.91¾
September 1964.....	1.70½	1.93½
Minneapolis:		
December 1962.....	2.27½	2.33½
July 1964.....	2.22¾	2.22

National average support price for wheat

Year	National average	Season average
1962.....	\$2.00	¹ 2.00
1963.....	² 1.82	³ 1.84
1964.....	1.25	

Bakers flour prices

[Per hundredweight]

	Oct. 21, 1963	Oct. 22, 1963
Kansas City, Mo.: Hard Winter, bakers short patent.....	\$5.75-\$5.80	\$6.00-\$6.05
Minneapolis, Minn.: Spring wheat, bakers patent.....	6.10- 6.20	6.40- 6.45

¹ Preliminary.

² Plus \$0.18 price support payment.

³ Sept. 15, 1963.

TABLE 2

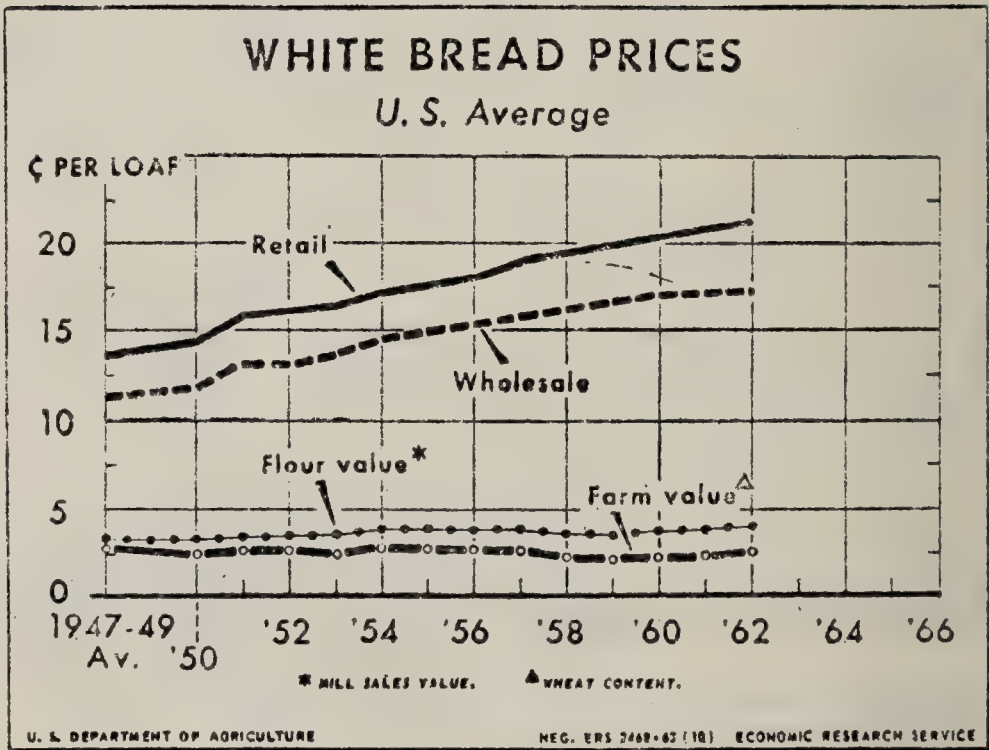
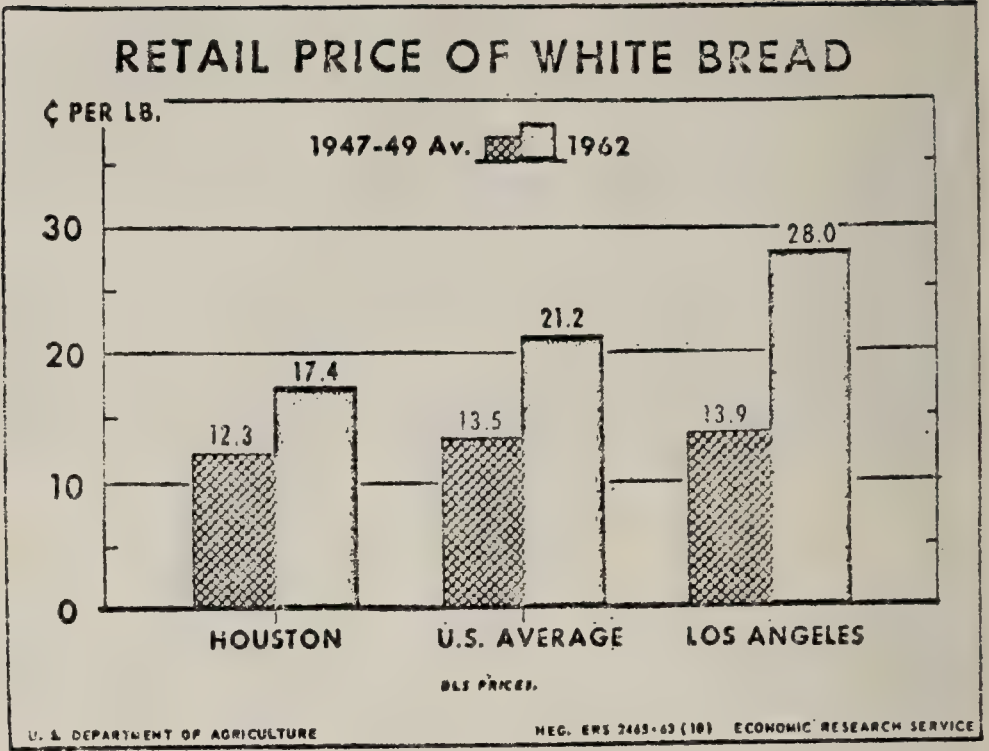


TABLE 3.—*Domestic food use of wheat by type, United States, 1959-60*

Product	Wheat (million bushels)			
	Hard	Soft	Durum	Total
Bread.....	200.15	-----	-----	200.15
Rolls.....	10.27	-----	-----	10.27
Biscuits and muffins.....	-----	2.87	-----	2.87
Crackers.....	3.40	18.53	-----	21.93
Cakes.....	-----	6.11	-----	6.11
Pies.....	-----	2.52	-----	2.52
Other sweet goods.....	11.38	8.10	-----	19.48
Alimentary past products.....	8.20	-----	22.00	30.20
Flour:				
All purpose.....	85.57	72.33	-----	157.90
Whole wheat.....	2.38	-----	-----	2.38
Cake.....	-----	12.21	-----	12.21
Prepared mixes.....	-----	22.34	-----	22.34
Wheat cereals.....	9.65	1.99	-----	11.64
Total.....	331.00	147.00	22.00	500.00

Commercial users of wheat flour in the United States absorbed a total of 130,160,000 hundredweights of flour (approximately 300 million bushels of wheat) in 1958 according to the last census available. Ninety-two million pennyweights of flour, or about 210 million bushels, was used for production of bread and related products.

TABLE 4.—*Wheat: Supply and distribution*

[Millions]

Beginning year, July 1	Supply			Utilization					Production factors				
	Begin- ning stocks	Produc- tion	Imports	Total	Food	Seed and feed	Total	Exports	Total	Ending stocks	Planted acres	Har- vested acre	Yield per harvested acre
1951.....	400	988	32	1,420	496	192	688	476	1,164	256	78.5	61.9	16.0
1952.....	256	1,306	22	1,584	488	172	660	318	978	606	78.6	71.1	18.4
1953.....	606	1,172	6	1,784	487	146	633	217	850	934	78.9	67.8	17.3
1954.....	934	984	4	1,922	486	125	611	275	886	1,036	62.5	54.4	18.1
1955.....	1,036	937	10	1,983	482	122	604	346	950	1,033	58.2	47.3	19.8
1956.....	1,034	1,005	8	2,047	482	106	588	550	1,138	909	60.7	49.8	20.2
1957.....	909	956	11	1,876	486	105	591	403	994	882	49.8	43.7	21.8
1958.....	882	1,457	8	2,347	497	112	609	443	1,052	1,295	56.0	53.0	27.5
1959.....	1,295	1,121	7	2,423	497	103	600	510	1,110	1,313	56.8	51.8	21.7
1960.....	1,313	1,357	8	2,678	497	108	605	662	1,267	1,411	54.9	51.9	26.2
1961.....	1,411	1,235	6	2,652	501	111	611	719	1,330	1,322	55.7	51.6	24.0
1962.....	1,322	1,093	5	2,420	501	92	593	638	1,231	1,189	49.1	43.6	25.1
1963.....	1,189	2 1,133	5	2,327	500	102	602	1,000	1,602	725	53.2	44.5	25.1
1964.....	725	1,400	5	2,130	---	---	750	680	1,430	700	60.0	57.0	24.5
Beginning stocks													
				1963	1964 *				1963		1964 *		
Total.....				1,189	725				725		700		
CCC.....				1,083	660				660		605		
Free.....				106	65				65		95		
Ending stocks													
				Total.....									
CCC.....				CCC.....									
Free.....				Free.....									

Mr. JONES. I thank you for your appearance this morning, gentlemen.

We have another witness we want to hear from if there are no other questions.

We have our colleague from North Dakota; Mr. Andrews who would like to make a statement here this morning.

**STATEMENT OF HON. MARK ANDREWS, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF NORTH DAKOTA**

Mr. ANDREWS. I appreciate very much your taking the time to hear my statement.

As you know, I introduced House Resolution 9344 which is a companion wheat bill to that wheat bill introduced in the Senate by Senator Young from my State and Senator Carlson from Kansas, and Senator Mundt from South Dakota.

I don't know today whether I am exactly testifying as a Member of Congress or as a farmer. Perhaps I had better testify as a farmer.

Mr. JONES. It would perhaps be more acceptable here.

Mr. ANDREWS. I have had much more experience as a farmer than as a member of Congress.

Actually my family income derives 100 percent from the farm. I am not a lawyer and have no outside income. We make our living raising wheat, and we have since territorial days out in North Dakota.

I am proud to be a farmer. Sometimes we make a good living and sometimes we do not.

I have found as a farmer that this past law which was presented to us in the wheat referendum—my neighbors and I all agreed was so complicated and so poorly administered that the farmers, I think in utter disgust, voted no, those who did vote no. This did not mean they didn't want a wheat program. They did. They feel it is very necessary.

It is not easy to make a good living on a farm. Sometimes it sounds as though we are raking in money, and there are some farmers driving around in Cadillacs, but not too many.

This program we are putting in is a two-price plan. It would support domestic production at 100 percent of parity. If you are going to have parity, and if it means anything, there is no reason why you cannot support the domestic production at 100 percent of parity.

At the same time there is no reason why the American farmers can expect the taxpayer to support at 80 percent or 90 percent or 100 percent of parity that wheat which is produced for which there is no market, or for which there is no consumption in America.

I think the farmers will admit this and they would be willing to go along.

Mr. JONES. In other words, I understand you say that in order to qualify for this support the farmer should make a contribution by a reduction in acreage to try and bring the supply in line with demand?

Mr. ANDREWS. Our bill calls for a 55-million-acreage base with a 10-percent cut from that. We anticipate about half of the wheat produced would be produced for domestic consumption and would be covered by certificates. The other wheat would fill the normal export needs and would be produced with minimal price support.

We think this is extremely important because the price on this wheat would be set in the marketplace. No matter how much tinkering you do with things there is no better way of determining the true value of the product than the value you can receive for it in the marketplace.

We think, also, this would differentiate honestly between the value of various kinds of wheat. If one section of the Nation is growing a wheat worth 20 cents a bushel more than that grown in another section of the Nation, this would be determined by pricing of the wheat in the marketplace.

We feel, also, under this particular bill exports would probably enjoy a boom because there would be no subsidy and food, as the President mentioned in the state of the Union message, and as those of us who campaigned in Midwest areas always have said, food could be a positive weapon for peace.

Under a program such as this I think we would have the good will of the taxpayers in the Eastern States to enter more of our food production into export.

I think our bill provides a freedom of choice. There is no penalty. As you suggested, Mr. Hagen, many farmers that are tooled for it could grow more at less price. Under our bill they would have this opportunity. There would be no penalty.

If they wanted to produce for the export market, and my thinking is that this export market is strong, the Chicago December wheat future is around \$1.80, I don't think we will see \$1.25 wheat. I think many farmers will go the route of accepting a price given them in the marketplace. This would be good.

Our bill provides a right of substitution which every farmer has to have. You cannot start figuring down to the last acre when you are running quarter section fields. It ups your cost. It becomes administratively a headache, and if you have this right of substitution, particularly in a State like ours where wheat is the best crop, you get a lot of benefit.

Our program we feel is much less complicated than any other program which has been put before the Congress, and as a farmer I can tell you one of the worst things to do is to get into these programs which seem to have been drawn up by lawyers and try to run a farm and make a living with them.

Our program, lastly, we feel would be cheaper, would result in less expense to the Government, and at times in deficit financing this would be a very important point.

All in all, we feel this type of an approach, this two-price program which has been kicked around, back and forth year after year, still represents basically and fundamentally the program which would be more acceptable to the farmers and a program which would also be of least cost to the Government.

For these reasons I am intensely interested in this program. As a Member of Congress representing perhaps the largest wheat district, certainly the district which had a larger percentage of "yes" votes than any other district in the Nation, I am 100 percent in favor of price supports for wheat.

I recognize we have our problems, but they cannot be solved by making a more and more complicated program which results in a higher cost to the taxpayer and less freedom to the farmer.

I think by moving in the direction of the two-price plan we can eventually get the Government out of agriculture and this is what we are all looking for.

Mr. JONES. What is the value of the certificate under your bill?

Mr. ANDREWS. The average set by the Secretary of Agriculture at the beginning of the crop year. He would estimate the announced level of price support and he would compute the difference between this and 100 percent of parity and that would be the value of the certificate.

Mr. JONES. Would the same thing apply on the export?

Mr. ANDREWS. No, sir.

Mr. JONES. All the export would be produced by those who do not receive any subsidy?

Mr. ANDREWS. And part of the export would be produced by the farmers who do.

Actually if you had a 100-acre-wheat allotment and were figuring 1,200 million bushels of wheat, and the domestic needs were set at 600 million bushels, then half of the average acreage yield for this 100 acres would be given to this farmer in certificates.

If he normally produced 3,000 bushels he would get certificates for 1,500, and then for the other 1,500 bushels he would normally produce he would take the going market price.

Mr. JONES. That is based on his average yield over what period?

Mr. ANDREWS. Over a 5-year running period, similar to the feed grain determination at the present time.

Mr. JONES. What do you anticipate that would cost the Government?

Mr. ANDREWS. In our bill we have a two-way option, where the President may determine that these certificates are to be purchased by the first user, which would mean it would cost the Government nothing, or the certificates can be provided by the Commodity Credit Corporation, in which case it would cost the Government perhaps in the neighborhood of \$600 million annually.

Mr. JONES. Questions?

Mr. HAGEN. Don't you think this mandatory 10-percent reduction is too small?

Mr. ANDREWS. No, sir, I do not. I think we are missing the boat if we keep cutting back production more and more. I think the demand by Russia, demand by other nations of the world for food is something we should meet as Americans. I think we can win a lot more friends overseas by feeding them than by throwing \$10 bills in their faces.

I think if we do not cut down, say we keep a 50-million-acre base, and give the farmer certificates on half of what he produces on that, we are much better off than if we cut down to 40-million base and give the farmer certificates for 65 percent of what he produces.

I think other nations of the world should not be able to say we are cutting back food production when people are starving.

I think we have been on the back side of pretty bad public relations for a long time because of this.

Mr. HAGEN. Don't you think there are a lot of geographic areas in the wheat business that are marginal?

Mr. ANDREWS. I agree with this. I feel by letting the pricing structure be set in the marketplace we could get some of these marginal areas out.

Mr. HAGEN. Pay them \$2.50 a bushel?

Mr. ANDREWS. We are not doing that. We are giving them a certificate which would give them the difference between the market price and \$2.50 a bushel on roughly 50 percent of their production. There is nothing to say they cannot plant less acreage once they get their certificates.

The certificate also would serve as an insurance policy in case of hail, drought, dustoff, and everything else.

Mr. HAGEN. Don't you think that the best land retirement program is to retire whole farms?

Mr. ANDREWS. No. You cannot keep the small farm community if you keep retiring land and America cannot preserve its posture if it keeps cutting back in agricultural production when people in the world need food.

Mr. HAGEN. There is not a bushel of wheat that moves out of this country which is not subsidized.

Mr. ANDREWS. Under our program you would not need the subsidy.

Who is being subsidized, the American farmer or the foreign buyer? I think the American farmer is being subsidized and this is the will of the Congress.

For the commentators to say we are subsidizing Russia by saying we are paying export subsidies, we are not. We are subsidizing the American farmer and I hope we are selling to Russia at the world price.

Our bill would provide wheat to move in America at the world price. It would provide export sales to England, or whatever nation wanted to buy them at no cost to the Government.

Mr. HAGEN. What do you think of the family farm cutoff?

Mr. ANDREWS. I have always found those who advocate a family farm cutoff always set it just about 5 percent above whatever their own particular farm is. I have never found the man who was objective enough to reach the goal that they seem to think they would like to reach in family farm cutoff.

Another thing, I resent this family farm cutoff business because I think it puts a limitation on opportunity in America. I don't think we ever want to see this limitation of opportunity in America.

If a family is living on the land, if they are working it, and they are, and certainly it is a contribution to the community, I think they are a family farm and they ought to take part in any Government program offered.

Mr. HAGEN. Thank you.

Mr. JONES. Mr. Dole?

Mr. DOLE. Is there any difference between what you suggest and, say, 80 percent of parity on all the farmer raises insofar as cost to the Government?

Mr. ANDREWS. I think there is quite a difference. First of all, I don't think the certificates should cover all wheat. I think the price should be given an opportunity to be set in the marketplace.

Secondly, when you get 80 percent of parity on all wheat you have an awfully tough time selling to the taxpayers of America because

the 80 percent of parity across the board for all wheat gives perhaps the same price to the farmer as our program would give but it involves a lot more Government redtape. It involves the criticism of export subsidy. It does not give the farmer the freedom to plant his whole farm to wheat if he wants to and accept the world price and for these reasons it is not as satisfactory as the program we are proposing.

Mr. DOLE. Did you indicate on the wheat raised for export this could be sold in any country without an export subsidy?

Mr. ANDREWS. I would hope so. What else would set the price in the marketplace?

Mr. DOLE. This is the wheat the farmer would get the market price for.

Mr. ANDREWS. He will sell all his wheat and get market price but he will get certificates for that share which goes into domestic consumption.

Mr. DOLE. How does your bill differ primarily from the McGovern bill?

Mr. ANDREWS. In the McGovern bill the Secretary of Agriculture has the discretion to determine the number of certificates. He can set them at 800 million bushels or anything else.

We say it shall be only domestic consumption.

The McGovern bill provides certificates for wheat going not only into domestic consumption but also export.

Mr. DOLE. Would your bill be less costly to the Government? Have you made a comparison?

Mr. ANDREWS. From studies made, and they have been made by the staff on the Senate side; yes. Our bill would be about one-half to two-thirds of the cost of the McGovern bill.

Mr. DOLE. Has there been—I am sure it is a good bill, but has there been wide acceptance of your proposal?

Mr. ANDREWS. You know what happens in your office. The same thing happens in mine.

When you go out on a bill like this you wait and see what the reaction is back home. I would say the reaction back home from the man on the land has been better than I had anticipated. I will say the reaction back home from the leaders of one particular farm organization has been not too good.

I am representing farmers and not heads of farm organizations. I think a bill like this which can keep the farmer on the land, which will allow him to produce for the open market, which will allow our wheat to be used as a weapon for peace in the world, and it will give the man who needs it 100 percent of parity for his domestic-consumed wheat, which the American taxpayer can afford to pay; the American farmer is entitled to it. He is paying American prices for everything he buys.

I think these things in a farmer's mind are good. This is a program which he will accept. This is a program where he can see some sense. This is the type of reaction I have been getting in my mail.

Mr. DOLE. Yesterday Senator Carlson addressed the National Wheat Growers, in Amarillo, and discussed the Young-Andrews and several other bills. He indicated the response was good.

Is there any special treatment for Durum wheat in your bill?

Mr. ANDREWS. There is no special treatment other than the present provision letting the Secretary increase production of any wheat in

short supply. We would anticipate again by leaving the pricing to the market that if Durum wheat should command a premium it will, and Durum wheat could well sell for 30 cents or 50 cents a bushel more than spring wheat in times of shortage.

You cannot get away from the marketplace as the right place to set a price on wheat.

This is not a "Johnny-come-lately" idea of mine. Twelve years ago I was chairman of the Young Republican Farm Council. We had active farmers from 47 States meeting in Chicago one time and we came up with virtually this identical plan as the most sensible, the one which gave the farmers the greatest freedom of opportunity and worked best.

I proposed it in a resolution at our State Farm Bureau in 1953 and it passed and was included as the resolution of the North Dakota Farm Bureau.

Since that time they changed their position. However, in talking with the farmer this type of plan can be understood.

In talking to the taxpayer who has no interest or knowledge of a farm, this is the type of plan they feel can be justified.

Mr. DOLE. Do you envision any difficulty administratively with the certificates? I have never been able to fully understand what happened after the farmer brought the wheat to the scale.

Mr. ANDREWS. When the farmer brings the wheat to the scale he has to deliver the certificate with the wheat. The certificate eventually has to be picked up by the first processor in this country. I think it is a much simpler way of doing it than the other methods we have been using.

Mr. DOLE. Do you know what the cash price of Durum wheat has been for the last few days?

Mr. ANDREWS. No. Before 3 months ago, when I was back on the farm, it was identical with spring wheat. There was not much differentiation, but it has been as high as \$1 above 2 years ago.

Mr. DOLE. Earlier you mentioned lawyers. USDA lawyers do write farm bills.

Mr. ANDREWS. I would prefer as a farmer to operate under a farm bill that some farmers had written. I mean no offense to the committee. I hope you are all farmers. I am sure after you have heard all the testimony you probably understand far better the farm problems of America than most of us who are farmers.

Mr. DOLE. There are a lot of technical questions and advice of some experts is needed. Sometimes these experts are lawyers.

Mr. ANDREWS. That is right. In the preparation of this bill, since this bill is an amendment to the present act, it was checked over thoroughly. It was some 3 weeks in the drawing.

We think this is as accurate as bills dealing with this complicated a subject can be. I am sure in the legislative process we may find specific points which should be modified.

I want to say this: I would be more than happy to cooperate with all of you in any way possible in seeing some type of legislation incorporating these general goals be passed.

I am not exactly married to this particular proposal. I think this is the one best for the present time and the one which has more of the points which I would like to see in a farm bill passed than any

other, but that is not to say there could not be some modifications made to this.

Mr. DOLE. Would not your program put a lid on the market price so the farmer would didn't comply would be getting a very marginal price for his wheat based on the value of the feed?

Mr. ANDREWS. I don't see how it could put a lid on the market price. You are maintaining your acreage restriction so you are not going to have a skyrocketing production of wheat. Also you are giving the Secretary of Agriculture, as he sees that export needs rise, the opportunity of increasing this 55 million acres.

So we have a 50-percent increase in export. The Secretary of Agriculture under our bill could increase this 55-million-acre figure to 60 or 65 million acres.

Mr. DOLE. You will cut it 10 percent.

Mr. ANDREWS. Yes, at the present time. However, things change in a hurry. When we drafted this and thought we needed a 10-percent cut it was before we began exporting wheat to Russia.

Now that we are exporting wheat to Russia we should take a close look at it and we might not need, want, desire, or be able to stand a 10-percent cut, looking entirely at how much carryover you want to maintain in America.

How many bushels? We have 1,200 million bushels on hand now. What size carryover should we maintain? What is the safe size carry-over for America?

These are the questions which have to be answered annually as we adjust this bill to meet the needs of the Nation.

Mr. DOLE. Do you pay anything for diverted acreage?

Mr. ANDREWS. We pay for diverted acres but we do not let them be used. This is an amendment to the present law. Many of the features of the law now in effect would hold.

Mr. DOLE. What do you base the payment per acre on?

Mr. ANDREWS. The same general formula as the one in the present law.

Mr. JONES. What type of operation do you have, Mr. Andrews, on your farm?

Mr. ANDREWS. We raise wheat, barley, beets, and corn.

Mr. JONES. What size?

Mr. ANDREWS. 1,760 acres.

Mr. JONES. How much of that is in wheat?

Mr. ANDREWS. 320 acres. We are not as fortunate as the gentleman who testified just before. They allow us only about 30 acres per quarter.

This is in the wheat section of America. We used to raise, I would say, half of our land in wheat.

Mr. JONES. What is the normal yield?

Mr. ANDREWS. Thirty-two or thirty-three bushels to the acre.

I am in the Red River Valley section of North Dakota. Generally our yields average higher than the rest of the State. The average yield is 15 to 20 bushels.

Mr. JONES. Under this bill of yours what would you estimate you would plant?

Mr. ANDREWS. My allotment to wheat.

Mr. JONES. You would not plant beyond the allotment in order to qualify for the certificate?

Mr. ANDREWS. I would take a look at the price that was being paid in the marketplace, and if the price being paid in the marketplace looked like it was going to be around \$1.60 a bushel, which would mean we were needing and using this wheat for export, I think I would get out of the program and work on the outside. If the price went down, I would get back in.

Mr. JONES. I take it from that, that you have indicated you can produce and make a fair profit at \$1.60 a bushel.

Mr. ANDREWS. Yes, sir; but only if I can increase the acreage, and I think you will find under our bill it will set an average of about \$1.80 as the price in the plan for wheat, assuming the price in the marketplace bounces around at \$1.30 to \$1.36.

Mr. HAGEN. If you can make a profit at \$1.60 a bushel are you pretty typical, do you think?

Mr. ANDREWS. I always like to think that I work harder or get luckier or something. We have a good farm. My grandfather established it in territorial days. We are in one of the higher yield areas.

Mr. HAGEN. Where is that?

Mr. ANDREWS. Just outside Fargo, right on the eastern border next to Minnesota in the Red River Valley. I would say two or three farmers in our neighborhood, my immediate neighbors, have gone out of business in the last 10 years because they could not afford to farm at the present prices. Our income is not based mainly on wheat. We make the bulk of our income raising sugar beets. If I were to support my family on a small grain farm operation, at the present prices I could not do it. It is not easy making a living raising wheat, flax, and barley in North Dakota at the present time, and I do not think there is any doubt about it when I read the statistics and find the percentage of parity received by the farmers is right now at the lowest price since the midthirties. When I was a child growing up in the thirties, I remember we did not have money enough for a nickel ice cream cone. I worked in town as a plasterer's helper at 15 cents an hour to stretch out what money we had so I could get my clothes to go to school in the fall.

Mr. HAGEN. You are saying you make more per acre on sugar beets than on wheat?

Mr. ANDREWS. Yes, sir, very definitely so.

Mr. HAGEN. Do you grow any potatoes?

Mr. ANDREWS. No. The potato farmer makes a pretty good income, too. Our sugar beets amount to not over 15 percent of our farm area. Fifteen percent of our farm area may result in 65 to 70 percent of our net income.

Mr. HAGEN. Would you advocate a control program for potatoes?

Mr. ANDREWS. No. I think the more the Government gets into agriculture, the more problems are evident. I think the very fact that they keep thinking they are going to have a diversion program for potatoes is the reason they grow too many potatoes. If they were told they would not get a diversion program, they probably would cut back and get to the goal that was needed.

Mr. HAGEN. Potato farmers have feast and famine. One year they make money, and the next year they lose money. There are some people who would like a control program for potatoes without a price support feature.

Mr. ANDREWS. I do not know enough about the potato industry to be able to give a factual answer on that. I do know that our people in North Dakota had a poll on the potato marketing order, and I think the vote was somewhere in the neighborhood of 230 against and 273 for. So, there is a difference of opinion there, and it is fairly evenly divided.

Mr. HAGEN. I am not trying to debate, but to be consistent, relating your statement with respect to potatoes to wheat, you would not be advocating any wheat program.

Mr. ANDREWS. At the present time there is no program for potatoes. There is a program for wheat. I do not think the farmers can afford to have a program for wheat terminated. I think wheat is a commodity that is much more general than potatoes, and potatoes are a perishable commodity.

Mr. HAGEN. They grow potatoes in every State.

Mr. ANDREWS. I know this, but many more farmers grow wheat, sir.

Mr. HAGEN. Thank you.

Mr. JONES. Thank you very much, Mr. Andrews. It was a pleasure to have you here with us this morning.

Mr. ANDREWS. I appreciate that.

Mr. DOLE. Mr. Chairman, I ask permission to have inserted in the record at this point the statement of Congresswoman Catherine May, of the State of Washington.

Mr. JONES. Without objection, we will insert it.

(Mrs. May's statement follows:)

STATEMENT OF HON. CATHERINE MAY, REPRESENTATIVE IN CONGRESS FROM THE
STATE OF WASHINGTON

Mr. Chairman, I first want to state that I am extremely pleased that public hearings on wheat legislation are being held as the first item of business to come before the committee during this session of Congress.

As the members of this subcommittee are aware, I have long felt that an alternative program to the program rejected by wheat farmers in May of 1963 is necessary. Long before the May 21 wheat referendum, many of the wheat farmers in the State of Washington contacted me with regard to the prospects for alternative legislation. These farmers felt that the choices offered in the referendum were unfair and they wanted assurances from me that an alternative program would be pursued in Congress.

I assured them, Mr. Chairman, that I would do everything possible to pursue some kind of voluntary wheat program in the event the farmers voted "No." Two days after the referendum, I introduced a combined wheat and feed grains program which would be completely voluntary. I was pleased to join a number of my colleagues from wheat States in introducing this legislation, and I was further pleased that this subcommittee held public hearings on that legislation and other proposals. Unfortunately, no further action was taken at that time.

I am sure that members of this subcommittee have been following with a great deal of interest the recent meetings of State wheat growers associations in wheat producing States. From all reports I have received, most associations feel that a national program is necessary.

Certainly our farmers have spoken out against compulsory programs, but this does not mean that they want the rug pulled out from under them. Wheat farmers, like all Americans, want the freedom to choose for themselves individually whether they wish to come under a Government program or not. They want to be able to decide whether they wish to run their own businesses.

It is my hope, Mr. Chairman, that it will be the recommendation of this subcommittee that the Congress offer our wheat farmers this choice through a completely voluntary wheat program.

Mr. JONES. The committee will stand adjourned.

(Whereupon, at 11:35 a.m., the subcommittee adjourned.)

WHEAT LEGISLATION

FRIDAY, JANUARY 17, 1964

HOUSE OF REPRESENTATIVES,
WHEAT SUBCOMMITTEE OF THE
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The committee met at 10 a.m., in room 1310, Longworth House Office Building, Hon. Graham B. Purcell (chairman of the subcommittee) presiding.

Present: Representatives Purcell, Jones of Missouri, Hagen of California, Harding, Duncan, Belcher, Short, and Dole.

Also present: Representatives Cooley, Poage, Abernethy, Matthews, Teague, May, Hutchinson, Ellsworth, Reifel, Shriver, and Skubitz.

Staff members present: John J. Heimburger, general counsel; Hyde H. Murray, assistant clerk; Francis M. LeMay, staff consultant; Robert C. Bruce, assistant counsel; and Martha Hannah, staff assistant.

Mr. PURCELL. This morning we are as complimented as the Wheat Subcommittee has ever been, and the whole Agriculture Committee has ever been, during my tenure in Congress.

I will ask Mr. Bob Dole to introduce the witness we are privileged to hear at this meeting.

Mr. DOLE. Let me say very briefly it is an honor for me to introduce the former chairman of this committee who retired voluntarily from Congress in 1957.

Mr. Hope is perhaps well known to newcomers on the committee and certainly well known to those who served with him, such as Bob Poage, and Paul Jones. It is certainly a pleasure to introduce such a distinguished constituent to the committee.

As I said before, I must leave a little early to catch a plane for Kansas; so when I leave I trust Mr. Hope will understand.

Mr. PURCELL. Mr. Hope, we are highly honored and appreciative of your being here. We know your counsel and advice will be of benefit to all of us.

Let me say officially we thank you very much for being here and taking your time.

We shall be glad to hear from you at this time.

Mr. DOLE. We have other Kansas members here: Mr. Ellsworth, Mr. Skubitz, and Mr. Shriver. I think they are the only three Kansans in town today and, of course, they wanted to appear.

STATEMENT OF CLIFFORD R. HOPE, GARDEN CITY, KANS.

Mr. HOPE. Mr. Chairman and members of the committee, may I say before I begin that I think the members of the committee are acquainted with Mr. Anson Horning, president of the National Association of Wheat Growers, who is sitting by me this morning.

I am not appearing as a witness for that organization or any organization, but what I will say I am sure is in accord with the views which have been previously expressed on behalf of that organization by Mr. Horning, and others.

I am, of course, very happy to be here this morning and have the opportunity to participate in the hearings before this subcommittee.

Before I left Congress I made the statement that one of the pleasures I was looking forward to after I got out of Congress was to be able to write to my Congressman.

I suppose appearing before a congressional committee is a good deal the same sort of experience. This is not the first time I have appeared before the Agriculture Committee since my retirement, but I do enjoy this opportunity to come here and talk to you about a problem which I am sure all of us recognize as being one of some difficulty as well as one of very great importance.

I am sure the wheat growers in my part of the country and the public generally are very appreciative of what this committee is doing in conducting hearings, and grateful to the chairman of the subcommittee and also the chairman of the full committee, Mr. Cooley, and others on the committee for the consideration and attention being given to this question which all of us recognize is an emergency matter from the standpoint of securing legislation in time to affect the 1964 crop.

In the beginning I would like to point out that because wheat is a commodity having both domestic and export outlets, it requires a somewhat different program than commodities which have a market that is entirely, or mainly, domestic.

Legislation which the committee has under consideration—such as the McGovern bill, the Humphrey bill, and the Young-Carlson-Andrews bill—takes this situation into account.

The principle contained in these bills is not new. Under the name of domestic allotment, the two-price system, domestic parity, and similar terms, it has been embodied in a number of bills during the past 30 years.

As far as I know, the first bill of this kind was introduced in 1932 by myself at the request of members of a committee composed of representatives of the grain trade and some agricultural colleges in the grain belt.

Mr. M. L. Wilson, who is known, I am sure, to some of the members of this committee, who was at that time with Montana State College and later an official in the Department of Agriculture for many years, including the position of Under Secretary, is the only member of that committee whose name I recall at this time.

The Agricultural Adjustment Act passed in 1933 applied the domestic allotment principle not only to wheat, but to cotton, rice, tobacco, corn, and hogs. It operated successfully on wheat until declared unconstitutional by the U.S. Supreme Court on January 6, 1936.

The Agricultural Adjustment Act of 1938, which included wheat, was based upon a somewhat different method of price support; namely, Government loans.

I mention some of these historical matters because I think it should be pointed out, although the subcommittee no doubt knows it, that this is not a new proposal that is before you at this time in the form of the bills that I have mentioned.

Following the end of World War II and the Korean war, consideration was again given to this type of program for wheat. A number of such bills were introduced in each House. The general farm bill passed by Congress in 1954 contained a two-price provision which, however, was stricken out by the Senate and was not contained in the bill as finally enacted.

In 1956, the Senate, under the leadership of Senator Carlson and others, included a two-price provision for wheat in a pending House bill. The provision was retained in conference. However, the bill was vetoed by President Eisenhower.

In all of the bills to which I have referred, the provisions with reference to wheat were voluntary in their nature.

The McGovern bill, which I understand you are considering, although I am not sure whether it has been introduced in the House, retains the program voted down in the referendum last year but provides that it shall be on a voluntary basis. Financing is by means of certificates required to be purchased by millers and exporters which would cover approximately 950 million bushels of wheat.

The Humphrey bill, while similar to the McGovern bill in some particulars, provides for financing the certificates from the Federal Treasury rather than by the processors and exporters.

The Young-Carlson-Andrews bill provides for certificates to be issued only on that proportion of the wheat produced in any year which goes into domestic consumption for food (approximately 500 million bushels). The value of the certificates will be the difference between the basic support price under present law and parity, or about \$1.25 per bushel. The certificates would be financed by sales to processors. However, the President could suspend this provision in whole or in part, and require that funds as needed to redeem the certificates come from the Treasury.

Members of the committee are familiar with the provisions of all these bills and I mention them only for the purpose of pointing out the similarities and differences between them. It will be noted that all of them embrace the principles of the two-price system, but some differences exist as to the source of funds for financing the payment of certificates, and also as to the amount of the crop in any one year which would be subject to certifications.

The Young-Carlson-Andrews bill comes nearest to the traditional two-price bill of the past. However, if it should be financed entirely through the purchase of certificates by processors, it would increase the price of wheat to millers, and presumably the price of bread to the consumer. This could be avoided if a sufficient part of the cost came from the Treasury. The Humphrey bill would not increase costs to processors nor would the McGovern bill increase them over prices in recent years. There would be a little difference between the return to farmers under either of the three bills.

One advantage of the Young-Carlson-Andrews bill is that it should eliminate the need for subsidies on exports. This is a practical matter of considerable importance due to the fact that it is almost impossible to operate a subsidy system so that prices are actually competitive in the world market.

My experience in connection with Great Plains wheat has convinced me of the great importance of doing something to either eliminate the subsidy system on exports or make it more effective so far as meeting competition in the world wheat market, particularly with Canada.

The cost to the Federal Treasury would be less under the McGovern bill than the Humphrey bill, and the Young-Carlson-Andrews bill also, if the certificates issued the latter were financed in part from Federal funds, as they would have to be if price increases to processors are avoided. All of the measures are practical; they are based on the right principle; they deserve the careful consideration of the committee. The cost to the Federal Treasury under all of them would be far less than under any recent program.

I hope that the committee will carefully consider each bill and its various provisions and come up with a measure embodying the best features of all of them.

To summarize, a satisfactory bill in my opinion should do the following:

One, hold the line on consumer prices.

Two, be simple and practical from the standpoint of administration.

Three, be voluntary, but attractive enough to farmers to assure a high degree of compliance.

Four, substantially reduce costs of operation.

Five, stabilize the income of wheat farmers at a fair level.

Six, be flexible enough in operation to meet domestic and foreign needs without creating burdensome surpluses.

Seven, be enacted within the next 60 days in order to be effective to the farmers in the 1964 crop.

I believe that based upon the ideas and principles included in the bills before it, this committee, in its collective wisdom, can bring out a measure which will substantially meet the above requirements.

That concludes my prepared statement. I shall be happy to elaborate upon any points I have mentioned or other points which might be in the minds of the members of the committee.

Mr. PURCELL. Thank you very much, Mr. Hope, for your statement. I am sure there will perhaps be many questions from members of this committee.

Before calling on individual members I would like to recognize the chairman of the whole Agriculture Committee and ask at this time, Mr. Cooley, whether you have anything you would like to say.

Mr. COOLEY. I want to extend a welcome to our great friend and former distinguished chairman of this committee, Cliff Hope, and to say I am happy to have him here. I am sure he will be very helpful to the committee.

No man ever worked more steadfastly for the wheat farmers of the Nation than Mr. Hope during the time he worked in the Congress, and I am sure he has continued to be interested in their welfare since he left Congress voluntarily.

I hope you will remain with us and give us the benefit of further views as this discussion goes on.

Some members of the committee do not seem to understand how this proposed system actually will work. I hope during the discussion you will tell us exactly how you visualize it.

We must do something for the wheat farmer. I think this committee is to be congratulated because it has worked diligently on this for many weeks.

We are now getting into the homestretch and I hope we can take some action as expeditiously as circumstances will permit.

I am delighted to have you with us, Cliff.

MR. HOPE. Thank you very much, Mr. Chairman.

MR. PURCELL. I know you are also well acquainted with our distinguished vice chairman. I think this is the only committee of Congress which has a vice chairman. We are very proud of him and I will ask Mr. Poage at this time if he has any questions.

MR. POAGE. Mr. Chairman, I am very much in the same position as our chairman. We are always delighted to have our former chairman back with us.

For many years, I have looked upon him as one of the best versed men on wheat in the United States and I think I fully understood the statement you made this morning.

He convinced me about 12 years ago that I ought to support a certificate plan for wheat. I voted for it largely because I believed in Cliff Hope, and I was one of those the chairman mentioned who does not always understand these certificate plans.

I have known Mr. Hope, have confidence in him, and I have gone along with him and will continue to support this plan because I think it is a good plan.

I am correct, am I not, Mr. Hope, in understanding that you feel we need wheat legislation this year?

MR. HOPE. Yes, I can say that most emphatically.

MR. POAGE. I think that is the starting point on which we must have agreement, that we need wheat legislation and we need to pass it before the harvest date and before the date of a new referendum which would take place if we do not do anything. I take it that is the basis on which you say a good bill should be passed within the next 60 days?

MR. HOPE. That is right.

MR. POAGE. I would go so far as to say that even a rather poor bill passed in the next 60 days would perhaps be better than a good bill passed 6 months from now, because I am convinced that if we let the price of wheat drop from the present level down to the anticipated level, whether it be \$1.25 or \$1.35, or \$1.40, somewhere in that neighborhood, that it will be years before we will ever be able to bring the price back up again.

Do you agree with that?

MR. HOPE. I share your fears, Mr. Poage.

MR. POAGE. And for that reason we need to pass a bill and we need to pass it rather promptly, that is my feeling, Mr. Chairman.

MR. PURCELL. Thank you very much.

I will call now on Mr. Jones of Missouri for any comment and questions he might have.

Mr. JONES. Mr. Chairman, as the previous speakers have stated, we all appreciate Mr. Hope coming back to give us the benefit of his counsel. I had the pleasure of serving on this committee when he was chairman and I do have a great respect for his views.

Mr. Hope, one thing I would like to start off with is this: You mentioned the fact that in 1956 Congress did pass a wheat bill which was vetoed by President Eisenhower.

Am I correct in assuming that one of the reasons that bill was vetoed was because of the anticipated cost and it was a matter of cost which caused it to be vetoed? Was that one of the reasons? Do you recall that and can you inform us on that?

Mr. HOPE. I have not read the veto message recently nor seen it since it came down, however, as I recall it there were several provisions in the bill to which the President objected. This provision was one, of course. I do not recall that it was a question of cost involved because it provided for the purchase of certificates by millers and there should have been very little cost involved so far as the Federal Government was concerned, and much less cost than was occurred under the then existing program and programs we have had since that time. I do not think the question of cost was the problem; I am sure of that.

Mr. JONES. Do you recall this—was the basis of the veto brought about because of the opposition of any particular group or organization, any recommendations?

Mr. HOPE. There was certainly one organization in particular which opposed that type of legislation and which has always opposed it in recent years.

Mr. JONES. As I recall it, all of the major wheat-producing organizations favored the bill. Is that correct, Mr. Hope, or were there some segments of the wheat industry opposed to it?

Mr. HOPE. I do not recall that any wheat organizations were against it. The National Association of Wheat Growers was certainly in favor of it and so testified.

Mr. HORNING. That is right.

Mr. HOPE. The farm organizations active in the wheat area, such as the Grange and the Farmers Union both supported it at that time.

So far as I can recall all of the State wheatgrowers organizations supported this proposal at that time.

Mr. JONES. There is another thing in the wheat problem which I have asked several witnesses about, and frankly I have never received a satisfactory answer. It is my understanding that all of the exporting wheat-producing countries pay a subsidy to their producers, which leads me to believe that the world price of wheat is less than the cost of production in any of the countries that are exporting wheat. Am I correct in that assumption or belief that I have gotten somewhere along the line?

Mr. HOPE. I think you are substantially correct. There may be some exceptions—one exception which might be mentioned. That is Argentina, which not only, at least not until very recently, did not subsidize wheat production but taxed it. They put an export tax on wheat. Of course, they ruined the wheat industry. Argentina was one of the leading exporters in the world for many, many years. When Peron came in all the emphasis was put on industry and labor

and they neglected their agriculture. In fact, they taxed agriculture to promote industrial activities.

The result is that that great country, which perhaps has the finest wheat-producing area in the world—the Argentine has for the time being practically lost its position as an exporter of wheat.

I think the new administration in that country has changed the policy somewhat. I have understood they have taken the tax off exports, and Argentina may become an important exporter in the future.

Aside from that, I believe every wheat-producing country, whether an exporter or importer, does subsidize the production of wheat in some way or another.

They may do it indirectly. Canada, for instance, does not subsidize wheat production directly but it has what amounts to the same thing in the fact that railroad rates on wheat are at a very, very low level, far lower than ours, and for less than cost, and since all the wheat has to go quite a distance in rail hauls to the ports it amounts to a very substantial subsidy as compared with the cost of freight in this country.

I do not know of a single importing country which does not subsidize its wheat producers in one way or another: some of them very, very heavily. Take the countries in Western Europe, for instance. The price of wheat to the producer ranges all the way from about \$2.30 a bushel to \$3.03 in Germany per bushel.

Mr. JONES. What I am getting at is this: It seems from what you have said that almost every place in the world that is consuming wheat is getting its wheat below the cost of production.

The thing I have been unable to understand is this: Why in the negotiation of the International Wheat Agreement, where we set and fix the prices on the world market, cannot these countries all get together and increase or raise the price of wheat to a more realistic cost basis? It would seem it would save all of these countries the huge amounts that are paid in subsidies.

You have been in this wheat business a long time. I think I recall that you attended some of these International Wheat Agreement conferences.

Why is it so difficult to reach an agreement to bring the price of wheat up to the point of where everybody would be paying somewhere near the cost of production and thereby avoid the subsidy which practically all these countries pay?

Mr. HOPE. I haven't attended any of the conferences, but I am somewhat familiar with what goes on there. I think the principal reason is that there are four or five times as many importing countries belonging to the international wheat organization as there are exporting countries. One thing that they do in some of these countries is to use the funds that they collect from import duties to subsidize their own growers. If the world price was increased, that would limit them somewhat in the amount that they might collect from that source. However, I think there is more sentiment than there has been for an increase in the price under the International Wheat Agreement. It was increased slightly the last time and I would not be surprised if there were not some increases the next time. The Canadians I understand are talking about possibly 10 or 15 cents a bushel increase.

Mr. PURCELL. At this time I wanted to ask Mr. Dole to ask whatever questions he has because he does have to leave rather quickly.

Mr. DOLE. I want to thank Mr. Hope and Mr. Horning for appearing this morning. I certainly concur in the guidelines you laid down on page 4, the six or seven references you make.

Are there significant differences between the McGovern bill, say, or the other bills referred to and the bill you worked on so long when a member of this committee, that should be pointed out to the committee?

Mr. HOPE. Well, the principal difference as far as the McGovern bill is concerned, and the bills that were considered earlier in Congress, and which were included in the bill which was vetoed in 1956 is that those bills all provided the certificate should be issued only on the wheat that was consumed for food domestically. That was put in a separate class from the remainder of the wheat, used for feed or for export or for industrial purposes. That is the principal difference between the McGovern bill and the bills that have been considered in earlier years.

The Carlson-Andrews-Young bill comes nearer being in line with the bills that were considered earlier.

Mr. DOLE. In my opinion, our Wheat Subcommittee has made considerable headway in executive sessions recently. We have been discussing general principles and have not gotten to a specific point yet about any particular bill. In the event the subcommittee might agree on some specific principles which could be nearly unanimously agreed to in the committee, but not on a specific measure, would you have any suggestions as to what might be done to the existing legislation or existing law to improve it, that is, to protect the farmers income, without passing X, Y, or Z bill? In other words, do you have any suggestions, as Mr. Poage mentioned, if a program cannot be agreed on in 60 days perhaps something less than what we might want would be better than waiting.

Mr. HOPE. Yes. Well, I would not want to suggest anything at this time. I have not thought of alternatives to this type of legislation. I have felt that it is good legislation, and the right approach, the correct approach to a commodity like wheat, where a large proportion of it goes into the export market. Certainly I would be glad to give some thought to alternatives if it is deemed impossible to secure committee agreement upon a bill of this type. I am not limiting my ideas here as to the three bills that I have mentioned or any rigid type of approach. I think that the committee should study and investigate every suggestion that comes along that might seem to meet the qualifications that I have set out in these seven points, but specifically, I have been well enough satisfied with the type of legislation that is embodied in the three bills I have mentioned that I have not felt like going any farther afield.

Mr. COOLEY. Will the gentleman yield for one question?

Mr. DOLE. Yes.

Mr. COOLEY. You are closely associated with the wheatgrowers in the country and the wheat organizations. Are you convinced that the wheat growers actually want legislation or the program offered to them? We have been hearing rumors that they did not want the legislation, did not want a program, and wanted to be left alone?

Mr. HOPE. Of course there are differences of opinion among the wheatgrowers just as there are among other groups. I think without doubt, however, that the vast majority of the wheatgrowers want and expect some legislation. They may not be agreed on what it should be. I don't think they are too familiar with the technical details of legislation, but in our part of the country the two price system has been a very popular program for a great many years. It still is. I believe that is true in most of the important commercial wheatgrowing areas, such as the Great Plains and the Pacific Northwest. I believe that the very fact that there was substantially no overplanting of wheat this fall is due in a large part to the fact that most wheat farmers thought we would have future wheat programs.

I think in the areas where this type program has been discussed that there is a great deal of sentiment for it. One great virtue of all these bills is that they provide for a considerably simpler program than we have had under the Agriculture Act of 1938, as amended.

Mr. DOLE. Thank you, Mr. Chairman. I have no further questions.

Mr. PURCELL. Thank you very much.

Mr. HOPE. I want to express my appreciation to Mr. Dole for staying over. I know he intended to leave last night.

Mr. PURCELL. Mr. Jones.

Mr. JONES. Mr. Hope, following up Chairman Cooley's question there, you stated that you felt that most of the farmers expected a wheat program in the future. Do you think that the majority of the farmers want or would favor some kind of a wheat program, not just expect that Congress will pass a bill, but do they really want it?

Mr. HOPE. Yes. I think a majority of them do. I think they want a program. While it is true that Members of Congress probably haven't heard a great deal from farmers so far on this question, if this session goes by and a wheat bill is not passed, they are going to hear plenty. I am sure of that.

Mr. JONES. Here is the thing that bothers me as much as any other one thing. It seems that we have gotten to the point where everyone thinks it should be a voluntary program and yet every program that has been suggested includes some form of payments or insurance or something to the farmer.

My philosophy has been that any time that a person receives or is paid or gets special consideration in the treatment of a commodity that he should be willing to do something in return for that.

I also hear criticism of some of the programs that have been advanced. They say they are called voluntary programs and yet they are not voluntary inasmuch as the incentive which is being offered acts as a leverage to force a person to comply and therefore, it ceases to be voluntary.

What is your idea? Do you feel that the producer who receives any form of compensation, does he have any obligation to comply with restrictions or regulations or quotas or things like that?

Mr. HOPE. I do not think that any farm program dealing with a surplus commodity would be successful unless there was something in it which would give the complier an advantage that the noncomplier did not have. In return the farmer willingly and voluntarily assumes some disadvantages such as reducing production or curtailing sales.

There is nothing in the measure we're discussing to prevent any farmer who feels that he can make money producing wheat at the world price from going ahead and producing all that he wants to, if he has the land and equipment, and the desire.

I do not consider that any element of compulsion is involved. It is simply giving a man a free choice of the two alternatives.

Mr. JONES. Thank you, Mr. Chairman.

Mr. PURCELL. Mr. Belcher?

Mr. BELCHER. First, I want to welcome my old friend, Cliff, back to the committee. He and I represented districts for so many years, there was just a barbed wire fence between us and then the barbed wire fence came down. In 1941 when I first came to Congress with Ross Rizley, Cliff helped us get our location and sponsored us. Ross became a member of this committee and 10 years later in 1951 when I came to Congress I again relied on Cliff. He helped me get an office. His office staff helped to instruct mine and helped me start out. I served on the committee here with him. I have known him ever since 1932. In 1932 I remember his certificate plan because at that time I was campaigning and helping to manage the campaign of the Congressman from our district who ran on that platform. Of course, there was only one sad effect. He got defeated by about 30,000 or 40,000 votes after he had been in Congress for 10 years.

Mr. HOPE. I am sure that wasn't your fault or the fault of the proposed program.

Mr. BELCHER. I still don't blame that on your program because I do not think a Republican of that year in Oklahoma could have been elected, regardless of what program he ran on.

I don't have very many questions because Cliff and I have discussed this problem many, many times. I think I know his viewpoints.

As far as the voluntary part of it is concerned, it is my opinion that you have a processor's tax, or if you have the certificate financed by a processing tax, I think that more or less destroys the voluntary compliance because if you put a 60-cent tax on the processing of wheat it is a sure thing that the processor cannot pay as much for the wheat as he could if he did not have to pay the tax, because that 60 cents a bushel or whatever the amount would be becomes an overhead expense that the miller has to stand and I think it would depress the market price of wheat. If, on the other hand, the certificate was financed by the Treasury, there would be no depressing effect as I see it on the market price of wheat. Don't you think that the market price of wheat, the cash market price of wheat, would be higher if there were not a processing tax and it was financed out of the Treasury rather than if there was a processing tax?

Mr. HOPE. No, I do not believe that would affect the market price. Under either plan the market price will be determined by the support price or the world price, whichever is higher. If the certificate is purchased by the miller he will add the cost to the price of the flour. If the certificate is paid for out of the Treasury, the price of flour and bread will be based solely upon the going market price and the consumer will pay less. In other words, no matter which method is used, the market price will be the same—the return to the farmer will be the same—but the cost of bread to the consumer will be less if the cost of the certificate comes from the Treasury.

Mr. BELCHER. How would a miller pay 60 cents a bushel tax on wheat? He has got to recover that from somebody. He cannot sell his bread for the same price that he could if he did not pay the 60 cents or he is going to have to take the 60 cents out of the price of wheat, isn't he, because the overhead expense of any company certainly is reflected one way or another? Either he has to buy his raw material cheaper or he has to sell the finished product higher or he cannot pay tax, can he?

Mr. HOPE. The McGovern bill contemplates that the cost of the certificate to the miller will not cause him to pay more for his wheat than approximately what he is paying at this time. The cost of flour to the broker will not be more than he is paying at this time. Competition will take care of that. I don't know of anyone who is contending that this legislation should be used to lower flour or bread prices. On the other hand it is not intended that they should be increased over current levels. Millers have indicated that they would like to be saved from the inconvenience and the extra work which the certificate plan will cause them, but I do not believe that they are contending that it will not work. It did not work during the 1933-35 period.

Mr. BELCHER. I agree with you it possibly would not make a difference in the price as of now, but I think certainly a miller cannot pay 60 cents tax and still pay the same price for wheat that he would pay if he did not have to pay the 60-cent tax.

Mr. HOPE. While I have indicated that theoretically the price of bread to the consumer would go down if the certificates were paid for out of the Treasury, I am sure that there is much question about this as a practical matter. Do you think the price of bread would be any lower if we let wheat go down to the world price?

Mr. BELCHER. I don't know that it would, but I think the market price for wheat would be higher if the Government made up the 60 cents than it would if the processor made it up.

Mr. HOPE. I do not agree with your reasoning, but I have no strong feelings about a Government payment if the committee desires to go that route. It is certainly not a very revolutionary idea, or we would not have substantial businessmen like the millers and the Chicago Board of Trade supporting it. I personally think it would be better to have the tax come out of the consumer as long as it does not increase the cost of flour or bread. At the price consumers are paying for bread now, it is the cheapest food they can buy. I do not think people are objecting to the price of bread as compared to other commodities.

Before leaving the question about whether this should be a payment out of the Treasury or a payment by the miller, I would like to make this comment, to wit: that if it comes from the Treasury, we might have a Congress someday which would decide that in the interest of economy they did not want to appropriate any further funds for this purpose, and the total return to the former would be the world price.

Mr. BELCHER. Thank you.

Mr. COOLEY. Will you yield for one question?

Mr. BELCHER. Yes.

Mr. COOLEY. Did I understand you to say the Young-Carlson-Andrews bill is nearer to the certificate plan than you advocated years ago than these other bills?

Mr. HOPE. Yes; in the respect that the certificates apply only to that part of the crop which is used domestically for food and the further respect that the value of the certificate represents the difference between the estimated going market price and parity.

Mr. COOLEY. I want to agree with you. I do not think the price of bread would be reduced even if the price of wheat comes down. The record will prove that does not happen, because while wheat was coming down the price of bread was going up. You remember that. We used that argument.

I noticed in your statement you said in the Humphrey bill the payments would come straight from the Treasury and in the Young-Carlson-Andrews bill you indicate that the price to the millers might increase and the price of bread to the consumer might increase. It would be strange if the bill were reported and then somebody called it a bread tax.

Mr. HOPE. I agree with you completely. If the committee uses the Carlson-Young-Andrews bill as the basis for legislation the cost of the certificates should be divided between the millers and the Treasury. The amount collected from the millers should not be enough to increase the price of flour and bread.

Mr. COOLEY. In other words, with that suggestion you think with these three bills before the committee, the committee should be able to come up with something that would be acceptable?

Mr. HOPE. Yes, I think there is merit to all the bills. They are all based upon the same general principle of a two-price system. I think that is the most acceptable approach to an export crop like wheat.

Mr. COOLEY. Thank you.

Mr. PURCELL. Mr. Hagen?

Mr. HAGEN. I want to say that while we have lost all Hope on this committee we still have some faith and a great amount of charity. I want to welcome you, Cliff. I enjoyed serving with you.

I want to ask you which of the proposals is closest to the one which was rejected by the farmers in the referendum.

Mr. HOPE. The one that is closest to it is the McGovern bill. Its form is exactly the same as the program that was rejected except it is not compulsory. It is optional with the farmers.

Mr. HAGEN. The McGovern bill is the rejected program except that this does not require mandatory reduction in marketing to those growers who are willing to forego Federal price support loans and other gratuities?

Mr. HOPE. Yes; that is my understanding.

Mr. HAGEN. Do you think that wheat can be grown for sale for feed purposes competitive with corn and grain sorghum?

Mr. HOPE. Not generally.

Mr. HAGEN. The reason I mentioned that, apparently we can grow feed grains and sell them abroad without any export subsidy for a profit.

Mr. HOPE. It is true that feed grains are now being exported without a subsidy. However, under the feed grain program, producers who comply are paid a cash subsidy for so doing. In addition there are limitations in the foreign demand. I think the demand for feed grains in countries like those of Western Europe and Japan will in-

crease but they are increasing the production of feed grains there also and their agriculture is becoming more efficient all the time.

At this time there are very few countries where there is a substantial demand for feed grains. The demand can only come from countries which are advanced enough that people can consume more meat, milk, eggs, and poultry.

Mr. HAGEN. Congressman Andrews testified here the other day, and apparently he is a wheatgrower himself—I think he said he had about a 300-acre allotment—but he said, as I recall, that he could grow wheat profitably for \$1.60 a bushel. If that is true, isn't it unconscionable to propose to offer wheat growers \$2.50 a bushel, either through the Treasury or through a tax on processors and exporters?

Mr. HOPE. The only bill I know of which uses a figure of \$2.50 per bushel is the Andrews-Young-Carlson bill. However, it limits the amount of wheat subject to this price at that which is consumed domestically for food. That is 500 million bushels, considerably less than half of our average production in recent years. Senator Young advises me that under his bill the blended price for our average production would be about \$1.80 which is not far from Mr. Andrews' figures. I am not familiar with Mr. Andrews' figures or the period of time they cover. However, wheat yields have been unusually good during the past few years due to weather conditions. His figures might not be so good over a longer period.

Mr. HAGEN. He said he averaged about 35 bushels an acre. I understand out in Washington and Idaho they are growing wheat now and producing a hundred bushels an acre and better.

Mr. HOPE. Yes. I have heard about that. This is an unusual situation existing in a limited area. Work is also being done in developing hybrid wheats which may result in increased yields. For the present, however, I do not believe, that, taking the country as a whole, wheat yields are increasing any faster than the cost of production due to higher prices on practically all items going into wheat production.

Mr. HORNING. Yes, sir.

Mr. HAGEN. Thank you very much.

Mr. PURCELL. Mr. Short.

Mr. SHORT. Mr. Hope, this so-called two-price approach, or domestic parity, whatever name we want to recognize it under has been kicking around for many years and it seems like a reasonable approach to this problem of how do we, through Federal legislation, secure for the farmer the return that he should get for the production of wheat.

I think you have touched on this in some of your remarks but would you care to give this committee your observations on the reasons why, for some 30-odd years now that this idea has been kicking around, has been passed a couple of times in some form or another by Congress and yet it has never been enacted into law? Where has the opposition come from? What farmers, what areas—what is the objection to this approach by some farmers or what is the objection from some other elements in our economy?

Mr. HOPE. I will be very glad to give you my opinion on that. It might take a little time to do it.

Mr. SHORT. I think this is real important because it seems that we are to the point now where all of the bills that are before us incorporate in varying degree this principle.

Mr. HOPE. Yes. As I pointed out in my statement, this was a part of the Agriculture Adjustment Act of 1933 and it worked very well, as I am sure everyone will say who was familiar with it. It worked very well from all standpoints on wheat during the 2 years it was in operation.

After the decision of the Supreme Court, the program went out and it was necessary to devise something to take its place. The first approach to it was to use soil conservation as a method of providing some increased income to farmers. This however was regarded as a temporary measure. The Agricultural Adjustment Act of 1938 was a very long and comprehensive measure. It covered a number of subjects. Most of it is in effect today, although hundreds of amendments have been made to it. In the field of price supports, the act provided for mandatory loans on certain commodities by the Commodity Credit Corporation, and gave the Secretary authority to make price-support loans through the CCC at certain levels on all commodities at his discretion. Loans on basic commodities which included wheat were from 52 to 75 percent of parity. During the war, price supports on the basic commodities were increased first to 85 percent, then to 90 percent of parity. However, market prices of wheat during and for some time after the war were above 90 percent.

After the war, the question came up as to whether these wartime rates of 90 percent should be continued. For several years they were continued a year or two at a time.

It was not until after the war prices had begun to subside that further consideration was given to the certificate plan.

Mr. SHORT. If I may interrupt right there, basically constitutionally there would not be very much difference between the direct payment or the certificates that would be furnished to the farmer under the bills that are pending before Congress and the direct payment that was being made subsequent to the Agricultural Adjustment Act of 1938, was there?

Mr. HOPE. I do not think so now. The payments made to producers under the 1938 act were questioned on the grounds of unconstitutionality but were sustained by the courts.

The basis of the Supreme Court's decision in 1936 as I recall it related to the tax. A textile company brought the suit against the Internal Revenue Service to recover the tax and the tax was held invalid by the Supreme Court on the ground that it was an attempt to control agricultural production, which the Court said could not be done. That was the opinion by a divided Court.

Mr. SHORT. It was not on the basis that this tax was discriminatory against a certain segment of the population?

Mr. HOPE. Well, that element may have entered into it. I would not want to say it didn't, but I think the principal point that was made and that it was an attempt to control agricultural production. The Court held that was not a function of the Federal Government. There were other points made, but I think that was the principal one.

Mr. SHORT. Can we get to something then a little more specific, Mr. Hope, as to what we might have to look forward to in the way of opposition to this same type of approach if this committee would pass it out and if it were passed by the Congress? Where is the opposition going to come from? Who is it that tends to disapprove of this approach?

Mr. HOPE. The main organized opposition to this type of approach has always come from the Farm Bureau. I think that is understood and very well known. I have not, as far as I am concerned, felt that the reasons they gave their opposition were very good. I am speaking now of the voluntary type of approach.

I can understand their opposition to the referendum because they made that on the basis of compulsion, in part at least. That is not involved in the bills now before the committee.

Mr. SHORT. Do you think wheat has to be treated somewhat separately from the other major grain crops? This principle of interchange is something the Farm Bureau has advocated. There was a recognition of this, at least, in the certificate bill last year. It permitted the interchange of wheat with feed grain acreage. Some people have felt this interchange would result in the production of more wheat. In many areas of the United States, particularly the Great Plains, wheat is a crop the farmers like to grow, it is the crop best adapted to the area, and they would stop raising barley, oats, flax, and all other possible crops in this area, and concentrate on wheat, and it would result in the overproduction of wheat. Do you agree with that?

Mr. HOPE. Many farmers in my area have favored the kind of program where there could be an interchange between wheat and feed grains, although you and I know that in the Great Plains area the farmers would rather grow wheat than any other crop. You agree with that, I am sure.

Mr. SHORT. I would agree with you to the extent of saying that many of them would. I am not sure it is true of all of them. It also depends to some degree on the area. I think down in western Kansas, perhaps there is more a disposition and a practical reason that farmers want to raise wheat rather than other crops, which is not true to the same degree, I think, in North Dakota.

Mr. HOPE. In recent years, many acres taken out of wheat under the farm program have gone into milo. In the southern and central plains, many other crops are grown in areas where irrigation is available.

I think there is some advantage to interchanging between wheat and milo acreage in the dryland areas because some years are better for milo and some are better for wheat.

My own opinion—and it is not any consider opinion at all—is that that might result in some increase in wheat acreage.

If the committee has no objection, I would like to ask Mr. Horning to express his view on that, because he is a farmer and president of the National Association of Wheat Growers.

Mr. PURCELL. We would be glad to hear from you.

Mr. HORNING. I think Mr. Hope has expressed it real well. In my particular area we grow a lot of milo. With the hybrids coming in, there is greater production. Actually, if the areas are considered overall, it is real questionable whether overall production of wheat would increase. It definitely would in certain areas, as Mr. Hope indicated.

For example, in my area the production per acre in bushels, wheat versus milo, is much greater in milo than in wheat. Our county average last year on wheat was around 15 bushels. I should have been in Mr. Andrews' territory. But the milo production is up quite a bit.

This has been a longtime objection in that possibly this type of approach would cause an overproduction of wheat, but as the trends have changed and as milo and feed have come in, I cannot visualize anyone in my area growing wheat for feed when my low production per acre is so much larger.

I believe the same is true in southwest Kansas, too, Mr. Hope.

Mr. HOPE. Yes.

Mr. SHORT. Mr. Chairman, I appreciate Mr. Hope's answer to the question I asked in regard to why the opposition to the program. There are other members here and I shall yield.

Mr. PURCELL. Mr. Duncan?

Mr. DUNCAN. I have not had the pleasure of meeting you before, Mr. Hope. I have seen your picture. I am glad to have a chance to meet you personally.

I gather from the most recent comment you and your colleague have made, you see no serious objection to a substitution provision in the legislation before us.

Mr. HOPE. No, I would certainly not be opposed to that. If the committee should adopt the McGovern bill, it is already there.

Mr. DUNCAN. This is a matter of some consequence, Mr. Hope. I come from the State of Oregon, where it is a matter of some consequence. They have fought for it a long time, and I personally cannot see any serious objection to permitting the farmer to produce what his land is best suited for. I do not think overall it would make an impact on the surplus problem in either wheat or feed.

I gather, too, from your comments, that you feel any constitutional objections which may have existed have been overcome either by change of philosophy or by change in the bill.

Mr. HOPE. Yes, I think so.

Mr. DUNCAN. Now I would like to pursue one other question a little further, a basic question. I gather, too, that you feel there is a need for a wheat bill, and I assume you predicate that opinion on the prospect of a decline in the price of wheat over the next few months, the 50-percent support price remaining in the law.

Mr. HOPE. Yes.

Mr. DUNCAN. Is this borne out by the price in futures, for example? I have not checked it for some time, but the last time I looked at them, for December contracts, it seemed to me they were running \$1.86 or better.

Mr. HOPE. The prices of futures have not up to this time reflected a belief on the part of the grain trade that we were going to have \$1.25 wheat, however, I think their viewpoint is colored by the hope, anyway, that Congress will pass a bill to prevent \$1.25 wheat.

Mr. DUNCAN. Yes, that is the logical answer. I suppose it can be said that the objective of everyone in Congress and in the agricultural industry is ultimately to reach the point where agriculture can get along without the aid of Government subsidies. This seems to be the announced plan of the Farm Bureau in particular.

With the prospect of the lowest carryover in many, many years—I think there have been some estimates that at the end of this year it will be down to 700 million bushels, something in that neighborhood, and part of that is the sale of wheat to the Eastern nations—with futures maintaining themselves at a fairly stable rate, with no

decline in the price of land in evidence, is this not perhaps as fortuitous a set of circumstances as any in which to move in that direction?

Mr. HOPE. In which direction now?

Mr. DUNCAN. Toward the gradual elimination of Government subsidies.

Mr. HOPE. I wish we could tell whether the situation you mention is temporary or permanent. I do not believe we have any evidence right now that would lead us to think it would be permanent. It is undoubtedly true that with the increasing population of the world more wheat will be needed and if available will be consumed. Unfortunately, the greatest need and demand come from countries which are not able to buy wheat in the normal channels of trade.

While we have been exporting large quantities of wheat under Public Law 480, that law was passed as a temporary measure, although it has been extended from time to time. I do not think anybody can say how permanent the legislation will be although it will no doubt be extended for some future period during this session of Congress.

I do not think many of us, without having more knowledge than we have now, could say that exports of a billion bushels a year—and that is what it looks as if we might have this year—are something we can expect regularly in the future. Even this year, with the dollar deals with Russia and with increased dollar exports to Japan and Western Europe, the proportion of our wheat that goes out under special programs will probably be more than 50 percent.

I saw figures yesterday that last year the percentage of wheat that went out for dollars was 23 percent.

Mr. DUNCAN. The emphasis on markets and trade ought to be continued as the long-range solution to this problem. In 15 or 25 years, we may not be talking about surpluses.

Mr. HOPE. I hope that is the case. For the last 4½ years, ending June 30, my entire time was devoted to expanding export markets for wheat. I think we are making a lot of progress along that line.

I think that is the No. 1 effort we ought to make. Your people in the Pacific Northwest have been the leaders in that field and have done a wonderful job. We need to continue to press that type of activity.

Mr. DUNCAN. Going to the specific bills and a couple of comments which you made, you suggested that the Young-Carlson-Andrews bill would eliminate the need for subsidies on exports. This is a bill, as I understand it, which would set a two-price program as between domestic consumption on the one hand, and exports, feed, and commercial use on the other. Is the reason there is no need for an export subsidy under that program because they are using 100 percent of parity, the difference between the world price and 100 percent of parity, as the cost of the certificate? Is it the feeling that that will maintain the wheat growers' income without an export subsidy?

Mr. HOPE. The Young-Carlson-Andrews bill would give the farmers an income equal to parity on the 500 million bushels per year which it is estimated would be consumed for human food. This is based on a support price of \$1.25 per bushel which would establish the market price, and a certificate having a value of \$1.25 per bushel.

Mr. DUNCAN. \$1.25 a bushel for domestic consumption would sustain the farmers' income with no export subsidy. This is the theory.

Mr. HOPE. \$1.25 a bushel plus the certificate, taking the figures Senator Young gave me on the basis of 1,200-million-bushel production, which is about what the target would be, would blend out at \$1.80 per bushel.

Mr. DUNCAN. Are we not going around in a circle as far as the exports are concerned? We give the farmer the income from his certificate on both domestic consumption and exports. The export certificate would have to be paid for by the exporter, and then we turn around and buy the certificate back from him or pay him a subsidy for the total amount. Are we not going around in a circle with a lot of bookkeeping that we do not need.

Mr. HOPE. I must confess I have somewhat the same thought. In other words, I would like to have a cleancut distinction between wheat consumed domestically as food, and that which goes to other uses including exports. However, the McGovern bill has many supporters and I hope that it will be carefully considered by the committee. It has other advantages also in that it would prevent complications if the market price of wheat should go below the International Wheat Agreement minimum.)

On the other hand, I would not advocate a bill along the lines of the Young bill, if it calls for a certificate having the value of \$1.25, all to be paid by the miller, because that would bring the price of wheat to the miller up to \$2.50 a bushel, and you would have an increase in the cost of bread. I do not think we want to do that.

Mr. DUNCAN. Even though it would not amount to very much, a half cent or so.

Mr. HOPE. It would not amount to much, but it certainly would result in an increase in the price of bread, in my opinion.

Mr. DUNCAN. Would you indulge me in one more question? The suggestion has been made that there ought to be a family farm cutoff as far as the allocation of support prices and certificates is concerned. Have you an opinion on that?

Mr. HOPE. That is a question that is as old as farm programs. Perhaps there is some merit to the proposal, and it has been applied in some cases with reference to other types of payments. One practical problem is that it might reduce compliance on the part of larger producers. If such an amendment is made, I should think it ought to be made applicable at a rather high level.

Mr. DUNCAN. Thank you.

Mr. PURCELL. Mrs. May?

Mrs. MAY. Mr. Hope, as you know, the Pacific Northwest, the commercial wheat-growing area that I represent, like Mr. Duncan, for many years has been, as near as they can get to unanimity on any plan, for your approach.

Mr. HOPE. Yes; they have always been very strong supporters of it.

Mrs. MAY. I myself introduced originally, when I came to Congress, a bill drawn up along that line, but it did not get very far at that time, obviously.

I would like to go back to the question, however, of the job that is before the subcommittee, first of all, and then the full committee, an-

ticipating with some degree of, I do not think unusual, optimism that we can get together. We, of course, then would take up the political realities of passing it through Congress.

You have pointed out here in your colloquy, with several of the other members of the committee, that one of our biggest problems with having these payments on the certificates be made by the processor is that it could result, under the Young-Andrews approach, in a charge by congressional opponents that it is a bread tax. You said yourself that you would oppose anything that would require, say, \$1.25 per bushel that would be paid for by the miller.

Mr. HOPE. Yes; I oppose it from the practical standpoint that the bill could not be enacted, as well as for other reasons.

Mrs. MAY. I do not think you would find any disagreement with any member of the committee on that.

Have you any specific suggestion now? I am a little vague about what you mean by how this payment might be spread out or carried so, if they went the approach of the Andrews-Young bill, it would not have to come from the processors only. Are you advocating that this should be a Federal Treasury payment or, instead, that there should be a sharing of this by the processor, exporter, and the Federal Treasury—a combination of these?

Mr. HOPE. I do not have before me a copy of the Young bill or the Andrews bill, but the bill reads that the payment shall be made as a result of the sale of certificates, it also provides that the President may determine whether or not the certificates shall be financed by sales to the millers or whether it shall come from the Commodity Credit Corporation, or both. I do not know how it was intended to be applied, but my thought was: That if you split the amount so the miller in buying wheat for milling would have to pay, say, 75 cents—that is not an arbitrary figure but just for illustration—75 cents to get a certificate to mill for domestic consumption, that would still leave a 50-cent deficit if you are going to give the farmer the full parity on that part of his wheat.

My thought was: That could come from the Federal Treasury. This might be provided for as in Senator Humphrey's bill or in any appropriate way.

Mrs. MAY. Would you be prepared to say at this time, as far as your advice to the subcommittee, that it would be better to spell out the division of responsibility of payment in any bill, rather than leave it, let us say, in the vague twilight wording that presently is in the bill, to be determined only by the Executive?

Mr. HOPE. I think my preference would be to spell it out at least within some reasonable limits, anyway.

Mrs. MAY. Otherwise, there might be a question raised by other Members of Congress.

Mr. HOPE. Yes; I think that is right. If you just give the broad power to the President to do it, I am sure it would be the source of quite a good deal of questioning.

Mrs. MAY. One more question, if the chairman will permit it.

Again on this question of getting widespread support in Congress for this approach: Do you see any particular advantage or would you think it would be helpful if perhaps the committee would consider putting a phaseout or a cutoff time on any type of wheat legislation that was worked out?

Mr. HOPE. If it did, it would be following a pretty general pattern that we have used in the past.

Mrs. MAY. I mean tying it, let us say, to certain surplus condition.

Mr. HOPE. You are not talking about a limitation based on time. I think it would be rather hard, in these changing times, to get a formula which you could be sure would work. It seems to me if a limitation were put on, it should be a time limitation.

Mrs. MAY. A time limitation?

Mr. HOPE. Yes; then Congress could review it after a period of time.

Mrs. MAY. Thank you, Mr. Hope.

That is all, Mr. Chairman.

Mr. PURCELL. Thank you very much, Mrs. May.

Mr. Reifel, have you any questions you would like to ask?

Mr. REIFEL. Mr. Chairman, I appreciate this invitation and also appreciate your welcoming me back for this visit to the committee. I have served on this subcommittee, and have always found very helpful and informative the discussions and explanations by Mr. Hope. I want to thank you for the opportunity to be here. Other members of your subcommittee must help make the decision. I yield to them. Thank you very much.

Mr. PURCELL. Mr. Matthews has come in. Mr. Matthews does not happen to honor us with his membership on this subcommittee, but he is a very valuable member of the Agricultural Committee and adds distinction and a degree of color to almost every meeting he comes to. We welcome him here today.

Mr. MATTHEWS. Mr. Chairman, may I just say to you, sir, how happy I am, as a member of the full committee, to see your subcommittee take such aggressive leadership in the problems that are facing us in wheat.

(Off the record.)

Mr. PURCELL. Thank you very much for being here, Mr. Hope. We are indebted to you; we have benefited from your views; we look forward to having your counsel again.

The subcommittee will stand adjourned until next week.

(The subcommittee adjourned at 12:05 p.m.)

WHEAT LEGISLATION

WEDNESDAY, JANUARY 22, 1964

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON WHEAT OF THE
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10:15 a.m., in room 1310, Longworth House Office Building, Hon. Graham Purcell (chairman of the subcommittee) presiding.

Present: Representatives Purcell, Jones of Missouri, Hagen of California, Harding, Olson, Belcher, Short, Latta, and Dole.

Also present: Representatives Poage and Quie.

Staff members present: Christine S. Gallagher, clerk; Hyde H. Murray, assistant clerk; John J. Heimburger, general counsel; and Robert Bruce, assistant counsel.

Mr. PURCELL. We will proceed. The subcommittee will come to order.

The first order of business this morning is to hear a witness from the National Soft Wheat Millers' Association, and I will ask our colleague, Mr. Latta, to introduce the gentlemen representing that organization.

Mr. LATTI. Thank you, Mr. Chairman.

As the members of the committee well know, Ohio produces soft wheat. We have with us Mr. Donald M. Mennel, chairman of the Grain Committee of the National Soft Wheat Millers' Association, who is president of the Mennel Milling Co., of Fostoria, Ohio, which is adjacent to my district. He is accompanied by Mr. Rondal M. Huffman, executive secretary of the National Soft Wheat Millers' Association. These gentlemen can present a very clear and concise picture of the soft wheat milling pictures to this committee.

Mr. PURCELL. We are glad to have you here, gentlemen, and you may proceed in any way you like, Mr. Mennel, and you would like to have Mr. Huffman sit with you, you may do so. Please go ahead with your statement. We will later ask some questions, perhaps.

STATEMENT OF DONALD M. MENNEL, CHAIRMAN, THE GRAIN COMMITTEE, NATIONAL SOFT WHEAT MILLERS' ASSOCIATION; ACCOMPANIED BY RONDAL M. HUFFMAN, EXECUTIVE SECRETARY, NATIONAL SOFT WHEAT MILLERS' ASSOCIATION

Mr. MENNEL. As Mr. Latta said, I am president of Mennel Milling Co. of Fostoria, Ohio, and I am here today representing the National Soft Wheat Millers' Association as chairman of their grain and legislative committee. The National Soft Wheat Millers' Association has

member companies representing approximately 80 percent of the total commercial soft wheat milling production of the United States.

I want to thank you very much for granting me this opportunity. Our association appeared in the past during other hearings. We hope, because of our intense interest in soft wheat and the welfare of the eastern farmer who raises it, that we will be back again when there is a need for it.

In our earlier presentations we have repeatedly tried to prove that the idea that "wheat is wheat" is wrong. We have presented at length to your committee the very great differences in end use, in geographic origins, and in farm types raising the different kinds of wheat.

It is vital to the welfare of this Nation to keep wheat growing east of the Mississippi River on the many small farms where it has been a major crop since long before the areas raising the great surpluses of Hard Red Winter wheat were populated.

Soft Red Winter and Eastern White wheats are raised for a purpose. They are primarily consumed in the domestic market. They are not in surplus. They are not a problem. They are raised on the majority of the farms by a majority of the farmers in the United States. Any solution that fails to allow for this vital difference cannot possibly succeed.

At some time and in some way we must face the problem squarely. We have studied all the major proposals currently being considered and we do not feel any one of them, taken alone, will effect the cure.

I would like to interline at this point to say that our organization has studied the present bill, and we are opposed to the voluntary or the nonvoluntary certificate plan. We do not feel this will cure the situation as we see it today.

We also question that the voluntary, that is so-called voluntary, plan is in truth voluntary. If I were a farmer and I had the choice of planting all of the wheat I wanted to plant for \$1.30 or planting only the amount of wheat that the Government would let me plant for \$2, I do not believe that this is a voluntary choice.

President Johnson's annual economic report to Congress states: "The contribution of our Nation's economic growth made by rising agricultural productivity is too often overlooked." We believe the job the eastern farmer has done of raising wheat for use is also "too often overlooked." Secretary Freeman, in Amarillo, recently asked the question: "Do you produce wheat in order to sit on it or do you produce wheat in order to sell it?" We have been asking this same question for years. We believe many American farmers do not raise wheat to sell to any market other than the Government. We further believe any legislation must recognize this and must take corrective action.

It seems to us that the wheat situation can and should be divided into four component parts in order to simplify and place in proper perspective the many complexities of it.

The first and very obvious component is that of domestic demand. The second is exports to friends with money. The third is exports to the developing nations, hoping to win their friendship. The fourth, then, is exports to our enemies.

I will skip momentarily the first, the domestic issue, because I believe it is the most vital and will come back to it when we have looked at the other three.

We believe that American productivity can be accelerated or decelerated at will by Government subsidies. The history of the Hard Red Winter wheat area has proven this year after year. It naturally follows, then, that we can raise sufficient wheat for whatever export markets we choose to serve. The choice and size of these markets is a matter for the State Department, the Defense Department, the executive branch, and Congress to make. Thus, exports have no direct relationship with a wheat control program.

So much for exports of wheat. I would like now to return to consideration of the domestic situation.

It seems to us to be of prime importance to raise the kind and quantity of wheat needed to supply the domestic demand economically. This need far overshadows any of the problems of exportation.

Any legislation should ultimately create a price structure which encourages production of the proper qualities and quantities of wheat and discourages production of improper qualities and quantities. None of the present and past legislation has done this.

While bringing production into this form of balance, it should include mechanisms to make the transition to logical production as painless as is economically possible.

Farmers who knowingly raise qualities and quantities of wheat which are not needed should not receive the same consideration as farmers who recognize the national welfare and plant wheats for real markets. The farmer who intentionally and repeatedly plants wheat which he is relatively sure will end up in Commodity Credit Corporation inventory has failed to raise a crop for a real market.

The support program was never intended to provide a market, a profitable market, for wheat. Its original concept, with which we have no quarrel, was to prevent disastrous price declines, to create a floor under the market, to reduce farmer risk, to stabilize the market for wheat. It has done all of this, but it has done much more. It has provided a built-in profit for certain farmers, certain warehousemen, and certain processors. It has created market-and-supply distortions, and it has, above all, cost American taxpayers vast sums of money.

This is an old program. We believe it would be pertinent to ask how we have done in recent years. There are huge quantities of statistics on the subject (I might say almost a surplus) and at the risk of oversimplification we would like to present the following idea. We have used the average domestic disappearance for the last 5 years as our basis. We have reduced usage to a weekly level by dividing by 52 weeks, and we have compared the average weekly usage to the carryover of wheats by types as of July 1, 1960, and the October estimates for July 1, 1964. We have also indicated the average weekly domestic usage by millions of bushels and then we have shown the July 1, 1963, ownership of wheat by Commodity Credit Corporation in terms of weekly usage.

There follows there a table which you can all see.

There are several points which should be emphasized about this table. Please note that Soft Red Winter and eastern White constituted the second most important domestic demand. Note also that on July 1 last, CCC owned enough Hard Red Winter wheat to last for more than 3 years, but only enough eastern soft wheat

to last for less than 1 week. It is also interesting to note that only a short 2 years ago Durum was sufficiently scarce to require special legislation, and it is now a growing problem.

Comparisons of wheat types by average weekly domestic usage

Type	Average weekly domestic usage (in millions)	Expressed as weeks of domestic usage		
		Carryover July 1, 1960	Carryover July 1, 1964	CCC owned July 1, 1963
Hard Red Winter.....	5.1	196	97	178
Soft Red Winter and Eastern White.....	3.0	4	2	1
Hard Red Spring.....	2.7	81	60	67
Durum.....	.5	36	112	34
Other White.....	.3	217	23	30

We do not at this time propose to tell you what a "normal" supply of various types of wheat might be. We can say, however, with definiteness that 2 weeks is not enough and over 3 years is too much.

We believe that we have exported every bushel of wheat possible during this period. We further believe that many conscientious efforts and legislative actions have been made to solve the situation, but we seem to be making haste backward.

Because of our interest in the soft wheat supply situation, we have discussed the problem of legislative needs widely throughout the area. There has been one possible solution suggested by a group of country elevator operators and farmers in the soft wheat area which is fresh and novel enough to warrant presenting it to your committee.

We do not presume to tell you what form the legislation should take, but we do believe this solution sufficiently attractive from many viewpoints that it should receive consideration.

Since a major source of the cost to taxpayers is CCC ownership of wheat, the problem should be attacked at this point. The county support price for wheat should be adjusted inversely with the amount of wheat taken over by CCC each spring. Sedimentation or protein premiums have no place in the support level, since the market demand for this will prevent the proper wheats from entering the loan. On the other hand, the grade factor premiums and discounts reasonably reflecting the prevailing market should apply.

The basic county support price should be set as at present, taking into account transportation costs from terminal markets, and so forth, and then raised or lowered depending upon the proportion of the wheat raised in the county taken over finally by CCC compared to the total wheat raised in the country. That is the total wheat raised in the country. It should be noted this would not prevent farmers from entering the shelter of the support system following harvest to obtain financing and to hold their wheat for more favorable markets later. It would only reflect the wheat which was not later sold and ended up in CCC inventory because there was no other real market for it at that price level.

While we believe additional studies should be made by the Department of Agriculture or others to determine the proper levels of premiums and discounts, we suggest the following as a starting point:

If less than 1 percent would be taken over, the county support price should be raised 5 percent; if 1 to 10 percent is taken over, there would

be no change; if 11 to 25 percent is taken over, the support price should be dropped 5 percent; and so on until you run into a county where 76 to 100 percent is taken over by the Commodity Credit Corporation and the county support price should be reduced 30 percent.

<i>Percent of production taken over by CCC</i>	<i>Change in county support price</i>
Less than 1-----	Plus 5 percent.
1 to 10-----	No change.
11 to 25-----	Minus 5 percent.
26 to 50-----	Minus 10 percent.
51 to 75-----	Minus 20 percent.
76 to 100-----	Minus 30 percent.

These percentages have not been picked at random, but are intended to reflect, at the bottom of the range, an approximation of the world market price backed off the country level, and at the top, a sufficient premium to be of value to farmers, without offering such a large inducement that other problems will be created later. This would require revaluation annually and, as such, would be self-policing and self-regulating.

In addition, the CCC sales price minimum could be 110 percent of the basic support price plus reasonable carrying charges and without restriction as to use. CCC out-of-condition sales could be at the best market prices obtainable by bidding through the marketplace and should be kept to a minimum.

Acreage diversion would only be required, if at all, during the initial stages, since planting freedom is an integral part of maximization of farm profits.

In closing, we repeat that whatever the legislation enacted, if any, it should recognize the fallacy in the idea that "wheat is wheat."

We are facing a carryover this year of Soft Red Winter wheat according to our best estimates of about 4 million bushels. This is less than a 2-weeks supply for domestic purposes. Exports must be controlled from here on and the growing weather must be excellent to prevent a critical condition occurring before the new crop is available. This can only be described as a dangerous situation. We hope any legislation will prevent recurrence of it.

We want to thank you again for the privilege of presenting our views and we wish you well in your considerations.

Mr. PURCELL. Thank you very much, sir. Certainly you show a great interest on your part in this problem. I believe that there will be some questions later that some of the members would like to ask you. Some may agree with your approach.

Mr. MENNEL. That is altogether possible.

Mr. PURCELL. We will now have questions. Do you have any questions, Mr. Belcher?

Mr. BELCHER. No.

Mr. PURCELL. Do you have any questions?

Mr. HARDING. Yes, Mr. Chairman.

Mr. Mennel, you made the statement that if the farmer was offered the choice of a price support of \$1.30 a bushel and no controls, and a higher price support of \$2 a bushel and controlled production, that he did not have a choice, that it was not a voluntary program. Did you actually mean that?

MR. MENNEL. Yes. I do not believe that any farmer would plant over his quota under those conditions. I think that this is a form of sandbagging—a 70-cent sandbag.

MR. HARDING. You actually believe it is not voluntary, even though he could go out and plant all that he wants at \$1.30 a bushel price support, but to qualify for the \$2 price support he would have to accept production controls—and you still say that is not a voluntary program?

MR. MENNEL. I think it has become economically involuntary at that point.

MR. HARDING. Well, is that not true with any program that we label a “voluntary program,” that there are incentives to get the farmers to comply?

MR. MENNEL. Yes. There certainly are, but the price of the incentive, if that is the correct word, creates the degree of the voluntary involvement. If there was a 10-cent differential this could well be voluntary, but when you get a 70-cent differential, then it no longer is voluntary. It is a matter of degree.

MR. HARDING. I think that it is a matter of principle. Whether there is a 10-cent differential, or a 70-cent differential—to induce a producer to comply it would not have any bearing on whether or not the program was voluntary, as long as he was left a free choice of complying or not complying.

MR. MENNEL. I do not think that it is economically a free choice.

MR. HARDING. The next question I have is, You have listed Soft Red Winter wheat and eastern White wheat together. Could you give me the breakdown of these two commodities?

MR. MENNEL. I would like to refer that question to Mr. Huffman. He is the statistical expert of the organization.

MR. HUFFMAN. How do you mean, sir?

MR. HARDING. On page 4, Mr. Huffman, what is your average domestic usage of Soft Red Winter wheat and what is your average domestic usage of eastern White wheat?

MR. HUFFMAN. There are 23 million bushels a year of eastern White wheat consumed domestically. I cannot substantiate these figures from published information in the Department of Agriculture, because they do not separate eastern White wheat from all White wheat. You understand this problem, I am sure.

There is White wheat raised on the west coast, but there is around 40 million bushels a year raised in Michigan and New York States. This is where the wheat comes from. And about 22 or 23 million bushels a year are consumed domestically. So if we divide 23 million by 52 weeks, we would have in the neighborhood of one-half million bushels of wheat consumed domestically of eastern White wheat which would make it approximately 2.5 Soft Red and approximately 0.5 million eastern White wheat. Is this the breakdown you want?

MR. HARDING. That is the one I want. So actually then, according to your chart here, Soft Red Winter wheat would be third in the comparison, following Hard Red Spring wheat?

MR. HUFFMAN. That would be correct, sir, but I would like to say that our association, of course, is a soft wheat millers association. These are both soft wheats. About 80 percent of the total wheat crop east of the Mississippi River is soft wheat of these two types. We

believe—and I am sure that millers generally would substantiate this—wheat in general is not interchangeable. The interchangeability of the two soft wheats is much greater than the interchangeability of hard for soft wheats, for instance. So we feel that it is entirely proper to lump these together. Your statement is entirely correct, so far as the classes go of Soft Red Winter wheat, which would be one-third, barely behind the other, but as far as the types go—and I believe this is a proper comparison—the types should include both kinds of soft wheat.

Mr. HARDING. Then we should include in the “soft wheat” category all white wheat regardless of area of production.

Mr. MENNEL. It could be placed there. And then intermingled, the western White wheat with the eastern White wheat. Western White wheat includes Hard White wheats and Soft White wheats. They have different uses. They are largely exported.

The domestic usage of western White wheat is quite severely limited, as you can see by the figures here.

We have always felt that it rather distorts the picture of domestic consumption to include western White wheat in with the eastern White wheat.

Mr. HARDING. The next question I would like to ask pertains to page 6 of your statement where you state: “Sedimentation or protein premiums have no place in the support level,” and then down a little further, in the next paragraph you state something to the effect that transportation should have a place in the support level. How do you justify that?

Mr. MENNEL. Because I am attempting to say that there is a market for wheat, and the market for wheat reflects transportation. I think that I am relatively safe in saying that sedimentation is not really at this time a price factor in the buying of wheat. We buy Hard Winter wheat in our company and we have not bothered to take sedimentation levels for a long time, because it just does not do anything for us.

Mr. HARDING. How about the protein?

Mr. MENNEL. Our protein we do buy, but is the support price by county supposed to be a market or is it supposed to be an insurance policy? If it is an insurance policy to prevent disastrous price declines, to create a floor, to do all of these other things—if the farmer by using good feed and by using proper fertilizer, proper agronomic factors, raises a quality wheat, should this change the support price to him? Does not this change the concept of what the support price was supposed to be?

This is why we suggested taking it out.

Mr. HARDING. I go along on that point, but I think that you are stopping in the middle of the river. Why do you not go all the way and eliminate the transportation also, because distance from the market like higher protein wheat will adjust for itself in the market price. Why do we not have a national support price, and let transportation as well as protein, sedimentation, and other quality factors be reflected by the market price? Would you be opposed to that?

Mr. MENNEL. I would suggest that if you had a flat market price with this—

Mr. HARDING. I did not say “a flat market price.”

Mr. MENNEL. I mean "a flat county price." Let us say, for example, \$2 per bushel for every county in the United States.

Mr. HARDING. Yes?

Mr. MENNEL. That, tied to this takeover by the Commodity Credit Corporation, conceivably could work, because then the counties that were far away from the marketplace would not have any place that they could merchandise their wheat because of transportation costs, so that the Commodity Credit Corporation would be taking over that wheat, and then that would force the county price down until it reached the point at which there was a market, and then you would have the situation where the Department of Agriculture officials sitting here in Washington would not determine the market for the wheat but the marketplace would.

Mr. HARDING. You would support a flat national support price?

Mr. MENNEL. I did not say that, sir. We have argued this many, many times. For example, in Clay County, Kans., and in Seneca County, Ohio, today, or before the last county support prices were set, they had the same price. Over history from 1938, Clay County was substantially below Seneca County, but it has moved up consistently over the years to the point that Clay County, Kans., now has a large quantity of the wheat taken over by the Commodity Credit Corporation because it is above the true market value of their wheat or, let us say, the domestic demand for it. And when you add transportation costs to it that prevails. On the other hand, Seneca County, Ohio, has not had any wheat taken over for years, because its price has been relative to the demand for it.

Have I answered your question on that?

Mr. HARDING. No, you have not.

Mr. MENNEL. I have not?

Mr. HARDING. No.

Mr. MENNEL. To me the county support price is supposed to reflect, or so we have been told in the Department, a price at the terminal market or in a consumer area, say, New York, or the gulf, with transportation taken out of it, moving it back to the county. And that is on the theory that this makes every bushel of wheat throughout the United States equally competitive with every other bushel of wheat throughout the United States. And this is where you get the variations in the county prices.

If you make it a single flat price, without having a mechanism to change that price, the counties that are remotely located from the consumer areas, either domestic or export, would end up with an unreasonably higher price than would go into the Commodity Credit Corporation inventory.

Mr. HARDING. What you are saying is you want the support price to be the market price—you do not want a support price that is really a support price then?

Mr. MENNEL. I am not sure I understand.

Mr. HARDING. I thought from your statement that you were talking about a support price that would be low enough to allow the market price to be determined by demand but now you say that if we have the same support price nationally that the counties that are farther from the market are going to be receiving an unreasonable amount for their wheat which indicates you are favoring an unrealistically high support price.

Mr. MENNEL. No, I did not say that.

Mr. HARDING. In other words——

Mr. MENNEL. I did not say that, sir. I said that they would not be able to sell their wheat in the marketplace and, therefore, would end up giving it to the Commodity Credit Corporation.

Mr. HARDING. That would depend on what the support price was, would it not?

Mr. MENNEL. Yes. Well, assuming that there was any surplus over domestic needs and over export needs, subsidized or otherwise, somebody ends up owning that.

Mr. HARDING. Is that not true today?

Mr. MENNEL. Yes. It would end up in the Commodity Credit Corporation. And the Commodity Credit Corporation is the one that ends up owning it. And this is where your surplus problem, if it is a problem, occurs.

Mr. HARDING. Thank you. I have no further questions, Mr. Chairman.

Mr. PURCELL. Mr. Latta?

Mr. LATTI. Mr. Mennel, on page 4 of your statement, referring to the carryover of Hard Red Winter wheat as of July 1, 1964, should that not be 197 instead of 97?

Mr. MENNEL. I will have to defer that to my statistician. In the October issue of the Wheat Situation, the 1963 July 1 carryover was 938 million bushels. The June 30, 1964 carryout, which would be July 1, 1964 carryin, was 495 million bushels. So it is substantially reduced. You divide these two figures by 52 and it comes to the weekly usage and you come to these figures.

Now the reason for the reduction is 720 million bushels worth of exports which includes exports for relief or charity by individuals and private agencies, subsidized exports, giveaway exports. And whether they anticipated any Russian exports in here or not, I do not know.

This exportation of Hard Winter wheat in the crop year 1963-64 of 720 million bushels compares to an exportation of 434 million bushels last year. So your reduction of 300 million bushels in carryover comes from that source alone.

Mr. LATTI. That represents the figure that the Commodity Credit Corporation owned on July 1, 1963?

Mr. MENNEL. Well, we exported nearly three times the domestic consumption.

Mr. LATTI. The figure represents that?

Mr. MENNEL. Yes, sir. I noted this. And I might say with a little bit of anguish.

Mr. LATTI. I was interested in your statement in answer to Mr. Harding's question as to Seneca County, Ohio, relative to the Commodity Credit Corporation takeover. This has been for how many years?

Mr. MENNEL. I do not know precisely, but for many, many years.

Mr. LATTI. How about in Wood County, Ohio, my home county?

Mr. MENNEL. None.

Mr. LATTI. None at all?

Mr. MENNEL. I hesitate to say "none at all." I say not a commercial amount. There might have been 100 bushels somewhere that someone went to Florida and forgot—I do not know.

Mr. LATTI. Would you say there was a considerable amount of wheat taken over by the Commodity Credit Corporation in Ohio?

Mr. MENNEL. I cannot remember in the State of Ohio that a million bushels were taken over by the Commodity Credit Corporation at any time in the past.

Mr. LATTI. How much are you now paying for wheat at your mill?

Mr. MENNEL. We are paying the county elevators approximately \$2.10.

Mr. LATTI. Supposing that this committee and the Congress took no action about a new wheat bill for 1964, what would you say that the price of wheat would be at your mill?

Mr. MENNEL. I see no reason for it to be very different from the price that it is at the present time. There is no surplus in any of the markets. The seeded acreage is down considerably this year from last year, and growing conditions have been terrible. We have had the dryest fall in years. It seems to me that there is a domestic demand for our type of wheat.

Mr. LATTI. Do you think that there would be much difference in the price—that it would not go down to \$1?

Mr. MENNEL. No, sir; no more so than it has currently.

Mr. LATTI. As to this proposal that you have come up with, I am just wondering how this might work in an area like that of my friend, Mr. Dole, out in Kansas.

Mr. MENNEL. I am afraid that the obvious answer to that is that it would reduce the price of wheat in Kansas, but I would like to say quickly, for example, in Texas I noticed that the current Commodity Credit Corporation takeover, not takeover, the quantity placed under support this year, in Texas, is less than in Ohio. We have not received the redemption figures yet. I predict that when the redemption figures come out Ohio will have almost none under price support, and I would predict the same thing for Texas. So Texas is raising their wheat for a market, export, and so on.

In Kansas, the takeover this year, or the wheat put under price support so far in Kansas is over 34 million, quite low, compared to Texas, with 2,800,000, compared to Ohio with 4 million some-odd, but the effect would be that any State where the Commodity Credit Corporation takeover is high it would have a lower price support, or in any county.

Mr. LATTI. How difficult do you think it would be to administer a certificate plan on wheat?

Mr. MENNEL. Horrible. The only answer I can make. We have studied it exceedingly carefully this past year. We do not have the mechanics available to us. The proposal that the Department made to work it through Kansas City, computerized and so on, seems to me to be a tremendously complex centralization of a problem where you have millions of people involved.

Mr. LATTI. Will you very briefly explain what would be involved here?

Mr. MENNEL. As I recall the problem, when the farmer comes in he presents a marketing card. The marketing card would have placed on it the amount of bushels he could sell. We would have to validate the card in some way. And you understand this is in our case a union employee working at a truck dump, during the busiest season of the

year when he has been working, and I hate to say this, because somebody will say that I am a slave driver—maybe 20 hours a day—and this happens in every wheat State of the Union. He has to validate this ticket, and then we have to apply for the certificate to use it for grinding. And we would have to pay this certificate value. It has been characterized a bread tax. I do not embrace that terminology. But it has been used. And we would hope to get back the information from Kansas City in time, particularly, at harvest to grind this wheat without violating the law.

You understand that the 2-million-bushel carryover of Red wheat is such that it could mean that if there is a good rainstorm, it would shut us down; that is, our company, because we would not have a sufficient carryover to run any longer than that. So the onus of the recordkeeping, the policing of the validity of the farmer's permission to sell his wheat falls on the country elevator or on the truck dump operator. And then the ability to get the permission back, or the money back from the Government, depends upon the mail system and the ability of the computer to handle it.

Have I answered your question?

Mr. LATTI. Thank you. That is all.

Mr. PURCELL. Mr. Poage, do you have any questions of this witness?

Mr. POAGE. I appreciate this opportunity but I think since I am not a member of the subcommittee that I would like for the subcommittee members to have the opportunity to finish with their questions first.

Mr. PURCELL. All right.

Mr. POAGE. I would like to ask some questions later.

Mr. PURCELL. Mr. Dole, do you have some questions?

Mr. DOLE. Yes. You say that you are opposed to the voluntary certificate plan?

Mr. MENNEL. Yes, sir.

Mr. DOLE. A reading of my mail would indicate that the farmers in my area favor some voluntary program. I want to point out that the carryover or the takeover in my State this year is small compared to last year. If it is only 34 million in Kansas, it is because the market was strong.

In the program you suggest—is there any margin of tolerance in it, or do you start right out any say that if the total takeover is 50 million bushels and 49 million bushels came from my district we would get a reduction of 30 percent there in support price?

Mr. MENNEL I would say that this would be subject to study by the Department of Agriculture. These percentages, you understand, are slightly biased by the fact that we are Soft wheat people.

Mr. DOLE. I suspected that. [Laughter.]

Mr. MENNEL. And in answer to your question, however, according to this table, yes, for some counties, as to this 49 million.

Mr. DOLE. Of the first 50 million bushels of takeover, then they would apply?

Mr. MENNEL. This could be subject to study. I would not say that there would be any problem on that at all.

Mr. DOLE. Do you anticipate a shortage of the type of wheat you use in the foreseeable future?

Mr. MENNEL. This year; yes, sir.

Mr. DOLE. Can you use some of our Hard Winter wheat?

Mr. MENNEL. Yes. We do not foresee a shortage of that.

Mr. DOLE. How much Hard Red Winter wheat do you use in comparison to other?

Mr. MENNEL. Approximately 1 million bushels of Hard and Spring wheat per year against approximately 7 million bushels of Soft wheat.

Mr. DOLE. You make a Hard Red Winter and Soft wheat blend?

Mr. MENNEL. We manufacture bread flour for the bakeries in the area surrounding Fostoria where we can truck the flour to them at an economic advantage to them and to us.

Mr. DOLE. If you ran out of the Soft wheat could you use more Hard Red Winter wheat?

Mr. MENNEL. No, sir; the product that we make cannot be made from Hard Red Winter wheat, such as cake flour, cracker flour, cookie flour, pie flour—the various products of Soft Red wheat and Soft White wheat which cannot be made out of Hard Red Winter wheat economically with the quality that is required by the American consumer.

Mr. DOLE. Do you use any Durum wheat?

Mr. MENNEL. No, sir.

Mr. DOLE. What about overplanting in Ohio—is there a lot of that this year?

Mr. MENNEL. No, sir. We planted approximately the same acreage—possibly a little less than last year—or a little more, I mean.

Mr. DOLE. It was 2 percent less, if I recall.

Mr. MENNEL. I do not have the figures right at hand. Maybe my statistician has the figures.

Mr. DOLE. Is the reason there was no substantial overplanting because of moisture conditions?

Mr. MENNEL. No, sir. Ohio is a multicrop area. The acres planted last year in Ohio were 1,446,000 and this year it is 1,417,000, so there are 29 million acres less planted this year. Ohio is a multicrop area. Farmers farm on a rotation plan. This has been established for many, many years. They do not always raise the crops that are going to give the greatest return. They raise crops that will keep the soil in good shape over a period of years, so they run on a rotational plan. Most farmers would not interrupt this rotation to overplant even though they could.

Mr. DOLE. That is a matter of practice.

Mr. MENNEL. They have good farming management which indicates to them that it is economically impractical to do otherwise, yes.

Mr. DOLE. Did you say that all the Soft wheat you use came from Ohio, or does some come from other places?

Mr. MENNEL. A little bit comes from Indiana. And, of course, the White wheat we buy from Michigan.

Mr. DOLE. You say that the cash market today is about \$2.10?

Mr. MENNEL. Yes.

Mr. DOLE. That means that it is above the support price—how much above the support price is that?

Mr. MENNEL. The basic county loan levels are \$1.82, I believe, in our area, are they not, Mr. Latta?

Mr. LATTA. That is just about right.

Mr. DOLE. This means less takeover?

Mr. MENNEL. Yes.

Mr. DOLE. It is true also in our area that the support price is around \$1.82 and the cash price is \$1.91.

Mr. MENNEL. Right. This is also the reason that the quantity take-over is so much reduced this year.

Mr. DOLE. Yes. Has there been any Soft wheat exported under Public Law 480—under those programs?

Mr. MENNEL. I believe that the last authorization was issued in September for that.

Mr. DOLE. September of what year?

Mr. MENNEL. Of 1963. I do not have the precise statistics on this, I am sorry to say. Of course, I would like to point out that there is a historic market for Soft wheat in the export field. France and other nations which historically have used Soft wheat for the same kinds of purposes that Americans do. So there should be enough Soft wheat to supply the world demand for it, if this is a demand.

Mr. DOLE. Do you have available figures for the Soft wheat production in the last year; that is, the total figures?

Mr. MENNEL. Yes.

Mr. DOLE. We should like to have that information.

Mr. MENNEL. Last year's production of Soft Red Winter wheat, the latest figure that we have is 212 million bushels.

Mr. DOLE. And most of that was consumed by the domestic users?

Mr. MENNEL. 135 million bushels was consumed domestically.

Mr. DOLE. If you compare that with Hard Red Winter wheat, on a percentage basis, how much is that?

Mr. MENNEL. There was 536 million bushels production, which is $2\frac{1}{2}$ times greater than the soft, and the domestic disappearance was 259 million bushels which is slightly less than twice.

Mr. DOLE. On a percentage basis it is about the same?

Mr. MENNEL. Soft has a higher percentage of the total production used domestically than does the hard.

Mr. DOLE. How large is that?

Mr. MENNEL. They also anticipated a fairly large volume—I do not know—I was going to say a fairly high domestic disappearance, higher than last year.

Mr. DOLE. As to the average yield per acre, what was it in Ohio last year or any recent year, for that matter?

Mr. MENNEL. We can come up with a figure here that is very rough in just a moment—somewhere around 37 bushels to the acre in Ohio last year.

Mr. DOLE. Will it be less this year because of a dry fall?

Mr. MENNEL. The wheat in the field looks very, very poorly this year. Last year it looked very, very fine. So we would expect this to be somewhat smaller.

Mr. DOLE. That is all, Mr. Chairman. Thank you.

Mr. HARDING (presiding). Mr. Short, do you have any questions?

Mr. SHORT. I was sorry that I was out before.

Mr. HARDING. Go right ahead, Mr. Short.

Mr. SHORT. I would like your observation a little bit further on the interchangeability of wheats. In the area where I live we raise both Durum and Hard Red Winter wheats. How interchangeable or completely interchangeable is Hard Spring and Hard Winter? If

you do not have some information on this subject, I will not ask the question.

Mr. MENNEL. We grind Hard Spring and Hard Winter wheats. I do have some thoughts on it. Can we start at the top with Durum wheat?

Mr. SHORT. Let us leave Durum wheat out or, well, as to the interchangeability of Durum wheat with Hard Red Winter wheat, all right.

Mr. MENNEL. It is of interest to note that when Durum was so scarce a few years ago the Durum mills used very, very high quality Spring Wheat types, and blended them with Durum to stretch the quantity overall so that there would be enough for the business, that is, for the macaroni-spaghetti business, which Durum is primarily used for.

Mr. SHORT. Let me ask you this right there: I was under the impression, perhaps wrongly, that Hard Red Winter wheat was more substitutable for Durum wheat than Hard Red Spring wheat—am I wrong?

Mr. MENNEL. This is an area in which I am not expert. Clearly the only thing I know about it is reading the proceedings of an anti-trust case in St. Paul, so I cannot speak with authority on this; I do not know.

Now as to the substitutability between Hard Spring and Hard Winter, the only basic characteristic difference between these two wheats is that Spring has a somewhat higher protein content and a higher water absorption rate, with the result that a Spring Wheat flour baker can make the same quality of bread as a Hard Wheat flour baker, using slightly more water in his loaf. Somebody will get mad at me, for sure. There is almost complete substitutability for commercially baked white bread, and for the other specialty breads between Hard Winter and Spring. This becomes an economic situation then as to what they buy.

Mr. SHORT. The protein level is an important factor there?

Mr. MENNEL. Yes, sir.

Mr. SHORT. Some of the Hard Winter wheat is of high protein content. If the protein content is the same, is that what you are saying, that if it is, there is a high degree of interchangeability?

Mr. MENNEL. There is a very high degree of interchangeability if the protein quality is the same.

Mr. SHORT. When you start talking about the quality you get into another area.

Mr. MENNEL. This is why I mentioned it. Spring wheat protein quality very often is more readily usable in commercial baking than Hard wheat gluten quality or gluten and protein, protein being a measure of gluten—that is, one measure of it. Sedimentation was an effort on the part of the researchers of the Department of Agriculture to come up with a better measure than protein. I do not happen to feel that it does. We, for example, in buying Spring wheat, which we buy and ship down by lake boat to Huron, Ohio, or to Toledo, Ohio, and bring into our plant that way, we can buy that from a number of sources in Duluth and Superior without really looking at a sample. We can talk to them and we can be assured of the quality.

In buying Hard Red Winter out of Kansas City we have found by very sad experience that we have to get a sample of the bin—we have to put it into our laboratory, we have to mill it on an experimental mill and bake it into bread and run all of the analytical tests on it before we can determine whether it is safe to buy from that bin.

The Kansas Wheat Improvement Association's secretary, 2 years ago, speaking at a wheatfield day, said that somewhat over 50 percent of the wheat in Kansas was of the varieties that were approved by them for baking qualities.

This is one of the problems, I am sure, that Mr. Dole is very familiar with. And they are doing a very tremendous amount of work to improve this situation up there.

Mr. SHORT. Thank you very much, that is all.

Mr. MENNEL. I did not go on down with the interchangeability between the soft and hard wheat. There simply is not any.

Mr. SHORT. If you want to comment I think that information would be helpful to the committee, and so please do.

Mr. MENNEL. The quality differential between hard and soft wheat, lumping hard and spring and Durum together is such that you cannot economically make bread out of soft wheat and conversely you cannot make economically soft wheat products out of hard wheat.

Soft wheat is used entirely for crackers, biscuits, cookies, pies, cakes, pretzels, donuts, things other than yeast rising products. It is a baking powder proposition, a thing of that kind. There are a wide variety of products made from it.

The ability to use hard wheat in this type of product simply is not there. We have tried, for instance, in 1958 we were paying 45 cents over the July wheat prices for our supplies. This was the year we had a 6 million bushel carryover. I have it branded on my flank here and I do not think I will ever forget it. Had we been able to use Hard Winter wheat that year we could have saved about 30 cents a bushel. We tried to figure out ways of doing it, but we could not do it. So there is no substitutability between hard and soft wheats.

Now between Soft Red and White there is a substantial degree of substitutability between them. The White wheat is of the lowest protein in the spectrum. Soft Red is next in the protein setup. Hard Red is the next level. And Spring is the hardest, with Durum above that.

So where you are trying to produce low protein flours, you blend Red and White wheats together, or a mill will purchase White wheats to arrive at the level of protein that you want, so that the cookies will spread out the proper width to fill up the package and that sort of thing.

Mr. SHORT. Is Durum wheat ever used for making bread flour?

Mr. MENNEL. No, sir. It is normally not used for it, so far as I know. It is used almost entirely for macaroni and such.

Mr. SHORT. The hard wheats are somewhat substitutable for Durum wheat in making durum products, but in the other direction Durum wheat is not substitutable in making hard wheat products?

Mr. MENNEL. Again, I say that I am not expert in this field, but Durum is very difficult to mill. I am not saying that if you could work out a technology for that, that it might not make a very, very fine loaf of bread. I do not know. So far as I know it is not used for this purpose.

Mr. SHORT. Thank you very much.

Mr. PURCELL (presiding). Mr. Poage?

Mr. POAGE. I appreciate the discussion of soft wheat. I have not understood it, either. I had always supposed that a commodity which was needed and was in short supply would bring a higher price than a commodity which was not needed. Why do we sell hard wheat for more than soft wheat?

Mr. MENNEL. I think probably one answer to it is that the support price does create a level of selling, so that if Clay County, Kans., has \$1.82 support price and Seneca County, Ohio, has \$1.82 support price and the flour is being sold in New York and you are going to have to pay the additional transportation costs from Clay County, Kans., therefore, it would appear that the price of hard wheat is higher. In other words, what I am saying is that it is married pretty much to the support price.

Mr. POAGE. You are not saying that actually they are the same?

Mr. MENNEL. I am saying that the support price is the same when you back it up to the county.

Mr. POAGE. You are not trying to say that year after year, excluding transportation, that your price is the same for Hard and Red Winter and for soft?

Mr. MENNEL. No, sir; I am saying that it is related to the support price.

Mr. POAGE. The hard wheat would normally bring a higher price, would it not?

Mr. MENNEL. Where are we pricing this to, the farmer——

Mr. POAGE. Yes.

Mr. MENNEL (continuing). Or at the export point? It makes a difference.

Mr. POAGE. If you start with the farmer and do not consider the transportation, then you have the same relationship as the export price.

Mr. MENNEL. The farmer will receive in Kansas approximately the support price or in Texas or Oklahoma the same, because wheat will go under support if he does not receive this. The same is true in our area to a major degree. So if the support price is the same in a county in Texas as it is in a county in Ohio the farmer will receive roughly the same price. He rarely receives very much of a premium, particularly at harvest over the support price.

Mr. POAGE. But does your soft-wheat grower ever receive a premium for having grown soft wheat, instead of Hard Red wheat?

Mr. MENNEL. He is right now.

Mr. POAGE. He is right now?

Mr. MENNEL. Yes.

Mr. POAGE. In looking at this morning's paper, the only market where I could find where there has been soft wheat sold yesterday was in New York. The New York market shows Soft Red wheat at \$2.52 and it shows Dark Winter wheat at \$2.75. Now this happens to be the only place where they sold any soft wheat yesterday, but I have had the figures for Kansas City over a long period of time, and so far as I have been able to observe, hard wheat sold for about 10 cents a bushel more in Kansas City than soft wheat, and soft wheat has been moved into Kansas City and it has paid the railroad freight, and the hard wheat came into Kansas City on trucks. Now how do you

account for the fact that the Kansas City market did not sell any soft wheat yesterday, but has sold soft wheat time and time again, and I have found soft wheat quotations in Kansas City—how do you account for the fact that the soft wheat sells for less in Kansas City than the Hard Red Winter wheat that probably came from 20 miles away?

Mr. MENNEL. If you will excuse this expression, it is a technological expression, Kansas soft wheat is a bastard variety. It is one which is not readily usable and, therefore, there is a market for it, but it is lower than the hard-wheat market.

Mr. POAGE. We get quotations from the Chicago market quite often.

Mr. MENNEL. What were those figures that you had for New York?

Mr. POAGE. New York is the only place where any soft wheat sold yesterday, according to this paper. And at the New York market it sold, No. 2 Red Soft, f.o.b., \$2.52; No. 2 Dark Winter \$2.75, 23 cents difference.

Mr. MENNEL. The freight from the soft wheat area of Ohio—and you must recognize that there is a great deal of wheat or soft wheat raised in Pennsylvania which would have less freight—was 33.6 cents per bushel.

Mr. POAGE. To New York?

Mr. MENNEL. To New York, for domestic use. I mean, this is converting it into flour use, for instance, not export use. The freight from Kansas City to New York is 89 cents a hundred, which is 53.4 cents per hundred—yes, per bushel. So we have soft wheat being about 20 cents cheaper than hard wheat, according to that quotation. Backing it up to the farmer you might say, or backing it up to the terminal market.

Mr. POAGE. You cannot buy closer than on the Kansas City market?

Mr. MENNEL. Yes; which is the only place that you can buy it. If you want to buy red wheat of the quality, for instance, that Continental Baking Co. would require, you would have to buy it behind Kansas City—you could not buy it there, or behind Minneapolis, I should hasten to say. You could not buy it in Illinois, for example, and use hard wheat for flour consumption domestically.

Mr. POAGE. In other words, the premium on our hard wheat is due to the fact that there is a greater demand for bread flour than there is for cake flour?

Mr. MENNEL. Roughly twice as much.

Mr. POAGE. In other words, the Hard Red Winter wheat has a much larger use than the Soft Red Winter wheat; that is what it comes down to—there is a much larger market for the Hard Red Winter wheat?

Mr. MENNEL. That is correct. Of course, you know that soft wheat that is raised in Texas goes out to export and is used in Texas also. There is roughly 3 million bushels of soft wheat raised in Texas which is all used in that area for the production of cake flours and other kinds of flours out there.

Mr. POAGE. Frankly, I have grown some of that soft wheat. I thought I got exactly the same price for it that I did for the other.

Mr. MENNEL. I would guess that you probably did very likely. The situation I think that you are really referring to on hard and soft differentials occurs in Illinois, in the central part of Illinois. There are types of wheat raised in Illinois that are classified as hard that go down the river and are blended with the good western wheat for export purposes. The result of this is that there is a higher

premium because of the cost of transporting the good hard wheats to the gulf is higher than transporting it down the Missouri and the Illinois, the semihard varieties to the gulf, so that they get a premium for this, which is not a true market.

Mr. POAGE. I know that soft wheat is grown in Texas. Is our Texas Soft Red wheat of a good variety?

Mr. MENNEL. The only way that I can answer that, sir, is to say that we no longer sell to customers in Texas, and we used to sell to them.

Mr. POAGE. Do you think that they are buying locally?

Mr. MENNEL. I know that they are buying local soft wheat; yes, sir.

Mr. POAGE. That is all I have. Thank you.

Mr. PURCELL. Mr. Latta?

Mr. LATTA. As to those figures that you gave us, the freight differential is 53 cents from Kansas—and would you give those others again?

Mr. MENNEL. 33.6.

Mr. LATTA. Where did that come from?

Mr. MENNEL. Fostoria. And again, I understand, these are part of rates as if we were selling the products rather than the wheat to New York and they are not the export rates. I simply do not have them with me. I do not have that knowledge out of my head.

Mr. LATTA. This is about a 20-cent-a-bushel differential between Kansas City and Fostoria, f.o.b. New York?

Mr. MENNEL. Yes.

Mr. LATTA. What was that differential in the question that Mr. Poage gave between Hard and Red Winter?

Mr. POAGE. It is a 23-cent differential.

Mr. LATTA. Thank you.

Mr. PURCELL. Mr. Quie, do you have any questions?

Mr. QUIE. I have no questions. Thank you.

Mr. PURCELL. Mr. Heimbürger, do you have any questions?

Mr. HEIMBURGER. Mr. Chairman, I would like to discuss with the witness for a minute the matter of the relationship of Government-financed exports with the supplies of Soft Red Winter wheat. I suppose you would agree that if we were not exporting any of this wheat under Government-financed programs, the supply would be substantially more than a 2-week carryover in the United States, would you not?

Mr. MENNEL. Yes, sir. This is also true of all of the other varieties that we have.

Mr. HEIMBURGER. That is quite true, but there is not any threatened shortage of Hard Red Winter Wheat, is there?

Mr. MENNEL. No, sir.

Mr. HEIMBURGER. I just thought this should be included in the record, Mr. Chairman. In the 1959-60 marketing year, according to the figures I have, the production of Soft Red Winter wheat was 156 million bushels and 40 million bushels were exported. All of course with some kind of Government assistance. Under Public Law 480 21 million bushels were sold for foreign currency and another 3 million bushels were donated.

In the 1960-61 year the production was 190 million bushels, and 54 million bushels were exported. Again 25.9 million bushels under

Public Law 480, and 2.2 million bushels under the donation program of the Government.

In 1961-62 the production was 202 million bushels, and 56 million bushels were exported during that marketing year; 13.4 million bushels under title I, and 3.6 million bushels under, presumably, title II of Public Law 480, under the donation program.

In 1962-63, the production was 155 million bushels, and 40 million bushels were exported; 11.8 million bushels under title I of Public Law 480, and 3.5 million bushels under the donation program.

I do not have any figures that amount to anything for 1963-64. I do not know whether they are available now or not.

Mr. MENNEL. The January 17 issue of Grain Market News says that there have been 42.9 million bushels of Soft Red wheat exported in the period July through December 1963, of which 39.3 million bushels were commercial and 2.9 million bushels were title I.

Mr. HEIMBURGER. That is a nice improvement in the ratio of commercial exports to the other.

Mr. MENNEL. I rather like it.

Mr. HEIMBURGER. I just thought these figures should be pointed out for the record, Mr. Chairman, so that we would have this information. If there is a shortage of this wheat in the United States, certainly the fact that up to one-fourth of the crop has been exported each year has been a factor in this shortage.

Mr. POAGE. Maybe we ought to quit subsidizing the exports.

Mr. HEIMBURGER. I did not draw that conclusion. I just wanted to put the figures in.

Mr. LATTI. I would like to call the committee's attention to the figures that counsel has given us here; according to these figures for the 1960-61 period, we had 25.9 million bushels exported under Public Law 480. What were they for 1962-63?

Mr. HUFFMAN. For 1963-64?

Mr. LATTI. Yes, for 1963-64. That figure is down to 2.9 million. I am just wondering what the State Department will do when they do not have any of this type wheat to give away.

Mr. POAGE. If we exempted Soft Winter wheat from restrictions, of course, that would leave it wide open to unlimited production for soft wheat. If we had the assurance that there was no convertibility between these commodities I would think that nobody would be hurt by this, but even after this splendid presentation this morning I still feel that there is some convertibility and I am convinced that there will be convertibility whenever there is enough difference in the price. Obviously this is for the purpose of enabling them to grow unlimited amounts of this wheat which obviously is not needed to supply the domestic market, because we have been exporting many millions of bushels of soft wheat each year. So we obviously have no shortage in this country of this variety. We are producing enough of it now. But if we take off all of the controls and let them grow unlimited amounts, obviously, we could not sell it except as a replacement for hard wheat. What do you think about that? If we were going to have 1 million bushels of this soft wheat, and we had production controls on hard wheat and had support prices on hard wheat, where do you think that the soft wheat would go?

Mr. MENNEL. I would like to answer that question in two parts. First, there is probably more substitutability of acres than there is

of wheat. I think that Texas and Kansas would start producing a great deal of soft wheat if it were not under control.

The second part, I believe that you would find some of the wheat in demand in foreign markets if it were given the same opportunity of giveaway that hard wheat has had. For example, for the 6 months, July through December 1963, the exports of Hard Red Winter wheat were 197 million bushels, 133 million of which was Public Law 480, title I. Only 41 million bushels was commercial. In other words, soft wheat exports were 39 million and Hard Red Winter wheat were 41 million in the commercial markets. So there is a market for soft wheat overseas.

Mr. POAGE. At a lower price than Hard Red Winter.

Mr. MENNEL. I do not know that. I do not have the statistics on that.

Mr. POAGE. It does move at a lower price, does it not? In other words, it is a fact that the lowest priced American wheat is the wheat that many of these foreigners buy.

Mr. MENNEL. I think this is true, but the reason that it is the lowest priced is because of the cheaper transportation costs to the ports. That is very often the case.

Mr. POAGE. Actually the freight to the ports is less on Texas-grown Hard Red than it is on Ohio-grown Soft Red, but whatever it is, they can get more bushels of wheat for less money by buying the Soft Red wheat than they can by buying the hard wheat.

Mr. MENNEL. Is this as true in the commercial field as it would be under title I?

Mr. POAGE. I presume that it would be under title I as well. I am sure that it is in the commercial field.

Mr. MENNEL. Yes.

Mr. POAGE. Those figures that you gave were for the commercial field?

Mr. MENNEL. Yes.

Mr. POAGE. The foreigner buys the stuff because he buys the cheapest. He does not buy it because he has to have that quality.

Mr. MENNEL. The substitutability of acres occurs, and soft wheat was raised in Kansas for the export market and if it was you would see very little differential in the price.

Mr. POAGE. Under Mr. Latta's proposal you could not have substitution of acres, because he does not propose to exempt the Hard Red Winter wheat from controls in his offer, and his offer is to take the Soft Red wheat from under controls. And then you go ahead and do as you please with the other, that is, if you exempt the one. There would not be any substitution of acres under that proposal. There would only be the ability to substitute wheat.

Mr. MENNEL. I thought that you told me earlier that your reaction was that you did not get the same price.

Mr. POAGE. Yes, but if you turned to growing large quantities of it.

Mr. MENNEL. If there were a market for it and a demand for it, I am sure that you would get a good price for it.

Mr. POAGE. You would not get as much for it as you would for the Hard Red.

Mr. MENNEL. I think that it would depend upon the loan values and so on.

Mr. POAGE. We are talking about the Latta proposal, and there would be no loan value on soft wheat at all but it would be eligible to move anywhere, any quantity, all that is grown. Would you expect to get as much for it or much more than you would expect to get for Hard Red?

Mr. MENNEL. I would have to think about that. I do not know. This is a new proposal to me. I have not given it any thought. Again, it would depend upon the demand. It would depend upon what the large raisers of soft wheat did. This year with no limitations and with past history of raising less than 15 acres under the 15-acre exemption they did not go hog wild in our area. I think it is safe to assume that they would not under free crop conditions.

Mr. POAGE. You would assume that not any of these growers would go hog wild if you took it off—is that what you would favor?

Mr. MENNEL. I ultimately favor a free market.

Mr. POAGE. You favor taking off all controls?

Mr. MENNEL. Ultimately.

Mr. POAGE. And all supports, do you not?

Mr. MENNEL. No, sir, that is not our proposal.

Mr. POAGE. I beg your pardon then. Then what course do you take?

Mr. MENNEL. I favor using the county support price as the limiting factor for growth.

Mr. POAGE. Yes, in other words, this proposal that you have here is something that you are in favor of as being better than that which the committee proposes, is that right?

Mr. MENNEL. Yes.

Mr. POAGE. You think that it would be good if we did have the support prices that you could get in here?

Mr. MENNEL. We know that the production of wheat that is controlled by acres does not work. We have seen in Ohio and Kansas, both, through technological revolutions increase the quantities of wheat per acre substantially.

Mr. POAGE. It does not work in those States?

Mr. MENNEL. That is correct.

Mr. POAGE. You do favor controls over bushelage, though, is that right?

Mr. MENNEL. No, sir. I favor controls by dollars; that the farmer will find other crops to raise if he cannot get the dollars he needs from wheat.

Mr. POAGE. Well, now, Mr. Mennel, is there any difference between compulsion when he gets it from the market, and when he gets it from the Government—when the Government offers to give this fellow additional money—there you say that is compulsion—he is compelled to accept the program so he can make more money. Now you say that you do not want that compulsion, but you would let that man sell through compulsion only what he could grow as the most economical crop. I am compelled to grow cotton, am I not? I cannot make as much money growing other crops as I can cotton.

Mr. MENNEL. I do not know this. I do not know your Texas agricultural situation sufficiently to be able to state that.

Mr. POAGE. You are not compelled to grow cotton, are you?

Mr. MENNEL. Presumably, we do not have types of cotton that could be raised economically in Ohio.

Mr. POAGE. That is correct. You can grow cotton, but you are compelled not to grow it. Cotton will grow in Ohio. I have grown it

in Washington. It will make a good looking plant but it will not make much cotton. You are, therefore, compelled not to grow cotton. You do not make a policy decision not to do it, but you are compelled not to grow it, because you can't make money growing it.

Mr. MENNEL. This would be done in a free enterprise manner, however. You would recognize that you were not making your profit on it, therefore you would not grow it.

Mr. POAGE. That is true of everything. Many growers under this proposed bill would reduce their acreage, because they would figure that they were not making enough per acre to justify them in planting. But the decision would be the farmer's. There is nothing in the proposed bill to require him to plant any acres of wheat. If I did not think I could make a profit, I would not plant it. That is why we call it voluntary.

Mr. MENNEL. I am not raising it for a true market.

Mr. POAGE. But the compulsion part is exactly the same with regard to the cotton in Ohio. In fact there is no compulsion except the intelligent self-interest of the grower.

Mr. MENNEL. I think that I have said to Mr. Harding that it was a matter of degree.

Mr. POAGE. A matter of what?

Mr. MENNEL. A matter of degree.

Mr. POAGE. I know that you said that to Mr. Harding. That I cannot understand. It is either compulsion or it is not. Of course, you may put it in other words, but it is not a matter of degree—it is a matter of principle whether I am compelled or whether I am not compelled, whether I have the choice, and you think that there is an inducement to make the choice—we all agree that the stakes are greater, but anybody who believes that he doesn't want to grow wheat may refrain and he has violated no law. We are not saying that he cannot grow wheat or that he must grow wheat. If he wants to grow it, he can plant all of it he wants to plant, but he will probably not make money doing that. I can't make money growing coffee in my part of the country but my choice not to grow it is voluntary. The Ohio farmer may not make money by planting his land in wheat, but he can do so if he wants to do so. Is that not the test of the compulsion, whether the man has the opportunity—not whether he is going to make money—is that not the test? Your statement is that a man is compelled to make money. I mean, that is your definition of compulsion. I am not compelled by this bill to either make money or to plant wheat or to plant no wheat.

Mr. MENNEL. You are trying to say that the free enterprise system creates compulsion.

Mr. POAGE. Under your definition of it, of course, it does—under your definition it does. Mr. Shuman has told us time and again that the marketplace should determine—what a man could or should do, and yet he considers that free enterprise exists only within the marketplace. When the marketplace makes it more profitable to grow wheat than cotton—if the price is there—he says that there is no compulsion—that is real free enterprise and I am inclined to agree with him on this. But you do not agree with Mr. Shuman. You agree then that Mr. Shuman is all wrong and that if there is more money to be made this way than you can make over here, then you have no freedom of choice and that you are compelled to go here.

Mr. MENNEL. No, sir, I have not said that.

Mr. POAGE. That is what you told Mr. Harding. You told him that even though there was no rule or law requiring it he was compelled to take the more profitable course. There is no compulsion, as I see it, should he want to take this less profitable course he can do so. I have taken the less profitable course on a good many things in my life. And have you not?

Mr. MENNEL. Certainly.

Mr. POAGE. And I was not compelled to do so. Indeed, I fear that all too often most of us don't know which will be the profitable course.

Mr. MENNEL. It is a matter of degree again. You have certain principles.

Mr. POAGE. No, it is not a matter of degree. If I want to raise Hereford cattle, and they will not make as much profit as Angus cattle I am certainly not compelled to raise Angus. I prefer whiteface cattle—they are prettier to me—if I am willing to grow Hereford cattle, and to forgo the additional profit that I might make by growing Brahmans—am I compelled or coerced?

Mr. MENNEL. Certainly not.

Mr. POAGE. It would not make any difference whether it would amount to \$3 or \$30 more per head—I am still not compelled—it is a pure free choice.

Mr. MENNEL. I think that it is an easier way to do it than this so-called voluntary plan.

Mr. POAGE. That may well be. But I think what you were doing was to try to destroy this program by an objectionable name—to put a tag on something and to try to destroy it by saying that the tag you put on it represents something bad. You were trying to say that this is a program of compulsion. Were you trying to do it to discredit the program, by saying that it is a compulsion program—you thought that it would destroy the confidence and support for that program. Was that not what you were trying to do?

Mr. MENNEL. I think this is very likely true.

Mr. POAGE. I think that is exactly what you were doing.

Mr. MENNEL. I also still think that it is a profitable way.

Mr. LATTA. I would like to say that I have enjoyed very much the discussion we have had this morning. We have had one of the best discussions of this problem that we have had in many a day. It has been very vital and interesting to me. I want to thank Mr. Mennel and Mr. Huffman for presenting their views and for their appearance here this morning.

Mr. PURCELL. I will join in Mr. Latta's statement. And we do appreciate your being here. We know you have been very sincere and very complete in your studies and in your testimony. We thank you very much.

Mr. MENNEL. Thank you.

Mr. PURCELL. With that the subcommittee will stand adjourned.

Thank you.

(Whereupon, at 12 noon, the subcommittee was recessed, to reconvene subject to the call of the Chair.)

LEGISLATIVE HISTORY

Public Law 88-297
H. R. 6196

TABLE OF CONTENTS

Index and summary of H. R. 6196 . . . . .	.1,2,3
Digest of Public Law 88-297 . . . . .	.4

INDEX AND SUMMARY OF H. R. 6196

Mar.	28, 1963	Sen. Talmadge introduced and discussed S. 1190 which was referred to the Senate Agriculture and Forestry Committee. Print of bill and remarks of Sen. Talmadge.
May	8, 1963	Sen. Ellender introduced S. 1458 which was referred to the Senate Agriculture and Forestry Committee. Print of bill.
May	9, 1963	Rep. Cooley introduced and discussed H. R. 6196 which was referred to the House Agriculture Committee. Print of bill and remarks of author.
May	13, 1963	Sen. Ellender introduced S. 1511 which was referred to the Senate Agriculture and Forestry Committee. Print of bill.
May	24, 1963	House committee (during adjournment) ordered H. R. 6196 reported.
June	6, 1963	House committee reported H. R. 6196 with amendments. H. Report No. 366. Print of bill and report.
June	10, 1963	Summary of H. R. 6196 as reported by House committee.
June	25, 1963	Rep. Hemphill urged passage of H. R. 6196 to correct inequities of two-price cotton system.
July	17, 1963	House committee discussed H. R. 6196 now pending before Rules Committee.
July	24, 1963	Rules Committee granted open rule on H. R. 6196.
July	30, 1963	Rules Committee reported resolution for the consideration of H. R. 6196. H. Res. 464, H. Report No. 602.
Dec.	2, 1963	Reps. Findley and Jones (Mo.) criticized H. R. 6196 and announced intention to offer amendments.
Dec.	3, 1963	House began debate on H. R. 6196.
Dec.	4, 1963	House passed H. R. 6196 with amendments.
Dec.	5, 1963	H. R. 6196 was referred to the Senate Agriculture and Forestry Committee. Print of bill as referred.

Feb.	20, 1964	Senate committee reported H. R. 6196 with amendments. S. Report No. 874. Print of bill and report.
Feb.	21, 1964	Sen. Williams, Del., objected to request for immediate consideration of H. R. 6196.
Feb.	24, 1964	Sen. Tower objected to consideration of H. R. 6196.
		Several Senators discussed bill.
Feb.	25, 1964	Sen. Tower submitted proposed amendments.
Feb.	26, 1964	Sens. Hruska and Simpson submitted amendments.
Feb.	27, 1964	Senate began consideration of H. R. 6196.
Feb.	28, 1964	Senate continued debate.
Mar.	2, 1964	Senate continued debate.
Mar.	3, 1964	Senate continued debate.
Mar.	4, 1964	Senate continued debate.
Mar.	5, 1964	Senate continued debate.
Mar.	6, 1964	Senate passed H. R. 6196 with amendments.
		Senate conferees were appointed.
		Print of H. R. 6196 as passed by Senate.
Mar.	9, 1964	Rep. Hoeven objected to Rep. Cooley's request that the House concur in Senate version of H. R. 6196.
Mar.	10, 1964	Insertion of comparison between H. R. 9780 (Purcell bill) and H. R. 6196.
Mar.	17, 1964	Several Representatives debated merits of bill.
Mar.	25, 1964	Rules Committee reported resolution to agree to Senate amendments to H. R. 6196. H. Res. 665, H. Report 1296.
Mar.	26, 1964	Rep. Cooley reviewed provisions of H. R. 6196.
		Several Representatives discussed procedure for consideration of H. R. 6196.

Apr. 6, 1964 Representatives debated merits of the bill.
Apr. 7, 1964 Representatives debated merits of the bill.
Apr. 8, 1964 House concurred in Senate amendments by agreeing to H. Res. 665. (By a vote of 211-203).
Apr. 11, 1964 Approved: Public Law 88-297
Remarks of the President at the signing of the bill.

Hearings:

Cotton

H. Agriculture Committee: Preliminary Hearings on Cotton Legislation, Serial A, Dec. 13 and 14, 1962.
S. Agriculture and Forestry Committee on S. 608, 1190, 1458, and 1511; Part 1 - May, 1963 and Part 2 - Jan. and Feb. 1964.

Wheat

H. Agriculture Committee: Wheat Legislation, Serial HH, Part 1 - Dec. 1963 and Part 2 - Jan. 1964
S. Agriculture and Forestry Committee on S. 1581, S. 1617, 1946, 2258, 2357, and 2492, Feb. 1964.

SYNOPSIS

THE

DIGEST OF PUBLIC LAW 88-297

AGRICULTURAL ACT OF 1964

TITLE I--COTTON

- (1) 2-year cotton program applicable to the 1964, 1965 crops.
- (2) Basic price support for 1964 at 30 cents for Middling 1-inch cotton and for the 1965 and subsequent crops at such level between 65 and 90 percent of parity, as the Secretary determines, after taking into consideration certain specified factors, including changes in the cost of production.
- (3) Additional price support, above the basic level of support, for producers who participate in the domestic allotment choice program.
- (4) A domestic allotment for each farm as a percentage of the regular farm acreage allotment equal to the percentage which the national domestic allotment (acreage estimated to produce amount needed for domestic consumption) is of the national acreage allotment under present law.
- (5) A minimum farm domestic allotment for each farm equal to the smaller of the farm acreage allotment or 15 acres.
- (6) A special cotton research program designed to reduce the cost of producing upland cotton.
- (7) The planting, within certain limits, of an acreage of upland cotton over and above regular farm acreage allotments upon the condition that cotton produced thereon is exported without Government assistance.
- (8) Minimum CCC sales price, effective August 1, 1964, at 105 percent of the basic loan rate plus reasonable carrying charges.
- (9) Payments in kind to persons, other than producers, in amounts which will eliminate inequities due to differences in the cost of raw cotton as between domestic and foreign users.
- (10) Transfer of allotments in case of natural disaster.

- (2) Basic price support
- (3) Additional price support, above 2
- (4) Basic allotment charges
- (5) Basic allotment for each farm
- (6) Regular tax on each farm
- (7) To share which the national government
- (8) Net share estimated for product and
- (9) Basic allotment of the 50
- (10) Minimum allotment for
- (11) To the farmer
- (12) To the farmer
- (13) The cost of product
- (14) The planning, w
- (15) Or more collected over and above 1
- (16) Allotments upon the collection 1
- (17) Minimum not same price, but same as
- (18) At 100 percent of 11
- (19) The certain check
- (20) Payment in kind to farmers, about 2
- (21) In amounts which will eliminate most
- (22) Differences in the cost of raw cotton
- (23) And foreign assets.
- (24) Transfer of allotments in case of

TITLE II--WHEAT

- (1) 2-year voluntary wheat certificate and acreage diversion program applicable to the 1964 and 1965 crops.
- (2) Temporary suspension of marketing quotas and penalties for wheat.
- (3) Price support (i) for domestic certificate wheat at between 65 and 90 percent of parity, (ii) for export certificate wheat at a level determined by the Secretary not in excess of 90 percent of parity, and (iii) for noncertificate wheat at a level related to world prices of wheat and the value of wheat for feed.
- (4) Continuation of farm acreage allotments, based on a national acreage allotment of not less than 49.5 million acres, and compliance therewith as a condition of price support, marketing certificates, and diversion payments.
- (5) Minimum CCC wheat sales price at 105 percent of the loan rate for noncertificate wheat, plus reasonable carrying charges.
- (6) Suspension of so-called Aufuso amendment for 1965 crop.
- (7) Continuation of existing provision of law permitting substitution of wheat and feed grains.
- (8) Continuation of present mandatory program after expiration of 2-year voluntary program.
- (9) Transfer of allotments in case of natural disaster.

WHEAT

WHEAT AND ITS APPLICATIONS TO THE
CROP.

WHEAT IS

WHEAT (i) for domestic consumption
between 25 and 50 percent of wheat, 1931-32
certified wheat at a level of 10 percent
the wheat not in excess of 10 percent
wheat for world prices of wheat &
of wheat for food.

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88TH CONGRESS
1ST SESSION

S. 1190

IN THE SENATE OF THE UNITED STATES

MARCH 28, 1963

Mr. TALMADGE (for himself and Mr. HUMPHREY) introduced the following bill; which was read twice and referred to the Committee on Agriculture and Forestry

A BILL

To maintain the income of cotton producers, to permit cotton producers to grow and market cotton on a free enterprise basis, to protect the welfare of consumers and of those engaged in the manufacture of cotton textiles, to encourage the exportation of cotton, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "Cotton Domestic Allot-
4 ment Act".

5 SEC. 2. This Act shall be applicable to upland cotton
6 beginning with the 1964 crop and the provisions of the
7 Agricultural Adjustment Act of 1938, as amended, except
8 sections 301 (a), 373, 375, and the provisions of subtitle F

1 of title III thereof, shall not be applicable to upland cotton
2 beginning with the 1964 crop.

3 DOMESTIC ALLOTMENT

4 SEC. 3. (a) The Secretary shall proclaim, not later than
5 December 15 of each calendar year, a national domestic
6 allotment for the crop of cotton to be produced in the next
7 calendar year of a number of bales of cotton which is esti-
8 mated to result in the production of cotton within such allot-
9 ment equal to the estimated domestic consumption of cotton
10 for the marketing year beginning in the next calendar
11 year.

12 (b) (1) For the 1964 and 1965 crops of cotton, the
13 national domestic allotment shall be apportioned to the
14 States for which a 1963 State acreage allotment was estab-
15 lished under section 344 of the Agricultural Adjustment Act
16 of 1938, as amended, on the basis of the number of bales
17 of cotton determined for each State by converting such
18 1963 State acreage allotment (including the State's share
19 of the national reserve) to a number of bales based on the
20 average yield per acre of cotton for the State.

21 (2) For the 1966 crop of cotton, the national domestic
22 allotment shall be apportioned to the States on the basis of
23 the average number of bales obtained by dividing the sum of
24 the following by three: (i) the number of bales used as the
25 base for apportioning the 1964 national domestic allotment,

1 adjusted for the State average yield, multiplied by two, and
2 (ii) the State production base for the 1964 crop of cotton.
3 For purposes of this section, the "State production base"
4 shall be the smaller of the State domestic allotment for the
5 crop or the production within such State domestic allotment,
6 adjusted for abnormal conditions adversely affecting plant-
7 ings and yields of cotton and adjusted for farms regarded
8 as having produced cotton. For purposes of this section,
9 "farms regarded as having produced cotton" shall be farms
10 deemed to have cotton planted or produced under any other
11 provision of law, including subsection (f) of this section,
12 and farms on which 75 per centum or more of the farm allot-
13 ment was produced or regarded as having been produced
14 under any other provision of law, including subsection (d)
15 (3) and subsection (f) of this section, shall be deemed to
16 have produced the entire farm allotment, and farms on which
17 less than 75 per centum of the farm allotment was produced
18 or regarded as having been produced under any other pro-
19 vision of law, including subsection (f) of this section, shall
20 be deemed to have produced the average of the farm allot-
21 ment and the production (actual and regarded as produced)
22 on the farm.

23 (3) For the 1967 crop of cotton, the national domestic
24 allotment shall be apportioned to the States on the basis of
25 the average number of bales obtained by dividing the sum

1 of the following by three: (i) the number of bales used as
2 the base for apportioning the 1964 national domestic allot-
3 ment, adjusted for the State average yield, and (ii) the sum
4 of the 1964 and 1965 State production bases.

5 (4) For the 1968 and subsequent crops of cotton, the
6 national domestic allotment shall be apportioned to the
7 States on the basis of the average of the State production
8 bases for the three years immediately preceding the calendar
9 year in which the national domestic allotment is proclaimed.

10 (c) The State domestic allotment, less any State reserve,
11 shall be apportioned to counties on the same basis as to years
12 and conditions as is applicable to the State under subsection
13 (b) of this section: *Provided*, That the State committee may
14 reserve not to exceed 10 per centum of the State allotment
15 which shall be used to make adjustments in county domestic
16 allotments for trends in cotton production, for new farms,
17 to correct inequities in farm allotments and to prevent
18 hardship.

19 (d) (1) For the 1964 crop of cotton, the county domes-
20 tic allotment less any county reserve shall be apportioned
21 to old cotton farms on the basis of the 1963 farm acreage
22 allotment converted into production of cotton by multiplying
23 such acreage allotment by the farm average yield: *Provided*,
24 That if less than 75 per centum of such acreage allotment
25 was actually planted (or regarded as planted under the Soil

1 Bank Act, the Great Plains program, and the release and
2 reapportionment provisions of subsection (m) (2) of section
3 344 of the Agricultural Adjustment Act of 1938, as
4 amended) the farm production base for 1963 shall be the
5 production based on the average of the 1963 farm allotment
6 and the acreage so planted or regarded as planted.

7 (2) For the 1965 and subsequent crops of cotton, the
8 county domestic allotment less any county reserve shall be
9 apportioned to old cotton farms on the basis of the farm
10 domestic allotment established for the preceding crop of
11 cotton: *Provided*, That if less than 75 per centum of such
12 farm domestic allotment was produced or regarded as pro-
13 duced, the farm production base shall be the production
14 based on the average of such farm domestic allotment and
15 the production (including any production regarded as pro-
16 duced) of cotton on the farm.

17 (3) The farm production base shall not be adjusted
18 under this subsection if the Secretary determines that failure
19 to plant or produce, as the case may be, at least 75 per
20 centum of the farm domestic allotment, or the farm acreage
21 allotment for 1963, was due to conditions beyond the control
22 of producers on the farm. Old cotton farm means a farm on
23 which cotton has been produced (or regarded as planted to
24 cotton or produced under any other provision of law except

1 subsection (f) of this section and the provisions of subsection
2 (m) (2) of section 344 of the Agricultural Adjustment Act
3 of 1938, as amended, pursuant to a farm allotment in any
4 one of the three years immediately preceding the year for
5 which a farm allotment is established.

6 (e) The county committee may reserve not to exceed
7 15 per centum of the county domestic allotment which shall
8 be used to make adjustments for new farms, to correct in-
9 equities in farm allotments and to prevent hardship.

10 (f) The farm operator with the concurrence of the farm-
11 owner who is also a producer of cotton may release any
12 part of the farm domestic allotment to the county committee
13 for use in increasing farm allotments on other farms in the
14 county. The county committee shall reapportion any such
15 released allotment in accordance with regulations prescribed
16 by the Secretary. If released allotment is not reapportioned
17 in the county, the county committee shall transfer such allot-
18 ment to the State committee for further transfer to other
19 counties in the State. Any allotment released from a farm
20 shall be regarded for purposes of establishing future State,
21 county, and farm allotments as having been produced on the
22 farm and in the county where the release was made except
23 that this shall not operate to make the farm from which the
24 allotment was released considered as having cotton produc-

1 tion during the three-year period for eligibility as an old
2 cotton farm.

3 SEC. 4. (a) For the purposes of this Act, the following
4 terms are defined as follows:

5 (1) "United States" means the several States, the
6 District of Columbia, and Puerto Rico.

7 (2) "State" includes the District of Columbia and
8 Puerto Rico.

9 (3) "Secretary" means the Secretary of Agriculture.

10 (4) "Person" means an individual, partnership, firm,
11 joint-stock company, corporation, association, trust, estate, or
12 any agency of a State.

13 (5) "Bale of cotton" means a standard bale of five
14 hundred pounds gross weight.

15 (6) "Marketing year" means the period beginning
16 August 1 and ending July 31.

17 (7) "State average yield", "county average yield", and
18 "farm average yield" shall be the average yield per acre
19 of cotton for the State, county, or farm, adjusted for abnor-
20 mal weather conditions and changes in farming practices,
21 during the three calendar years immediately preceding the
22 year in which such yield is determined.

23 (8) "Farm" means such land as the Secretary pre-
24 scribes by regulation to be constituted as a farm.

1 PRICE SUPPORT

2 SEC. 5. Section 103 of the Agricultural Act of 1949, as
3 amended, is amended effective with the 1964 crop of upland
4 cotton to read as follows:

5 “Notwithstanding the provisions of section 101 of this
6 Act:

7 “(a) Price support for each crop of upland cotton
8 shall be made available to producers through loans,
9 purchases, or other operations at such level not less than
10 50 per centum or more than 60 per centum of the parity
11 price therefor as the Secretary determines appropriate
12 after consideration of the factors specified in section 401
13 (b) of this Act and the price of cotton in world markets.

14 “(b) Price support in addition to that provided in
15 subsection (a) of this section shall be made available
16 to producers of each crop of upland cotton through
17 loans, purchases, or other operations, including pay-
18 ments in cash or in kind, on a quantity of cotton of
19 such crop produced on each farm equal to the farm’s
20 domestic allotment for such crop established under the
21 Cotton Domestic Allotment Act. The levels of price
22 support on such cotton shall be determined by the
23 Secretary within the ranges prescribed in the schedule

below after consideration of the factors specified in section 401 (b) of this Act.

“Production intervals in terms of bales
(standard bales of 500 pounds gross
weight)

Level of support

“15 bales and less-----	Not less than 80 or more than 90 per centum of the parity price.
16 to 30 bales, inclusive-----	Not less than 75 or more than 85 per centum of the parity price.
More than 30 bales-----	Not less than 70 per centum or more than 80 per centum of the parity price.

“If a portion of the price support for any upland cotton is made available through payments to producers, the rate of payment shall be in an amount per pound of cotton which, when added to the average spot market price of middling one-inch cotton for the calendar week preceding the date of the marketing of the cotton with respect to which payment is made, as determined by the Secretary, or the level of support (converted to a middling one-inch basis) for such crop under subsection (a), whichever is higher, will provide a return to the producer equal to the applicable level of support (converted to a middling one-inch basis) under the schedule set out above. The Secretary shall provide adequate safeguards to protect the interests of tenants and sharecroppers, including provision for sharing, on a fair and equitable basis, in payments under this section.”

SEC. 6. Section 407 of the Agricultural Act of 1949, as

1 amended, is amended by inserting after the first proviso in
2 the third sentence thereof the following proviso: "*Provided*
3 *further*, That beginning August 1, 1964, the Commodity
4 Credit Corporation may sell upland cotton for unrestricted
5 use at not less than 105 per centum of the current support
6 price established under section 103 (a) of this Act for upland
7 cotton plus reasonable carrying charges".

8 SEC. 7. In order to maintain and expand domestic con-
9 sumption of upland cotton produced in the United States and
10 to prevent discrimination against the domestic users of such
11 cotton, notwithstanding any other provision of law, the Com-
12 modity Credit Corporation, under such rules and regulations
13 as the Secretary may prescribe, is authorized and directed for
14 the period beginning with the date of enactment of this sec-
15 tion and ending July 31, 1964, to make payments through
16 the issuance of payment-in-kind certificates to persons other
17 than the producers of such cotton, in such amounts and sub-
18 ject to such terms and conditions as the Secretary determines
19 will eliminate inequities due to differences in the cost of raw
20 cotton between domestic and foreign users of such cotton,
21 including such payments as may be necessary to make raw
22 cotton in inventory available for consumption at prices con-
23 sistent with the purposes of this section.

A BILL

To maintain the income of cotton producers, to permit cotton producers to grow and market cotton on a free enterprise basis, to protect the welfare of consumers and of those engaged in the manufacture of cotton textiles, to encourage the exportation of cotton, and for other purposes.

By Mr. TALMADGE and Mr. HUMPHREY

MARCH 28, 1963

Read twice and referred to the Committee on
Agriculture and Forestry

ORDER OF BUSINESS

The PRESIDING OFFICER (Mr. BAYH in the chair). Is there further morning business? If not, morning business is concluded.

ESTABLISHMENT OF DOMESTIC PRODUCTION ALLOTMENT AND RESTORATION OF COTTON TO FREE ENTERPRISE SYSTEM

Mr. TALMADGE. Mr. President, for too many years now, the American cotton producers and the American cotton textile manufacturers have been suffering under the handicap of a ruinous two-price system for cotton that is threatening to destroy an important segment of our national economy.

Our cotton textile industry—in the mills and on the farms—cannot much longer endure unless the Congress takes action to restore American cotton and American textiles to a competitive position in the marketplace of the world.

It is for this reason that I am today introducing new and badly needed legislation that will end this iniquitous two-price system—that will remove acreage restrictions from the cotton farmer—reduce costly warehouse surpluses—and enable our domestic mills once again to buy our own cotton as cheap as we sell it to foreign mills.

The bill, entitled the "Cotton Domestic Allotment Act," is designed to maintain the income of cotton producers, to permit cotton producers to grow and market cotton on a free enterprise basis, to protect the welfare of the consumers and of those engaged and employed in the manufacture of cotton textiles, and to encourage the exportation of cotton.

My purpose is to strike the shackles of acreage controls from the American cotton farmer, to free him to sell his product on a world market that can seek its own levels under the law of supply and demand, and yet to give him the protection of price support on the cotton grown for domestic consumption.

My purpose is to wipe out the 8½ cents a pound premium, the \$42.50 a bale price differential American mills are forced to pay for American cotton over and above the price paid for American cotton by foreign mills.

This intolerable situation cries out for a remedy while the textile mills and the cotton farmers of the United States struggle for survival in a fierce world trade competition in which our own rules work against our own people.

Under the two-price system, American mills must pay 8½ cents a pound more for cotton than buyers overseas. This price differential for raw cotton, plus the advantage of cheap labor in foreign mills, is rapidly pricing the American cotton textile industry out of business.

With overseas mills able to buy cotton at \$42.50 a bale less than American mills pay, the advantage is obvious. They are able to send their products into our markets and displace products made in the United States from American cotton.

Japanese and other foreign manufacturers have been able to turn U.S. cotton into textiles, ship them back to the

United States, pay the tariff, and undersell American textiles.

Inevitably, the loss of a market for domestically made cotton textile products results in a loss of a market for American-grown cotton.

The cotton farmer suffers, the textile mill suffers, the textile worker suffers, and the Nation's economy suffers.

Already we see the disastrous results of this unjust, senseless situation. Imports of cotton products into this country have doubled since 1958, despite agreements negotiated with Japan and some other countries to restrain their textile shipments to the United States.

Hundreds of American mills have shut down, throwing thousands of workers out of jobs. Many other mills who have managed to stay in operation are turning more and more to the use of synthetic fibers.

Textile jobs in this country have fallen from more than one and a quarter million in 1947 to less than 840,000 last year.

In those mills which are still operating, the production of rayon and other manmade fibers has substantially increased under prices highly attractive in relation to the price of cotton.

Another result is that cotton surpluses are piling up in the warehouses. In spite of a national 1962 acreage allotment of 400,000 acres lower than 1961, a larger crop was produced, and the carryover next August will be up by about 2 million bales.

The Commodity Credit Corporation's cotton inventory went from \$245 million at the end of 1961 to \$811 million at the end of 1962. In addition, \$706 million in cotton was under loan on December 31, 1962.

If no action is taken soon, some farm officials fear the stocks acquired under the price support program may rise to more than 8 million bales at the end of the marketing year, August 1, up from 4.7 million a year earlier.

This is what happens when the domestic manufacturers step up the use of manmade fibers, and foreign fabric makers buy larger and larger quantities of lower priced cotton produced in Africa and Asia.

What does this unhappy situation mean to the cotton farmers in this country? It means that under the national acreage allocation now in effect, which is the lowest ever established pursuant to the 1938 act, gross cotton returns to farmers are expected to be some \$175 million less than those for the 1962 crop.

Twenty-five years ago, there were 2 million cotton producers in the United States on 1.5 million farms. Today the number of producers receiving cotton allotments is down to about 900,000; and we expect cotton to be planted this year on not more than 650,000 farms.

In an attempt to help the ailing cotton-textile industry, the Secretary of Agriculture requested the Tariff Commission to seek a solution to the problem, through the imposition of an import fee of 8½ cents a pound on the cotton content of textile imports, to offset the 8½-cent export subsidy.

The Tariff Commission rejected this proposal, however; and the inequitable two-price system continues to be a heavy burden upon the American textile industry.

One proposal has been to make payments to the American mills or cotton handlers in an amount sufficient to offset the 8½ cents a pound export subsidy. But for a long-range program this is not the answer, because it would add to the costs of the already burdened American taxpayer. Each 1-cent per pound payment would cost the Treasury another \$45 million a year. Even the mills, themselves, do not seek it.

There is great merit in what William H. Ruffin, of Durham, N.C., president of the American Textile Manufacturers Institute, said recently when he declared:

We ask only that American mills be enabled to buy American cotton at the same price paid by our foreign competitors. We have never sought a Government subsidy. We do not seek one now.

A Government-created injustice exists, and its continuance is doing great harm to almost 2 million Americans who are employed by the textile and apparel industries, to cotton farmers, and to consumers.

The injustice is the 8½ cents a pound difference between what American mills and foreign mills pay for U.S. cotton. This injustice cannot be remedied by halfway measures.

Mr. President, I concur in the sentiments expressed by the president of the American Textile Manufacturers Institute; and in the legislation I propose, this injustice will be remedied.

In order to help the American cotton farmer, the textile worker, the mill owner, the merchant, the consumer, and the taxpayer—in short, the national economy—I shall propose what I believe to be legislation best suited for our cotton industry from farm to mill to store to customer.

Mr. President, for many years—as a farmer, as Governor of my State, as a Member of this body, and as a member of the Committee on Agriculture—I have given the problems of cotton long and serious study.

It is my carefully considered judgment that the plan I shall propose is the program that will work best for all. I welcome my colleagues' support for it, and I welcome the support of all segments of the cotton industry.

Before going into details of the bill, I should like to give my colleagues some of the history and the background of the acreage controls which I seek to eliminate with this legislation, and the reasons such action is needed.

Cotton acreage controls were first imposed on the 1938 crop, and were continued for each crop through 1943. Allotments were suspended during the war and postwar years until the 1950 crop, when they were imposed again. The 1951, 1952, and 1953 crops were free of allotments. Beginning with the 1954 crop, acreage controls have been imposed on each crop up to the present. Thus, in this period of 25 years, acreage controls were applied to 16 crops of cotton.

The national allotments have varied all the way from 16 million acres, as presently in effect, to more than 26 mil-

lion acres. This is a spread of some 10 million acres. The changes in the national allotment vary from one crop to another. Some of them have been very sharp changes, and are highly frustrating to farmers. Many farmers cannot soundly plan their crops until very late in the planting season until they know what their allotments will finally be after reapportionment of released allotments. The investment which farmers have in machinery, labor, and other expenses necessary to the production of a cotton crop is tremendous.

The farmers are entitled to a program that is more stable than has been the acreage-allotment program. They should have freer latitude in using their investments than is provided under acreage controls.

Under the acreage-allotment plan, we have seen the carryover of cotton reach a record high of 14.5 million bales. This record high was reached on August 1, 1956. A number of legislative and administrative piecemeal programs have been put into effect, in a desperate attempt to keep supplies in line with off-take. These, we well know, have been very expensive operations.

We strongly believe that if farmers are provided a program such as that contained in the bill I am introducing today, cotton producers can do a much better job of planning their operations from year to year, and better cultural methods will be employed to reduce production costs. The quality of our product will be improved.

In recent years, and again this year, I have introduced general farm legislation based on the principles of letting the farmer farm and taking the Government out of the business of buying, transporting, storing, and selling farm commodities. Under the present program the Government actually acts as a pawnbroker who deals in farm commodities.

The cotton bill which I am introducing today would eliminate acreage control and, instead, would assign to each farmer a farm domestic allotment expressed in terms of pounds or bales of cotton. Such allotment would represent the farm's fair share of estimated domestic consumption requirements. The bill would enable the Secretary to carry out a program under which the farmer would be permitted to market all of the cotton he produced and receive payments in cash or in kind for the cotton marketed within his domestic allotment. The payment would be equal to the difference between the price he received for such cotton and a percent of parity, determined by the Secretary, within ranges which would run from 70 to 90 percent of parity, and would vary according to the quantity of cotton marketed.

But the farmer would be free to produce and sell as much as he pleased, over and above his domestic quota, at world prices.

The ills and problems of cotton are so unique as to require separate legislation based on the same broad principle of my general farm legislation.

Such an approach for cotton, as well as for other commodities, would be simple and eliminate much redtape. It

would eliminate the regimentation and dictation imposed by acreage controls. For example, the need for measuring the acreage of cotton on almost three-quarters of a million farms would be eliminated. Also, each farmer would no longer be required to carry a marketing card for use in identification of his own cotton.

Such an approach would let the farmer plant what he wants and sell it as he pleases and to whom he pleases. It would lead to the elimination of surpluses that glut the markets and stagnate the economy.

Such an approach would mean lower prices to both the consumer and industry and would put American cotton, both raw and processed, back on the world markets at competitive prices. In short, it would restore cotton to the free enterprise system.

Yet, it would give the farmers protection equivalent to labor's minimum wage and right to collective bargaining, and industry's tariff and Government contracts and subsidies.

Such an approach would mark a new and fresh start, which would release cotton from the bonds of past mistakes and abortive laws.

Here then, Mr. President, is this new approach that I propose in my Cotton Domestic Allotment Act of 1963:

The principal provisions of the bill are as follows:

First. Beginning with the 1964 crop, the Secretary of Agriculture would establish each year a national domestic allotment for cotton in a number of bales equal to the estimated domestic consumption of cotton for the marketing year beginning in the year in which the crop is produced.

Second. The national domestic allotment would be apportioned to the States, counties, and farms on a different basis for each of the first few years of the program. The general objective, however, would be to provide for such apportionment to be made as close as possible to the apportionment now in effect for acreage allotments, so as to maintain the same relationship between States, counties, and farms as exist under the present acreage allotment program.

Third. Beginning with the 1968 crop, the national allotment would be apportioned to States, counties and farms primarily on the basis of the average production within the respective allotments for the 3 preceding years.

Fourth. The State and county committees would be authorized to establish State and county reserves to the same extent and for the same purposes for which such reserves are established under the present cotton acreage allotment program. The bill would authorize the release of farm allotments to the county committee for use in increasing farm allotments in the county, and if such allotments could not be used in the county, they could be released to the State committee for use in other counties in the State. The State, county, and farm from which allotments are released would receive credit for the production of such released allotments for purposes of establishing future allotments for eligible old cotton farms.

Fifth. The bill would authorize price support for all cotton at a level between 50 and 60 percent of parity. On the basis of the current parity price, this would mean a level of support of between 20 and 24 cents per pound for all cotton produced in the United States.

Sixth. The bill provides a higher level of price support for cotton produced within the farm domestic allotment. The level of support on such cotton would be on 3 production intervals, and the Secretary would prescribe a level for that part of the production in each interval within the following ranges: 15 bales and less, not less than 80 or more than 90 percent of the parity price.

At the present parity level that would amount to 32 to 36 cents a pound. Sixteen to thirty bales, inclusive, not less than 75 or more than 85 percent of the parity price. And at the present parity level that would amount to 30 to 34 cents a pound. More than 30 bales, not less than 70 or more than 80 percent of the parity price. And at the present parity level that would amount to 28 to 32 cents a pound.

The price support on domestic allotment cotton could be made available through loans, purchases or other operations, including payments in cash or in kind to producers.

Seventh. Beginning August 1, 1964, the Commodity Credit Corporation will be authorized to sell upland cotton for unrestricted use at not less than 105 percent of the current support price available for all cotton—50 to 60 percent of parity—plus reasonable carrying charges.

Eighth. In the transition period of placing this act in operation, the Secretary of Agriculture would be authorized and directed for the first year, ending July 31, 1964, as an emergency measure, to make payments-in-kind from Commodity Credit Corporation stocks to persons other than producers in amounts sufficient to remove the inequities of the two-price system to the domestic mills.

Mr. President, this is a brief statement of the principal provisions of the bill, but I shall submit a more lengthy analysis of the bill for those who would like more details.

I would now like to carefully compare this proposed Cotton Domestic Allotment Act with the present cotton program.

Today, the whole cotton industry, from the farm on which it is grown to the local gin, to the compress, to the final spinning of cotton in either domestic or foreign mill, is dominated by the activities of the Commodity Credit Corporation.

The Domestic Allotment Act would restore the freedom of farmers to plant cotton, as they choose.

This is dramatically illustrated by the fact that under this bill there would be no need for farmers collectively to bind themselves in a referendum to mutual restrictions on their freedom to plant cotton.

Cotton buyers would be free to buy cotton. Cotton merchants would be free to merchandise cotton. Cotton warehousemen would compete freely for the

business of storing privately owned cotton. Exporters would be free to export—without subsidy or other assistance and certainly without any hindrance from Government. Even the cotton exchanges in New Orleans and New York, almost forgotten in the kind of market we have had in the last few years, would come to life again.

Under the provisions of the present law, the Secretary of Agriculture last October was forced to reduce the national acreage allotment to the legal minimum for 1963. This will reduce farm income from cotton. The great cotton areas of the Mississippi delta, the high plains of Texas, and the three Western States will be particularly hurt by the sharp reduction in cotton acreage.

Price support for 1963 has been announced at a level unchanged from last year. However, under the present act, it is not likely that present levels of price support can be maintained indefinitely. Thus, under present legislation, farm income from cotton would decline further in the years ahead. True, the 1949 act provides for price support from 65 to 90 percent of parity. But with cotton consumption steadily declining at current price relationships with synthetic fibers, 90 percent of parity under the existing law is a complete fiction. Even 80 percent of parity is a fiction under this act. Over the next few years, I doubt if a uniform level of price support as high as 75 percent could be maintained.

The Cotton Domestic Allotment Act would maintain gross farm income and do so indefinitely. It would certainly increase net farm income. It would provide for price support on the domestic allotment of from 70 to 90 percent of parity and from 80 to 90 percent of parity for the majority of growers; those who produce 15 bales or less. Under this bill, 90 percent of parity could be a reality rather than a fiction.

It would allow each producer to choose for himself whether he wishes to grow more cotton at a lower average return per bale or grow less cotton at a higher unit return. Each producer would be free to plant as much acreage to cotton as he likes. He would, however, know in advance that he would receive a specified level of price support on a specific number of bales. He would decide for himself how much cotton he wants to produce and how he wants to produce it.

It would not be necessary for him to devise elaborate and expensive skip-row schemes for producing his crop. He would not be forced to use his best land year after year without rotation. Having once decided how much cotton he wished to produce, he would then be free to produce his cotton in a way that for him would be most economical.

Under the Cotton Domestic Allotment Act, cotton spinning mills would once again spin cotton. Workers presently employed would go back on: full-time basis and workers now laid off would be reemployed. The whole textile industry would be revitalized by the renewed opportunity to compete with foreign textile mills on an even basis.

Mr. President, I welcome the support of my colleagues on both sides of the aisle for this proposed legislation. I hope it will be passed by the Senate, approved also in the other body, and thus enacted by the Congress and signed into law by the President. I am confident it will save our cotton industry and restore cotton to its rightful position of competitive, free enterprise prosperity.

It is with this hope, Mr. President, that I herewith introduce my bill, and ask unanimous consent that it be read twice and appropriately referred, and that the text of the bill and the accompanying detailed analysis of it be printed in the RECORD at this juncture.

The PRESIDING OFFICER. The bill will be received and appropriately referred; and, without objection, the bill and analysis will be printed in the RECORD.

The bill (S. 1190) to maintain the income of cotton producers, to permit cotton producers to grow and market cotton on a free enterprise basis, to protect the welfare of consumers and of those engaged in the manufacture of cotton textiles, to encourage the exportation of cotton, and for other purposes, introduced by Mr. TALMADGE (for himself and Mr. HUMPHREY), was received, read twice by its title, referred to the Committee on Agriculture and Forestry, and ordered to be printed in the RECORD, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Cotton Domestic Allotment Act."

SEC. 2. This Act shall be applicable to upland cotton beginning with the 1964 crop and the provisions of the Agricultural Adjustment Act of 1938, as amended, except sections 301(a), 373, 375 and the provisions of Subtitle F of Title III thereof, shall not be applicable to upland cotton beginning with the 1964 crop.

DOMESTIC ALLOTMENT

SEC. 3(a). The Secretary shall proclaim, not later than December 15 of each calendar year, a national domestic allotment for the crop of cotton to be produced in the next calendar year of a number of bales of cotton which is estimated to result in the production of cotton within such allotment equal to the estimated domestic consumption of cotton for the marketing year beginning in the next calendar year.

(b)(1) For the 1964 and 1965 crops of cotton, the national domestic allotment shall be apportioned to the States for which a 1963 State acreage allotment was established under section 344 of the Agricultural Adjustment Act of 1938, as amended, on the basis of the number of bales of cotton determined for each State by converting such 1963 State acreage allotment (including the State's share of the national reserve) to a number of bales based on the average yield per acre of cotton for the State.

(2) For the 1966 crop of cotton, the national domestic allotment shall be apportioned to the States on the basis of the average number of bales obtained by dividing the sum of the following by three: (i) the number of bales used as the base for apportioning the 1964 national domestic allotment, adjusted for the State average yield, multiply by two, and (ii) the State production base for the 1964 crop of cotton. For purposes of this section, the "State production base" shall be the smaller of the State domestic allotment for the crop or the

production within such State domestic allotment, adjusted for abnormal conditions adversely affecting plantings and yields of cotton and adjusted for farms regarded as having produced cotton. For purposes of this section, "farms regarded as having produced cotton" shall be farms deemed to have cotton planted or produced under any other provision of law, including subsection (f) of this section, and farms on which 75 per centum or more of the farm allotment was produced or regarded as having been produced under any other provision of law, including subsection (d)(3) and subsection (f) of this section, shall be deemed to have produced the entire farm allotment, and farms on which less than 75 per centum of the farm allotment was produced or regarded as having been produced under any other provision of law, including subsection (f) of this section, shall be deemed to have produced the average of the farm allotment and the production (actual and regarded as produced) on the farm.

(3) For the 1967 crop of cotton, the national domestic allotment shall be apportioned to the States on the basis of the average number of bales obtained by dividing the sum of the following by three: (i) the number of bales used as the base for apportioning the 1964 national domestic allotment, adjusted for the State average yield, and (ii) the sum of the 1964 and 1965 State production bases.

(4) For the 1968 and subsequent crops of cotton, the national domestic allotment shall be apportioned to the States on the basis of the average of the State production bases for the three years immediately preceding the calendar year in which the national domestic allotment is proclaimed.

(c) The State domestic allotment less any State reserve shall be apportioned to counties on the same basis as to years and conditions as is applicable to the State under subsection (b) of this section: *Provided*, That the State committee may reserve not to exceed 10 per centum of the State allotment which shall be used to make adjustments in county domestic allotments for trends in cotton production, for new farms, to correct inequities in farm allotments, and to prevent hardship.

(d)(1) For the 1964 crop of cotton, the county domestic allotment less any county reserve shall be apportioned to old cotton farms on the basis of the 1963 farm acreage allotment converted into production of cotton by multiplying such acreage allotment by the farm average yield: *Provided*, That if less than 75 percent of such acreage allotment was actually planted (or regarded as planted under the Soil Bank Act, the Great Plains program and the release and reapportionment provisions of subsection (m)(2) of section 344 of the Agricultural Adjustment Act of 1938, as amended) the farm production base for 1963 shall be the production based on the average of the 1963 farm allotment and the acreage so planted or regarded as planted.

(2) For the 1965 and subsequent crops of cotton, the county domestic allotment less any county reserve shall be apportioned to old cotton farms on the basis of the farm domestic allotment established for the preceding crop of cotton: *Provided*, That if less than 75 percent of such farm domestic allotment was produced or regarded as produced, the farm production base shall be the production based on the average of such farm domestic allotment and the production (including any production regarded as produced) of cotton on the farm.

(3) The farm production base shall not be adjusted under this subsection if the Secretary determines that failure to plant or produce, as the case may be, at least 75 percent of the farm domestic allotment, or the farm acreage allotment for 1963, was due

to conditions beyond the control of producers on the farm. Old cotton farm means a farm on which cotton has been produced (or regarded as planted to cotton or produced under any other provision of law except subsection (f) of this section and the provisions of subsection (m) (2) of section 344 of the Agricultural Adjustment Act of 1938, as amended) pursuant to a farm allotment in any one of the three years immediately preceding the year for which a farm allotment is established.

(e) The county committee may reserve not to exceed 15 percent of the county domestic allotment which shall be used to make adjustments for new farms, to correct inequities in farm allotments and to prevent hardship.

(f) The farm operator with the concurrence of the farm owner who is also a producer of cotton may release any part of the farm domestic allotment to the county committee for use in increasing farm allotments on other farms in the county. The county committee shall reapportion any such released allotment in accordance with regulations prescribed by the Secretary. If released allotment is not reapportioned in the county, the county committee shall transfer such allotment to the State committee for further transfer to other counties in the State. Any allotment released from a farm shall be regarded for purposes of establishing future State, county, and farm allotments as having been produced on the farm and in the county where the release was made except that this shall not operate to make the farm from which the allotment was released considered as having cotton production during the three year period for eligibility as an old cotton farm.

Sec. 4(a). For the purposes of this Act, the following terms are defined as follows:

(1) "United States" means the several States, the District of Columbia, and Puerto Rico.

(2) "State" includes the District of Columbia and Puerto Rico.

(3) "Secretary" means the Secretary of Agriculture.

(4) "Person" means an individual, partnership, firm, joint-stock company, corporation, association, trust, estate, or any agency of a State.

(5) "Bale of cotton" means a standard bale of five hundred pounds gross weight.

(6) "Marketing year" means the period beginning August 1 and ending July 31.

(7) "State average yield", "county average yield" and "farm average yield" shall be the average yield per acre of cotton for the State, county, or farm, adjusted for abnormal weather conditions and changes in farming practices, during the three calendar years immediately preceding the year in which such yield is determined.

(8) "Farm" means such land as the Secretary prescribes by regulation to be constituted as a farm.

PRICE SUPPORT

Sec. 5. Section 103 of the Agricultural Act of 1949, as amended, is amended effective with the 1964 crop of upland cotton to read as follows:

Notwithstanding the provisions of section 101 of this Act:

(a) Price support for each crop of upland cotton shall be made available to producers through loans, purchases, or other operations at such level not less than 50 per centum or more than 60 per centum of the parity price therefor as the Secretary determines appropriate after consideration of the factors specified in section 401(b) of this Act and the price of cotton in world markets.

(b) Price support in addition to that provided in subsection (a) of this section shall be made available to producers of each crop of upland cotton through loans, purchases, or other operations, including payments in

cash or in kind, on a quantity of cotton of such crop produced on each farm equal to the farm's domestic allotment for such crop established under the Cotton Domestic Allotment Act. The levels of price support on such cotton shall be determined by the Secretary within the ranges prescribed in the schedule below after consideration of the factors specified in section 401(b) of this Act.

Production intervals in terms of bales (standard bales of 500 pounds gross weight)	Level of support
15 bales and less	Not less than 80 or more than 90 per centum of the parity price.
16 to 30 bales, inclusive	Not less than 75 or more than 85 per centum of the parity price.
More than 30 bales	Not less than 70 per centum or more than 80 per centum of the parity price.

If a portion of the price support for any upland cotton is made available through payments to producers, the rate of payment shall be in an amount per pound of cotton which, when added to the average spot market price of middling one-inch cotton for the calendar week preceding the date of the marketing of the cotton with respect to which payment is made, as determined by the Secretary, or the level of support (converted to a middling one-inch basis) for such crop under subsection (a), whichever is higher, will provide a return to the producer equal to the applicable level of support (converted to a middling one-inch basis) under the schedule set out above. The Secretary shall provide adequate safeguards to protect the interests of tenants and sharecroppers, including provision for sharing, on a fair and equitable basis, in payments under this section.

Sec. 6. Section 407 of the Agricultural Act of 1949, as amended, is amended by inserting after the first proviso in the third sentence thereof the following proviso:

"Provided further, That beginning August 1, 1964, the Commodity Credit Corporation may sell upland cotton for unrestricted use at not less than 105 percent of the current support price established under section 103 (a) of this Act for upland cotton plus reasonable carrying charges."

Sec. 7. In order to maintain and expand domestic consumption of upland cotton produced in the United States and to prevent discrimination against the domestic users of such cotton, notwithstanding any other provision of law, the Commodity Credit Corporation, under such rules and regulations as the Secretary may prescribe, is authorized and directed for the period beginning with the date of enactment of this section and ending July 31, 1964, to make payments through the issuance of payment-in-kind certificates to persons other than the producers of such cotton, in such amounts and subject to such terms and conditions as the Secretary determines will eliminate inequities due to differences in the cost of raw cotton between domestic and foreign users of such cotton, including such payments as may be necessary to make raw cotton in inventory available for consumption at prices consistent with the purposes of this section.

Mr. TALMADGE. Mr. President, I ask unanimous consent that the bill may lie on the desk until the conclusion of business next Wednesday, in order that any Members of the Senate who desire may cosponsor it.

The PRESIDING OFFICER. The bill

will be received and appropriately referred; and, without objection, the bill and analysis will be printed in the RECORD, and the bill will lie on the desk, as requested.

The analysis presented by Mr. TALMADGE is as follows:

ANALYSIS OF A PROPOSED BILL TO ENACT THE COTTON DOMESTIC ALLOTMENT ACT

This bill would provide a program for establishing National, State, county, and farm domestic allotments for the 1964 and subsequent crops of upland cotton in terms of bales rather than acres of cotton. The amount of the national domestic allotment would approximate the estimated domestic consumption of cotton for the marketing year beginning in the year in which the crop is produced. The bill would also authorize price support on all cotton at a low level (50 to 60 percent of parity) which on the basis of the current parity price would probably range between 20 and 24 cents per pound of cotton. However, a higher level of support would be authorized on the farm domestic allotment and such support could be made available by payments in cash or in kind to producers.

The provisions of the bill provide as follows:

1. Section 1 provides that the act may be cited as the "Cotton Domestic Allotment Act."

2. Section 2 provides that the act is applicable to upland cotton beginning with 1964 crop. The Agricultural Adjustment Act of 1938, as amended, which provides for the present program of acreage allotments and marketing quotas for cotton would not be applicable except for certain sections relating to administration of the program. It should be noted that the provisions of the Agricultural Adjustment Act of 1938, as amended, remain applicable to marketing quotas and acreage allotments for extra long staple cotton.

3. Section 3 of the bill would provide different methods for apportioning the national domestic allotment to States, counties and farms for the first few years that the program was in effect. The purpose would be to provide for such apportionment to be made as close to the apportionment now in effect for acreage allotments so as to maintain the same relationship between States, counties, and farms as exists at the present time. Section 3(a) provides for the proclamation by the Secretary, not later than December 15 of each calendar year, of a national domestic allotment for the crop of cotton to be produced in the next calendar year of a number of bales of cotton (standard bales of 500 pounds gross weight) estimated to be produced within such allotment equal to the estimated domestic consumption of cotton for the marketing year beginning in the next calendar year. Marketing year is the period beginning August 1 and ending July 31.

4. Section 3(b) (1) provides for apportionment of the national allotment to the States for the 1964 and 1965 crops of cotton on the basis of the 1963 State acreage allotment. This is accomplished for each State by converting the 1963 State acreage allotment (including the State's share of the national reserve) established under the Agricultural Adjustment Act of 1938, as amended, to a number of bales based on the average yield per acre of cotton for the State. The State average yield would be the average yield per acre of cotton for the State, adjusted for abnormal weather conditions and changes in farming practices, during the 3 calendar years immediately preceding the year in which such yield was determined.

5. Section 3(b) (2) provides for apportionment of the national allotment to the States for the 1966 crop of cotton partly on the basis of the apportionment used for the 1964

crop of cotton and partly on the basis of the 1964 State production of cotton within the 1964 State allotment including production regarded as produced on farms releasing allotment and farms in the conservation reserve program, the Great Plains program, and the land use adjustment program. This is accomplished on the basis of the average number of bales contained by dividing by 3 the sum of the 1964 base used in section 3(b)(1) given a weight of 2, and the 1964 State production base. The State production base would be the smaller of the State domestic allotment or the production of such allotment, adjusted for abnormal conditions adversely affecting plantings and yields of cotton and for farms regarded as having produced cotton (includes farms in the conservation reserve program, Great Plains program, land use adjustment program under the Food and Agriculture Act of 1962, and farms releasing allotments under section 3(f) of this act.)

6. Section 3(b)(3) provides for apportionment of the national allotment to the States for the 1967 crop of cotton partly on the basis of the apportionment used for the 1964 crop of cotton and partly on the basis of the 1965 and 1966 State bases. This is accomplished on the basis of the average number of bales obtained by dividing by 3 the sum of the 1964 base used in section 3(b)(1) and the 1965 and 1966 State production bases.

7. Section 3(b)(4) provides for apportionment of the national domestic allotments to the States for the 1968 and subsequent crops of cotton on the basis of the average of the State production bases for the 3 years immediately preceding the calendar year in which the allotment is proclaimed.

8. Section 3(c) provides for apportionment of the State domestic allotment less any State reserve to counties on the same basis as to years and conditions as would be applicable to the State in the apportionment of the national allotment. The county average yield would be the average yield per acre of cotton for the county, adjusted for abnormal weather conditions and changes in farming practices, during the 3 calendar years immediately preceding the year in which such yield was determined. The State committee could reserve not to exceed 10 percent of the State allotment in order to adjust county allotments for trends in cotton production, for new farms, to correct inequities in farm allotments and to prevent hardship.

9. Section 3(d) provides for apportionment of the county allotment to farms by use of the 1963 farm acreage allotment for the 1964 crop converted to a production base, and for the 1965 and succeeding crops on the basis of the farm allotment for the preceding crop. The farm base would be reduced for failure to produce or release at least 75 percent of the farm allotment each year. Section 3(d)(1) provides for apportionment of the county domestic allotment to old cotton farms for the 1964 crop on the basis of the 1963 farm acreage allotment converted into production by multiplying such acreage by the farm average yield. Farm average yield would be determined in the same way as the State and county average yields. The farm production base so determined would be reduced to the average of the 1963 farm acreage allotment and the acreage actually planted or regarded as planted (under the Soil Bank Act, Great Plains program or release and reapportionment) if less than 75 percent of the 1963 farm acreage allotment was so planted or regarded as planted to cotton.

10. Section 3(d)(2) provides for apportionment of the county domestic allotment to old cotton farms for the 1965 and succeeding crops of cotton on the basis of the farm

domestic allotment established for the preceding crop of cotton. The farm production base so determined would be reduced if less than 75 percent of the farm allotment was produced or regarded as produced (under any other provision of law and the release provisions in section 3(f)) to the average of the farm allotment and the production (actual plus regarded as produced) of cotton on the farm.

11. Section 3(d)(3) provides that the Secretary would determine whether the failure to plant or produce at least 75 percent of the farm allotment was due to conditions beyond the control of producers on the farm and if so, the farm production base would not be reduced for such failure. An old cotton farm would be a farm on which cotton has been produced (or regarded as planted or produced under any other provision of law except the release provisions of section 3(f)) pursuant to a farm allotment in any one of the 3 years immediately preceding the year for which a farm allotment was established.

12. Section 3(e) provides that the county committee could reserve not to exceed 15 percent of the county allotment for use on new farms and to correct inequities in farm allotments and to prevent hardship.

13. Section 3(f) provides for release of farm allotments to the county committee for use in increasing farm allotments on other farms in the county in accordance with regulations to be prescribed by the Secretary. Unused released allotments in the county would be surrendered to the State committee for use in other counties in the State. The State, county, and farm from which allotment was released would receive credit for the production of such released allotment for purposes of establishing future allotments except that release of allotment would not operate to establish eligibility as an old cotton farm.

14. Section 4 contains general definitions applicable to the act.

15. Section 5 provides for price support for upland cotton beginning with the 1964 crop by amending section 103 of the Agricultural Act of 1949, as amended. The level of price support for all cotton of a crop would be established by the Secretary at not less than 50 percent or more than 60 percent of the parity price therefor. The Secretary would take into consideration the price of cotton in world markets and the factors in section 401(b) of the Agricultural Act of 1949, as amended, in establishing such level of support. Additional price support would be made available on the cotton produced within the farm domestic allotment. The levels of support on such cotton would be on three production intervals and the Secretary would prescribe a level for each interval within the following ranges: 15 bales and less, not less than 80 or more than 90 percent of the parity price; 16 to 30 bales, inclusive, not less than 75 or more than 85 percent of the parity price; more than 30 bales, not less than 70 or more than 80 percent of the parity price.

Such additional price support could be made available through loans, purchases or other operations, including payments in cash or in kind. If a portion of the price support were made available through payments to producers, the rate of payment would be an amount which, when added to the average spot market price of Middling 1-inch cotton for the calendar week preceding the date of marketing or the level of regular price support converted to a Middling 1-inch basis, whichever was higher, would provide a return to the producer equal to the applicable level of support listed in the ranges above. The Secretary would be required to provide adequate safeguards to

protect the interests of tenants and sharecroppers in payments under this provision.

16. Section 6 provides in an amendment to section 407 of the Agricultural Act of 1949, as amended, a grant of authority beginning August 1, 1964 to the Commodity Credit Corporation to sell upland cotton for unrestricted use at not less than 105 percent of the current support price available for all cotton plus reasonable carrying charges.

17. Section 7 authorizes the Secretary of Agriculture to prescribe rules and regulations under which the Commodity Credit Corporation shall make payments in kind to persons, other than producers, to eliminate the inequities in the cost of raw cotton between domestic and foreign users. These payments are authorized from the date of enactment of this bill until July 31, 1964 in such amounts and under such terms as the Secretary may prescribe.

Mr. SPARKMAN. Mr. President, will the Senator yield?

Mr. TALMADGE. I yield to the distinguished Senator from Alabama.

Mr. SPARKMAN. I have listened with a great deal of interest to the presentation of this proposal by the Senator from Georgia. It is difficult, of course, to measure every item in it from merely listening to the proposal, but I wish to say that it seems to me the Senator has presented new thinking in a field in which it is badly needed. I earnestly hope he proposed legislation will be considered by the Committee on Agriculture and Forestry and that some program can be worked out.

I am of the opinion that the Senator certainly has given a very fine suggestion as to the line along which a program can be worked out.

I am of the opinion that the Senator certainly has given a very fine suggestion as to the line along which a program may be worked out. I commend him and congratulate him.

Mr. TALMADGE. I am grateful indeed for the remarks of my esteemed friend and colleague from Alabama. He and I have discussed the problems of the cotton farmers and the textile industry on many occasions. I know of no other Member of the Senate who has worked harder, more conscientiously, or more sincerely in the effort to do something about the grave problems confronting the cotton industry.

In my judgment, if we are to save cotton as a commodity for our farmers, if we are to save our textile employees, and the remainder of our textile industry, we must have a cotton program which, first, will let our farmers farm; second, will assure our farmers who produce cotton a fair share of the national income; and, third, will put our own commodities back on the world market at competitive prices.

I have checked the production figures on cotton. Thirty years ago the United States of America produced half the world's cotton. Now we produce 20 percent of the world's cotton. The reason is obvious. We have held a price umbrella over the rest of the world, and by imposing restrictions we have put our own cotton farmers—particularly the small farmers in the Southeastern States—out of business. While we have been reducing our production other

nations have been expanding theirs. Now the same thing is happening to textile employees and the textile industry. If Congress does not take some action to remedy the situation soon, cotton will rapidly become a thing of the past for our country.

I welcome the constructive thinking and support of my distinguished colleague.

I yield now to the distinguished and able Senator from Tennessee.

Mr. GORE. Mr. President, I have listened with great interest to the informative and provocative speech which the junior Senator from Georgia has made. I wonder if his bill would make any distinction in treatment of the small homestead farmer, to which the Senator has referred, and the large corporate farming operations in the area of irrigation which can operate profitably at a much smaller price than can the individual farmer.

Mr. TALMADGE. In reply, yes, the bill does make the distinction.

First let me say that if this bill becomes law, instead of having a cotton allotment in acres, as we now have, there will be an allocation in bales or pounds. As the able Senator from Tennessee knows, when an acre of cotton is allotted, it can mean 250 pounds of lint cotton in one section of the country or 1,500 pounds of lint cotton in another section of the country. This depends largely on whether irrigation is used, the fertility of the soil, the amount of fertilizer used, cultivation practices, and many other factors.

Under the proposed program we would allocate 10 million bales of cotton, based on a historic production basis, and the support price for the first 15 bales of production would be from 80 to 90 percent of parity, which, at the present party level, would be 32 to 36 cents a pound.

The second support category would fall within 16 to 30 bales, and the support price would be from 75 to 85 percent of parity, which, at present levels, would be 30 to 34 cents a pound.

Each farmer who produced over 30 bales, within the domestic allocation, would receive a support price of 28 to 32 cents a pound.

Then, any farmer who wanted to produce cotton for export over and above the domestic allocation program, could plant as much as he wanted to produce, any number of bales, and his support price would be approximately the world market price, which is about 20 to 24 cents a pound at the present time.

Mr. GORE. I thank the Senator. Will the Senator yield for one further question?

Mr. TALMADGE. I am delighted to yield.

Mr. GORE. If the Senator omits, for the purpose of my question, the differentiation between the large and the homestead producer, is the Senator able to draw an analogy, contrast, or comparison in the bill which he proposes with respect to cotton and the legislation, the legal program, now in existence for sugar production in the United States?

Mr. TALMADGE. Yes. It is identically the same. It is a compensatory payment plan to the producer. We have it for the sugar producers. We have it for the wool producers. As the Senator knows, these programs have been extended time after time, and the majority of Senators on both sides of the aisle have no objection to them. In fact, we passed the Wool Act in the Senate a time or two without even a record vote, just by voice vote, because of the popularity of the program.

The reason it works so well is that the Government does not get in the business of acting as a pawnbroker for this commodity. Under present programs when the farmer fails to redeem the commodities, the Government finds itself in the possession of them. At the present time there are \$8 billion worth of agricultural commodities in Government warehouses. The Government must not only warehouse them but must ship and sell the commodities, with all the attendant high cost. The disposal of surpluses in the warehouses is one of the most expensive items of running the Government. Last time I checked, the storage cost was about \$1 billion a year. That is what brought on the Billie Sol Estes scandal. My proposal would get the Government out of all these attendant expenses and businesses.

I think the only justification there is for a price support program is the desire to put more money in the pockets of the farmers. When a program puts the farmers out of business, ruins the commodities which the Government is seeking to help, places employees in an untenable position, or liquidates many industries, with the attendant high cost to the taxpayers, I think it is about time to consider a better farm program.

I have talked with the Senator from Tennessee about this proposal. I know of his great interest in it, and I welcome his constructive interest.

A CIVIL RIGHTS PROGRAM WORTHY OF THE CENTENNIAL OF THE EMANCIPATION PROCLAMATION

Mr. JAVITS. Mr. President, a number of Senators on both sides of the aisle have taken the floor in order to introduce various measures. I shall take the floor now to do likewise, and I ask unanimous consent that I may yield the floor to my colleagues, for that purpose, without losing my right to the floor.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. JAVITS. First I wish to read a joint statement of eight Senators who are participating today in the introduction of a series of civil rights bills based upon the legislative recommendations of the U.S. Commission on Civil Rights. The statement reads as follows:

The Civil Rights Commission was created to advise Congress and the President regarding the need for legislation to enforce constitutional guarantees. In accordance with its mandate, the Commission in its 1961 comprehensive reports made 27 recommendations for additional legislation in the fields of voting, education, employment, housing, and the administration of justice. Its reports on

these subjects were thorough and objective, and its members spoke with a remarkable degree of unanimity.

We regret that the President in his special message on civil rights last month—his first civil rights message in 2 years—did not implement the Commission's recommendations. The administration's proposals, while noteworthy since for the first time they go beyond the field of voting, fall far short of the Commission's recommendations and both national party platforms. This year of the centennial of the Emancipation Proclamation merits a more comprehensive program. If the President will not assume the leadership in getting through Congress urgently needed civil rights measures, we in Congress must take the initiative.

The measures which we are today introducing are based upon the Commission's recommendations but are supplemented by strengthening provisions. We consider these proposals necessary to meet the ever-growing and fully justified demand of a substantial group of citizens that they be accorded all the privileges of first-class citizenship.

The eight Republican Senators who have joined in this statement are Senators CASE of New Jersey, FONG of Hawaii, myself, my colleague from New York [Mr. KEATING], KUCHEL of California, SCOTT of Pennsylvania, SALTONSTALL of Massachusetts, and BEALL of Maryland.

Summaries of the bills to be introduced are as follows:

I. EDUCATION

Senator KUCHEL is the principal sponsor of the education bill. This bill requires every school board which has failed to achieve desegregation of all public schools to adopt and file with the Secretary of Health, Education, and Welfare within 180 days a desegregation plan providing for at least first-step compliance commencing with the following school year. The Attorney General is authorized to institute a civil action for injunctive relief against a school board which violates the act, to protect all persons involved in school desegregation, and, in accordance with the part III provision deleted from the Civil Rights Act of 1957, to redress all deprivations of constitutional rights. Other provisions authorize financial and technical assistance to desegregating school districts; create a clearinghouse for information concerning desegregation and an advisory and conciliation service; apportion Federal aid to education in accordance with progress in desegregation, especially in impacted areas; and remove the separate-but-equal language from the Morrill Land Grant College Acts.

II. EMPLOYMENT

Senator CASE is the principal sponsor of the employment bills. The first would establish a Federal Commission on Equality of Opportunity in Employment to prohibit, in interstate commerce, discrimination because of race, religion, color, national origin, or ancestry. Another bill would authorize the Commission to encourage and enforce a policy of equal employment opportunity in Federal employment and employment under Government contracts and subcontracts, applicable to both employers and labor organizations; to withdraw Federal support and approval from apprenticeship

88TH CONGRESS
1ST SESSION

S. 1458

IN THE SENATE OF THE UNITED STATES

MAY 8, 1963

MR. ELLENDER (by request) introduced the following bill; which was read twice
and referred to the Committee on Agriculture and Forestry

A BILL

To establish price supports and acreage allotments for cotton,
and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act shall be known as the Cotton Adjustment and
4 Trade Expansion Act.

5 SEC. 2. Section 103 of the Agricultural Act of 1949, as
6 amended (63 Stat. 1051; 7 U.S.C. 1444), is amended by
7 inserting after the second sentence thereof the following:
8 “Notwithstanding the foregoing, the level of price support to
9 cooperators for each of the 1964 and 1965 crops of Upland
10 cotton for which producers have not disapproved marketing
11 quotas shall be that which will result in an average support

1 price for Middling one-inch cotton of 30 cents per pound;
2 except that if, as estimated by the Secretary, the total supply
3 of Upland cotton for the marketing year beginning August
4 1, 1965, exceeds the total supply for the marketing year
5 beginning August 1, 1964, then for the 1965 crop such level
6 shall be that which will result in an average support price
7 for Middling one-inch cotton of 29 cents per pound.”

8 SEC. 3. Section 342 of the Agricultural Adjustment Act
9 of 1938, as amended (52 Stat. 31; 7 U.S.C. 1342), is
10 amended by adding at the end thereof the following: “Not-
11 withstanding any other provision of this Act, the national
12 marketing quota for Upland cotton for each of the years
13 1964 and 1965 shall not be less than the number of bales
14 required to provide a national acreage allotment for such year
15 of seventeen million five hundred thousand acres.”

16 SEC. 4. Section 203 of the Agricultural Act of 1956,
17 as amended (70 Stat. 188; 7 U.S.C. 1853), is amended
18 by adding at the end thereof the following: “For each of the
19 marketing years beginning August 1, 1964, and August 1,
20 1965, the Commodity Credit Corporation shall make cotton
21 export subsidy payments of not less than $6\frac{1}{2}$ cents per
22 pound, except that if the Secretary determines that payments
23 at such rate will result in excessive exports during such mar-
24 keting year, he may reduce the rate to the highest rate
25 which will not result in excessive exports. Exports during

1 any marketing year shall not be considered to be excessive
2 so long as they are less than the fair historical share of the
3 world market for United States cotton, which for the pur-
4 poses of this sentence shall in no event be considered to be
5 less than the highest quantity exported during any of the
6 ten preceding marketing years.”

A BILL

To establish price supports and acreage allotments for cotton and for other purposes.

By Mr. ELLENDER

MAY 8, 1963

Read twice and referred to the Committee on
Agriculture and Forestry

88TH CONGRESS
1ST SESSION

H. R. 6196

IN THE HOUSE OF REPRESENTATIVES

MAY 9, 1963

Mr. COOLEY introduced the following bill; which was referred to the Committee on Agriculture

A BILL

To encourage increased consumption of cotton, to maintain the income of cotton producers, to provide a special research program designed to lower costs of production, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That the Agricultural Adjustment Act of 1938, as amended,
4 is amended by adding the following new section:

5 “SEC. 348. In order to maintain and expand domestic
6 consumption of Upland cotton produced in the United States
7 and to prevent discrimination against the domestic users of
8 such cotton, notwithstanding any other provision of law.
9 the Commodity Credit Corporation, under such rules and

1 regulations as the Secretary may prescribe, is authorized
2 and directed for the period beginning with the date of en-
3 actment of this section and ending July 31, 1967, to make
4 payments through the issuance of payment-in-kind certifi-
5 cates to persons other than producers in such amounts and
6 subject to such terms and conditions as the Secretary deter-
7 mines will eliminate inequities due to differences in the cost
8 of raw cotton between domestic and foreign users of such
9 cotton, including such payments as may be necessary to
10 make raw cotton in inventory on the date of enactment of
11 this section available for consumption at prices consistent
12 with the purposes of this section: *Provided*, That beginning
13 August 1, 1964, payments shall be made to persons other
14 than producers in an amount as will make upland cotton
15 produced in the United States available for domestic use
16 at a price which is not in excess of the price at which such
17 cotton is made available for export.”

18 SEC. 2. Section 385 of the Agricultural Adjustment Act
19 of 1938, as amended, is amended by adding at the end thereof
20 the following: “This section also shall be applicable to pay-
21 ments provided for under section 348 of this title.”

22 SEC. 3. Section 104 of the Agricultural Act of 1949, as
23 amended, is amended to read as follows:

24 “(a) The Secretary of Agriculture is hereby authorized
25 and directed to conduct a special cotton research program

1 designed to reduce the cost of producing upland cotton in the
2 United States at the earliest practicable date. In carrying
3 out this special research program, the Secretary is authorized
4 to utilize not to exceed \$10,000,000 annually of the funds of
5 the Commodity Credit Corporation. The Secretary shall
6 report annually to the Committee on Agriculture of the House
7 of Representatives and to the Committee on Agriculture and
8 Forestry of the Senate with respect to the results of such
9 research.

10 “(b) In establishing the level of price support to co-
11 operators for each crop of upland cotton beginning with the
12 1965 crop of such cotton, the Secretary, notwithstanding
13 the provisions of section 103, shall make such reductions in
14 the price support level as will reflect reductions in the costs
15 of producing cotton.”

16 SEC. 4. Section 407 of the Agricultural Act of 1949, as
17 amended, is amended by inserting after the first proviso in
18 the third sentence thereof the following: “*Provided further,*
19 That beginning August 1, 1964, the Commodity Credit Cor-
20 poration may sell upland cotton for unrestricted use at not
21 less than 105 per centum of the current loan rate for such
22 cotton under section 103 (a) plus reasonable carrying
23 charges:”

24 SEC. 5. Section 103 of the Agricultural Act of 1949, as
25 amended, is amended by inserting “(a)” before the first

1 sentence thereof and by adding at the end of such section the
2 following new subsections:

3 “(b) For the 1964, 1965, and 1966 crops of cotton,
4 the Secretary, notwithstanding any other provision of law,
5 may provide to cooperators price support on not to exceed
6 fifteen bales (standard five hundred pounds gross weight)
7 of the production from their allotments at a level up to 10
8 per centum in excess of the basic level of price support
9 established under subsection (a) hereof but not in excess
10 of the level of price support for the 1963 crop.

11 “(c) Notwithstanding any other provision of law, in
12 order to keep cotton to the maximum extent practicable in
13 the normal channels of trade, if the level of price support to
14 cooperators for the 1964, 1965, or 1966 crop is increased
15 under subsection (b), price support for cotton at the level
16 established under subsection (b) shall be carried out through
17 the simultaneous purchase of cotton at the support price
18 therefor under subsection (b) and sale of such cotton at the
19 support price therefor under subsection (a) or similar opera-
20 tions, including loans under which the cotton would be re-
21 deemable by payment of the amount for which the cotton
22 would be redeemable if the loan thereon had been made at
23 the support price for such cotton under subsection (a).”

A BILL

To encourage increased consumption of cotton, to maintain the income of cotton producers, to provide a special research program designed to lower costs of production, and for other purposes.

By Mr. COOLEY

MAY 9, 1963

Referred to the Committee on Agriculture

terior Committee recorded numerous supporting statements and letters from State and local outdoor and wildlife groups and State natural resource agencies. Nor was the proposal to put the brakes on administrative withdrawals of public lands without some support from Federal land administrators. At the February 20, 1956, hearing Chairman ENGLE asked Assistant Secretary of Interior Wesley A. D'Ewart, "It boils down to this, does it not? That the Congress through a failure to legislate and through establishment of precedents has for all practical purposes delegated the disposition of huge areas of the public domain to the executive branch?"

Mr. D'Ewart replied, "And I might also add, by action of the Supreme Court in upholding that action."

Chairman ENGLE asked, "In upholding what is regarded as congressional failure to challenge the precedents which have been established for public land withdrawals?"

Mr. D'Ewart replied, "That is correct."

And Congressman Stewart L. Udall of Arizona testified before the House Interior Committee hearing on June 11, 1956, regarding the military withdrawal bill, "I think this legislation is very definitely needed in our area, and I urge the Committee to act favorably with regard to it."

But on August 23, 1962, Secretary of Interior Stewart L. Udall told a news conference with respect to the new House wilderness bill employing the principle of the Engle Act for all public land withdrawals:

"It would greatly restrict and practically eliminate the power in the President which has really achieved great advances in conservation this century. This power has enabled the President to designate Federal lands as wildlife refuges and national monuments to preserve them for the public."

WIDE CONGRESSIONAL SUPPORT FOR PRINCIPLE

Now, all of these statements are a matter of public record contained in the records of the House Interior Committee hearings on the so-called Engle Act. They played a major role in the enactment of the legislation. They argue eloquently for a principle on public land withdrawals which cannot logically stop at defense withdrawals. They point up the inconsistency of many critics of the House Interior Committee approach. Succeeding Congresses have seen numerous bills with wide sponsorship in both Houses amending the Engle Act to require acts of Congress for public land withdrawals over 5,000 acres for any purpose. The concern over undue delegation of congressional responsibilities has been growing.

Last year the Fund for the Republics Center for the Study of Democratic Institutions at Santa Barbara, Calif., published a paper by Charles A. Reich, associate professor of law at Yale, entitled "Bureaucracy and the Forests." Among other things, but illustrative of his thesis, Professor Reich states:

"In a democracy, laws and policies, including laws governing publicly owned resources, must theoretically be made in public by the people's elected representatives. But in today's overcomplicated world an overwhelmed Congress has been forced to delegate a large measure of legislative power to specialized executive and administrative agencies the officials of which are not elected or directly controlled by the people."

"When congressional relinquishment of the lawmaking function first assumed major proportions in the early days of the New Deal, the Supreme Court tried to halt the trend. The Justices declared that legislative power cannot be delegated and that Congress can permit the executive agencies to make 'regulations' only within the boundaries of carefully prescribed standards. But growing Government soon broke through this retaining wall, and eventually the courts

ceased to demand strict standards for delegation.

"The standards Congress has used to delegate authority over the forests are so general, so sweeping, and so vague as to represent a turnover of virtually all responsibility. 'Multiple use' does establish that the forests cannot be used exclusively for one purpose, but beyond this it is little more than a phrase expressing the hope that all competing interests can somehow be satisfied and leaving the real decisions to others. The 'relative values' of various resources are to be given 'due consideration,' but Congress has not indicated what those values are or what action shall be deemed 'due consideration.'"

ENDURING WILDERNESS AREAS ARE DEFENSIBLE ONES

You may have noted that I have given as the title for these remarks, "The Wilderness Which Will Endure." If you interpret this that I am a wilderness lover and user, you are correct. It is my contention that the only roadless wilderness which will permanently endure is that which is carefully selected as being primarily valuable for this purpose; that which does not project out into productive areas needed by an expanding population struggling to maintain and increase its standard of living, from the land.

I am convinced that this kind of selectivity is not being achieved in wilderness establishment today any more than it was for military withdrawals before the Engle Act. No one argues convincingly that national parks have not been, and are not being, well protected under their separate acts of Congress and the generalized National Park Act. If the need then is for Congress, to have more say on wilderness, let us do it in this proven way and really require congressional scrutiny in the selection and guidance in administration.

THE NEED: A MAGNA CARTA FOR PUBLIC LANDS

The Aspinall bill would do this and restore to Congress its constitutional responsibilities with respect to public lands. The old wilderness system bill would merely give lip-service to congressional prerogatives by statutory endorsement of administrative selections as they are made. Congress could but tacitly approve or ardently veto executive branch withdrawals. These points are clarified in the authoritative chart prepared by the House Interior Committee entitled, "Background, Analysis, and Comparison of Major Provisions, Wilderness Preservation."

Now is the time and the opportunity to assist the evolution of wilderness legislation into a Magna Carta for the withdrawal and utilization of the public lands of the United States, using the principle so properly advanced by CLAIR ENGLE a few years ago.

for small farms. The bill provides that each farmer will get a price support of up to 10 percent above the general support level. This will cover the total production of approximately 75 percent of all cotton producers. In some States where there are numerous small farms, more than 90 percent of the producers grow 15 bales or less. In my own State of North Carolina, which has more small farms than any other State, the income of 95 percent or more of our cotton farmers will be fully protected under the small farm provision.

Mr. Speaker, with the consent of the House, I am publishing in the Appendix of the RECORD a press statement I issued today upon the introduction of the cotton bill.

The statement follows:

COOLEY INTRODUCES NEW COTTON BILL

Chairman HAROLD D. COOLEY, of the House Committee on Agriculture, introduced in the House today a new cotton bill, aimed at enabling cotton to compete fairly with synthetic fibers and improving the competitive position of domestic mills against imports of cheap foreign cotton goods.

The legislation would make American cotton available to domestic mills at world cotton prices, provide a special price protection for small cotton farms, and launch a crash research program to reduce the cost of producing cotton.

Upon introducing the bill, Mr. COOLEY stated:

"Agriculture is the biggest business in America in dollar value involved and people employed, and the cotton industry is the biggest part of American agriculture. Perhaps more than 10 million persons, almost one-sixth of the Nation's labor force, is engaged in the production of cotton, in ginning, marketing, transporting, milling, and in the manufacture and merchandising of cotton goods."

"Cotton now is in a life and death struggle."

"A flood of cheap textiles is flowing in from abroad, displacing the goods produced by our own workers and demoralizing the domestic markets for our textile industry."

"Synthetic fibers make devastating inroads into markets where cotton never before has been seriously challenged."

"I am sure that the cotton industry recognizes the amount of work the Committee on Agriculture has done and the time spent in attempting to arrive at a solution to the cotton problem. Our Cotton Subcommittee, headed by the Honorable E. C. GATHINGS, of Arkansas, started hearings early in December and we have continued meetings with all segments of the cotton industry, up to this very moment."

"Early in this session of the Congress I introduced a very simple bill to remove the two-price cotton system—wherein foreign mills obtain our cotton at a much cheaper price than our own domestic mills—and thus enable cotton to compete more fairly with synthetic fibers and improve the competitive position of American mills against imports of foreign cotton goods."

"Controversy developed around this legislation, and around other bills which would have permitted the overplanting of allotted acres where a producer was willing to take the world price for cotton produced on the acreage planted in addition to his allotment."

"I then personally sought to bring all elements of the industry, and the administration, into agreement."

"Based on my conversations with producers, the trade and the mills, legislative language was drawn together. This language, in bill draft form, was submitted to the Department of Agriculture for comment,

Cotton Bill Introduced

EXTENSION OF REMARKS OF

HON. HAROLD D. COOLEY

OF NORTH CAROLINA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, May 8, 1963

Mr. COOLEY. Mr. Speaker, I have today introduced a new cotton bill. It proposes to remove the inequity of the two-price cotton system and to protect the income of cotton producers. Moreover, it would mean great savings on prices paid by consumers for cotton goods.

I emphasize especially the provision

and it was discussed among all elements of the industry, and was considered at a meeting of cotton producers at Memphis on last Monday.

"The bill I introduced today represents the broadest area of possible agreement I have been able to find. This is not exclusively my bill, but it simply represents my best effort to present the thinking developed in my search for a basis of unity among the producers, the trade and the mills, behind legislation which will deal effectively with the very serious problem that confronts cotton and the millions of people associated with cotton.

"There appears to be unanimity of opinion that the payment-in-kind section is the best approach to removing the two-price system, with all its inequities. The mills and the administration are in agreement on this.

"Moreover, there seems to be unanimous support for the crash research on the reduction of cotton production costs.

"I believe that the provision for protection of the smaller farms will receive very general support.

"However, differences developed among producers on a provision in an earlier draft of the bill that would have permitted producers to plant up to 30 percent above their acreage allotments, at world prices for the cotton produced on the extra acres, if such would not increase the stocks of the Commodity Credit Corporation. This provision has been omitted from the bill I have introduced.

"I reemphasize to all people associated with cotton the urgency of our situation. Cotton is losing its markets, and once lost they may never be regained. This is hurting everyone concerned with cotton. I am hopeful that the industry—producers, the mills and the trade—will develop solidarity behind this legislation to deal with the crisis we confront."

A concise summary of the bill follows:

PAYMENTS-IN-KIND

The Commodity Credit Corporation, under such rules and regulations as the Secretary may prescribe, would be authorized:

(1) From the date of enactment, until August 1, 1964, to make payments through the issuance of payment-in-kind certificates to persons other than producers in such amounts and subject to such terms and conditions as the Secretary determines will eliminate inequities due to the differences in the cost of raw cotton between domestic and foreign users of cotton;

(2) For the period beginning August 1, 1964, and ending July 31, 1967, such payments-in-kind shall be made to persons other than producers in an amount as will make such cotton available for domestic use at a price which is not in excess of the price at which such cotton is made available for export; and

(3) Payments-in-kind also would be provided to make raw cotton in inventory on the date of enactment available for consumption at prices consistent with the purposes of the legislation.

Thus the Secretary of Agriculture would be given discretion in determining the level of payments-in-kind prior to August 1, 1964, but after that date and until July 31, 1967 he would be directed to make such payments in the amount necessary to make cotton available to American mills at the same price American cotton is offered for export. Under the current cotton export program, American cotton is offered for export at 8½ cents per pound lower than the price domestic mills must pay.

SMALL FARM PROVISION

For the 1964, 1965 and 1966 crops of cotton, the Secretary may on up to the first

15 bales of each farmer's production increase the price support up to a level 10 percent in excess of the basic level of price support not in excess of the level of price support in effect for the remainder of the crop, but for the 1963 crop. This would be carried out through simultaneous purchase and sale or similar operations in order to keep such cotton to the maximum extent practicable in the normal commercial channels of trade. This will not involve any direct payments to farmers.

RESEARCH

The Secretary is authorized and directed to conduct a special cotton research program designed to reduce the cost of producing upland cotton at the earliest practicable date, using up to \$10 million annually for this purpose. The Secretary then would make such reductions in the level of price support as will reflect reductions in the costs of producing cotton.

UNRESTRICTED SALES

Beginning August 1, 1964, the Commodity Credit Corporation would be authorized to sell upland cotton for unrestricted use at not less than 105 percent of the current loan rate plus reasonable carrying charge. Such sales from CCC stocks for unrestricted use now can be made at not less than 115 percent of the current loan rate.

Wheat Politics: Stick, Bait, and Trap

EXTENSION OF REMARKS

OF

HON. PAUL FINDLEY

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 9, 1963

Mr. FINDLEY. Mr. Speaker, both Secretary Freeman's mobilization of an army of employees plus the administration's frantic push for a pre-May 21 extension of the feed grains program are a cleverly designed stick and bait to quarry farmers into voting "yes" on the wheat referendum.

Restricting wheat farmer independence, such as a "yes" vote would be a trap for all farmers.

The following editorial is from the May 9 Wall Street Journal:

STICK, BAIT, AND THE TRAP

As any farm boy knows, there's more than one way to get something to go into a trap. You can drive the quarry into it. You can also use bait.

Both ways, interestingly enough, are being used by the administration in efforts to get a favorable farmers' vote later this month on the proposed new Government controls over wheat. First there's Agriculture Secretary Freeman, using his vast departmental apparatus to propagandize for a two-thirds "yes" vote needed for approval, and the big stick he's waving is the threat that if they vote "no," there will be no new wheat legislation at all. In which case, he warns, the price might plummet to \$1 a bushel from the present \$2 support level.

But evidently having some doubts about whether this big stick by itself is wholly effective, the administration has put out some bait. This is the feed grain bill it is trying to push through Congress before the May 21 referendum. The bill, already passed by the House, would let farmers

grow corn and other livestock feed grains on acreage the tight wheat control plan would force them to remove from wheat production.

The object of all this stick waving and putting out of bait is simply to divert the farmers' gaze from the real issue. And that is whether they're going to vote for the most stringent program ever proposed by Government for a farm commodity. That would lead, as Charles Shuman, American Farm Bureau Federation president, says, "all the way down the road of Government supply management."

No matter whether you use a big stick or bait, a trap is still a trap.

Results of Poll Taken in the Sixth Congressional District of Washington State

EXTENSION OF REMARKS

OF

HON. THOR C. TOLLEFSON

OF WASHINGTON

IN THE HOUSE OF REPRESENTATIVES

Wednesday, April 24, 1963

Mr. TOLLEFSON. Mr. Speaker, I recently mailed questionnaires to 45,000 residents of my congressional district, which includes all of Pierce County and all of Kitsap County with the exception of Bainbridge Island. It contained 10 questions dealing with issues pending before Congress.

The names of the individuals receiving the questionnaires were selected at random from lists which gave no indication of the political leanings of those people. The number of recipients and the number of returns were sufficiently large to give assurance that a good cross-section opinion of my constituency would be obtained.

To date there has been a much better than average response, indicating an increased interest on the part of my people in the affairs of government. I have received thus far responses from 17 percent of the people who received questionnaires. More returns are expected, of course, but a sufficient number have now been received to determine the general views of the people of my area. I am sure that their opinions will be of interest to the other Members of the House.

A few people have asked why I have sent out questionnaires. The English statesman, Edmund Burke, in 1774 perhaps supplied one answer. He said in a speech to his people:

It ought to be the happiness and glory of a representative to live in the strictest union, the closest correspondence, and the most unreserved communication with his constituents. Their wishes ought to have great weight with him; their opinion high respect; their business unremitted attention. It is his duty to sacrifice his repose, his pleasures, his satisfaction to theirs; and above all, ever, and in all cases, to prefer their interests to his own.

The results of the poll expressed in terms of percentages are as follows:

S. 1511

IN THE SENATE OF THE UNITED STATES

MAY 13, 1963

Mr. ELLENDER (by request) (for himself and Mr. JORDAN of North Carolina) introduced the following bill; which was read twice and referred to the Committee on Agriculture and Forestry

A BILL

To encourage increased consumption of cotton, to maintain the income of cotton producers, to provide a special research program designed to lower costs of production, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That the Agricultural Adjustment Act of 1938, as amended,
4 is amended by adding the following new section:

5 “SEC. 348. In order to maintain and expand domestic
6 consumption of Upland cotton produced in the United States
7 and to prevent discrimination against the domestic users of
8 such cotton, notwithstanding any other provision of law,
9 the Commodity Credit Corporation, under such rules and

1 regulations as the Secretary may prescribe, is authorized
2 and directed for the period beginning with the date of en-
3 actment of this section and ending July 31, 1967, to make
4 payments through the issuance of payment-in-kind certifi-
5 cates to persons other than producers in such amounts and
6 subject to such terms and conditions as the Secretary deter-
7 mines will eliminate inequities due to differences in the cost
8 of raw cotton between domestic and foreign users of such
9 cotton, including such payments as may be necessary to
10 make raw cotton in inventory on the date of enactment of
11 this section available for consumption at prices consistent
12 with the purposes of this section: *Provided*, That beginning
13 August 1, 1964, payments shall be made to persons other
14 than producers in an amount as will make upland cotton
15 produced in the United States available for domestic use
16 at a price which is not in excess of the price at which such
17 cotton is made available for export.”

18 SEC. 2. Section 385 of the Agricultural Adjustment Act
19 of 1938, as amended, is amended by adding at the end thereof
20 the following: “This section also shall be applicable to pay-
21 ments provided for under section 348 of this title.”

22 SEC. 3. Section 104 of the Agricultural Act of 1949, as
23 amended, is amended to read as follows:

24 “(a) The Secretary of Agriculture is hereby authorized
25 and directed to conduct a special cotton research program

1 designed to reduce the cost of producing upland cotton in the
2 United States at the earliest practicable date. In carrying
3 out this special research program, the Secretary is authorized
4 to utilize not to exceed \$10,000,000 annually of the funds of
5 the Commodity Credit Corporation. The Secretary shall
6 report annually to the Committee on Agriculture of the House
7 of Representatives and to the Committee on Agriculture and
8 Forestry of the Senate with respect to the results of such
9 research.

10 “(b) In establishing the level of price support to co-
11 operators for each crop of upland cotton beginning with the
12 1965 crop of such cotton, the Secretary, notwithstanding
13 the provisions of section 103, shall make such reductions in
14 the price support level as will reflect reductions in the costs
15 of producing cotton.”

16 SEC. 4. Section 407 of the Agricultural Act of 1949, as
17 amended, is amended by inserting after the first proviso in
18 the third sentence thereof the following: “*Provided further,*
19 That beginning August 1, 1964, the Commodity Credit Cor-
20 poration may sell upland cotton for unrestricted use at not
21 less than 105 per centum of the current loan rate for such
22 cotton under section 103 (a) plus reasonable carrying
23 charges:”

24 SEC. 5. Section 103 of the Agricultural Act of 1949, as
25 amended, is amended by inserting “(a)” before the first

1 sentence thereof and by adding at the end of such section the
2 following new subsections:

3 “(b) For the 1964, 1965, and 1966 crops of cotton,
4 the Secretary, notwithstanding any other provision of law,
5 may provide to cooperators price support on not to exceed
6 fifteen bales (standard five hundred pounds gross weight)
7 of the production from their allotments at a level up to 10
8 per centum in excess of the basic level of price support
9 established under subsection (a) hereof but not in excess
10 of the level of price support for the 1963 crop.

11 “(c) Notwithstanding any other provision of law, in
12 order to keep cotton to the maximum extent practicable in
13 the normal channels of trade, if the level of price support to
14 cooperators for the 1964, 1965, or 1966 crop is increased
15 under subsection (b), price support for cotton at the level
16 established under subsection (b) shall be carried out through
17 the simultaneous purchase of cotton at the support price
18 therefor under subsection (b) and sale of such cotton at the
19 support price therefor under subsection (a) or similar opera-
20 tions, including loans under which the cotton would be re-
21 deemable by payment of the amount for which the cotton
22 would be redeemable if the loan thereon had been made at
23 the support price for such cotton under subsection (a).”

A BILL

To encourage increased consumption of cotton, to maintain the income of cotton producers, to provide a special research program designed to lower costs of production, and for other purposes.

By Mr. ELLENDER and Mr. JORDAN of North
Carolina

MAY 13, 1963

Read twice and referred to the Committee on
Agriculture and Forestry

losses, and damages (par. 12(a), Engineering Manual 405-1-699, dated June 13, 1960):

"Expenses: Transportation costs; costs of removing and crating possessions; cost of advertising for transportation or crating; costs of storage pending moving; insurance premiums for protection of possessions while in storage or being moved; labor performed by owner or tenant in accomplishing move; costs of reinstalling machinery, equipment, etc.; costs of inoculation of livestock, if required, prior to entrance of livestock into a country or State; short-term loan charges to defray moving expenses only; and out-of-pocket expenses in obtaining new site or land, such as expenditure for title search, appraisal, survey, or settlement (not including any part of the purchase price for the new site or any expenditure for the purpose of adding to the value or utility of the new site); taxes incident to expenses incurred in moving;

"Losses: Time lost from employment by owner or tenant because of moving (not including labor performed to accomplish move); property lost or stolen in the process of moving; death of or injury to livestock;

"Damages: Uninsured injuries to furniture or equipment."

The Office of the Chief of Engineers, Department of the Army, lists the following as typical nonreimbursable expenses, losses, and damages (par. 12(b), Engineering Manual 405-1-699, dated June 13, 1960):

"Expenses: Costs of conveying land to Government, additional expenses incurred because of living in a new location, costs of removing salvage material reserved, capital improvement to the replacement site;

"Losses: Difference between amount received from Government for property and amount paid for replacement property; interest on loan for purchase of replacement property; loss due to duplication of interest, taxes, etc.; loss of goodwill, loss of profits, loss of trained employees, expenses of sales and losses because of such sales;

"Damages: Personal injury while moving or preparing to move."

It was found advisable in drafting the proposed legislation to depart from the provisions of the acts applicable to the military departments and to the Secretary of the Interior with respect to the period of time within which application for moving expenses can be made. It was decided to propose that a 1-year period for applications should begin on (a) the date the parcel of land or interest in land is to be vacated under an agreement with the Government or pursuant to law, including an order of a court, or (b) the date the parcel is actually vacated, whichever first occurs. GSA's experience is that, in many instances, some time may elapse after the date on which title is acquired to a parcel of land for the construction thereon of a public building and the date on which construction commences. During this period the property may be leased to the former owner or tenant of the owner to provide interim income to the Government to offset the costs to the Government of maintenance and protection of the property. There are other instances where lands have been acquired by purchase and the landowner or tenant has been notified of the Government's requirement for immediate possession, but the occupant has held over without color of right. In condemnation proceedings, although the court orders the landowner to surrender possession of the premises on a particular date, the landowner may refuse to surrender possession of the premises on the date fixed. In such situations the holdover-occupant should not be permitted to take advantage of his own delinquency in vacating the premises by having the 1-year period begin on the date he actually vacates the

property. On the other hand, if the occupant elects to vacate the premises at some time prior to the date he is required to do so, there is no reason why he cannot furnish an itemized statement of his expenses, losses and damages within 1 year from the date he actually moves from the premises.

GSA is aware, of course, of the studies being conducted by the Select Subcommittee on Real Property Acquisition of the House Committee on Public Works, GSA urges, however, that the proposed bill be enacted now so that a reasonable degree of uniformity in the matter of reimbursement for moving expenses can be achieved pending the results of the subcommittee's studies. The present situation fosters inequities for which there can be no reasonable justification, resulting in poor relationships between the public and those agencies which lack authority to make payments of the type being made by the military departments and the Department of the Interior.

In order that landowners and tenants may receive equal treatment, the proposed legislation provides for the issuance of uniform rules and regulations. The Administrator of General Services has the responsibility for acquiring real property for public buildings, and, except for the land acquisitions of the military departments and the Department of the Interior which are not affected by the proposed legislation, GSA's land acquisitions are probably greater than those of other executive agencies. The proposed legislation therefore vests in the Administrator of General Services the authority to make such uniform rules and regulations as he finds necessary and proper for the purpose of carrying out the provisions of the proposed legislation.

PROPOSED COTTON LEGISLATION— NOTICE OF HEARINGS ON SENATE BILL 1511

Mr. ELLENDER. Mr. President, a few days ago the Committee on Agriculture and Forestry agreed to hold hearings on proposed cotton legislation beginning on May 20. The hearings were to be held as to all bills before the committee.

A few weeks ago the House of Representatives was presented with a bill by Mr. COOLEY, which is H.R. 6196.

On behalf of myself, and the junior Senator from North Carolina [Mr. JORDAN], I introduce, for appropriate reference, by request, a copy of this bill, so that it may be considered by the Senate Committee on Agriculture and Forestry beginning on May 20.

The VICE PRESIDENT. The bill will be received and appropriately referred.

The bill (S. 1511) to encourage increased consumption of cotton, to maintain the income of cotton producers, to provide a special research program designed to lower costs of production, and for other purposes, introduced by Mr. ELLENDER (for himself and Mr. JORDAN of North Carolina), was received, read twice by its title, and referred to the Committee on Agriculture and Forestry.

ADDITIONAL ASSISTANT SECRETARY OF STATE

Mr. FULBRIGHT. Mr. President, by request, I introduce, for appropriate reference, a bill to authorize one additional

Assistant Secretary of State and for other purposes.

The proposed legislation has been requested by the Department of State, and I am introducing it in order that there may be a specific bill to which Members of the Senate and the public may direct their attention and comments.

I reserve my right to support or oppose this bill, as well as any suggested amendments to it, when the matter is considered by the Committee on Foreign Relations.

I ask unanimous consent that the bill may be printed in the RECORD at this point, together with the letter from Secretary of State Dean Rusk and a section-by-section analysis and statement of costs furnished by the Department of State.

The VICE PRESIDENT. The bill will be received and appropriately referred; and, without objection, the bill, letter, section-by-section analysis, and statement of costs will be printed in the RECORD.

The bill (S. 1512) to authorize an additional Assistant Secretary of State, and for other purposes, introduced by Mr. FULBRIGHT, by request, was received, read twice by its title, referred to the Committee on Foreign Relations, and ordered to be printed in the RECORD, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) Section 1 of the Act of May 26, 1949, as amended (5 U.S.C. 151a), is amended by striking out "eleven" and inserting in lieu thereof "twelve".

(b) Section 106(a)(17) of the Federal Executive Pay Act of 1956 (70 Stat. 738) is amended by striking out "(11)" and inserting in lieu thereof "(12)".

SEC. 2. Section 1002 of the Foreign Service Act of 1946, as amended (22 U.S.C. 804), is hereby amended by striking out the period at the end of the first sentence and inserting a colon and the following: "Provided, That a retired officer of the Service may, with the authorization of the Secretary, accept an offer of employment made by a foreign government".

SEC. 3. The first section of the Act of July 12, 1960, (74 Stat. 371) is amended by adding at the end thereof the following new subsection:

"(e) The benefits provided in subsection (a) of this section are hereby extended to not to exceed three participants who retire and become entitled to receive an annuity from the Foreign Service Retirement and Disability Fund subsequent to June 30, 1962, and prior to June 30, 1963, whenever the Secretary of State determines it to be in the public interest to extend said benefits to any such participant."

The letter, section-by-section analysis, and statement of costs, presented by Mr. FULBRIGHT, are as follows:

APRIL 18, 1963.

HON. LYNDON B. JOHNSON,
President of the Senate.

DEAR MR. VICE PRESIDENT: There is transmitted herewith for consideration by the Congress a proposed bill designed to achieve the following objectives:

1. To authorize, subject to Senate confirmation, one additional Assistant Secretary of State;
2. To authorize retired Foreign Service officers to act as advisers to foreign govern-

ments pursuant to approval of the Secretary of State;

3. To provide for increased retirement benefits for a maximum of three Foreign Service officers to which they would have otherwise been entitled had they retired prior to June 1, 1962.

Section 1 would authorize an additional Assistant Secretary of State position in the Department of State which, it is contemplated, will be used for the Director of the Bureau of Intelligence and Research. The importance and scope of the position fully justifies this action.

The Bureau of Intelligence and Research has the dual function of meeting the requirements of the coordinated intelligence community under intelligence directives issued by the National Security Council, and also meeting the Department's own research and intelligence needs. In a rapidly changing world it is essential for sound policymaking that adequate information be available regarding the current situation and the probable future consequences of potential alternative decisions. It is important to look ahead, to seek to anticipate problems or opportunities for American foreign policy, and to apply specialized skills to the task of improving the basic assumptions on which policy rests.

For these reasons, the functions of the Bureau of Intelligence and Research are equivalent in importance to those of the geographic and functional bureaus, each of which is currently headed by an Assistant Secretary. The enactment of the proposed bill would also enable the Department to recognize more fully the importance of the Department's intelligence and intelligence research activities.

Section 2 would authorize retired Foreign Service officers to accept, with the specific authorization in each case of the Secretary of State, employment as advisers or consultants to foreign governments. This section is designed primarily to enable certain newly independent countries to obtain advice and counsel in establishing embassies and setting up foreign service systems, and becoming familiar with the international practices of protocol. Recently several nations, especially newly independent African nations, have approached the Department requesting the services of retired Foreign Service officers to act as advisers in establishing embassies in the United States and throughout the world, and to provide assistance in training personnel in protocol and formalities of diplomatic relations. At the present time, the Department has been unable to comply with such requests due to the provision of the Constitution prohibiting persons holding offices of profit or trust of the United States from accepting without the consent of Congress, any office of any foreign state. Because retired Foreign Service officers are subject to recall by the Secretary of State whenever he determines such recall is in the public interest, they have been considered as subject to this prohibition.

The administration believes that it would be in the interest of the United States if the Secretary of State were given the discretionary power here sought to authorize certain retired Foreign Service officers to act as advisers to foreign governments.

Section 3 would provide authority for the Secretary of State to extend the benefits provided in the subsection (a) of section 1 of Public Law 86-612, approved July 12, 1960. The benefits conferred by this section expired on June 30, 1962. The provision of this proposed section would extend those benefits to not to exceed three officers of the Foreign Service to June 30, 1963, when it is determined by the Secretary of State such action is in the public interest.

The voluntary retirement of participants in the Foreign Service retirement and disability system is dependent upon the ap-

proval of the Secretary of State. In most instances such approval is granted when requested by those Foreign Service officers who have reached 50 years of age and have rendered 20 years of service. There are presently in the Foreign Service a few high ranking career officers who are nearing mandatory retirement age but who have remained in the service at the request of the Secretary of State because of their unique qualifications and background of experience. By doing so, they have forfeited the additional retirement benefits for which they were eligible prior to June 30, 1962. This section is believed to be in the interest of the equitable treatment for those Foreign Service officers not to exceed three in number, who have remained on duty at the request of the Secretary of State. Under this section the Secretary could, in his discretion, extend for a period not to exceed 12 months, benefits of Public Law 86-612 to not more than three Foreign Service officers.

The Department has been informed by the Bureau of the Budget that there would be no objection, from the standpoint of the administration's program, to the presentation of this draft legislation to the Congress for its consideration.

I trust that this proposed bill will receive such consideration as the Congress may deem appropriate.

Sincerely yours,

DEAN RUSK.

SECTION-BY-SECTION ANALYSIS AND EXPLANATION OF PROPOSED LEGISLATION

Section 1 would add an Assistant Secretary position in the Department of State which it is contemplated will be used for the Director of the Bureau of Intelligence and Research. The importance and scope of the job and the need to maintain the Department's position in the intelligence community fully justifies this action.

The Bureau of Intelligence and Research has the dual function of meeting the requirements of the coordinated intelligence community under intelligence directives issued by the National Security Council, and also meeting the Department's own research and intelligence needs. In a rapidly changing world, it is essential for sound policymaking that adequate information be available regarding the current situation and the probable future consequence of potential alternative decisions. It is important to attempt to look ahead, to try to anticipate problems or opportunities for American foreign policy and it is also necessary to apply specialized skills to the task of improving the basic assumption on which policy rests.

For these reasons the functions of the Bureau of Intelligence and Research are equivalent in importance to those of the geographic and functional bureaus currently headed by an Assistant Secretary. The enactment of the proposed bill would enable the Department to give more adequate attention to the quality of research activities and would insure consideration of research information at a high level.

Section 2 would authorize retired Foreign Service officers to accept, with the prior authorization of the Secretary of State, employment as advisers or consultants to foreign governments. The Department believes this provision is desirable. It will enable certain newly independent countries to secure advice and counsel in establishing embassies and foreign service systems, and becoming familiar with practices of protocol. Several nations, especially in Africa, have approached the Department requesting the services of retired Foreign Service officers to act as advisers in establishing embassies in the United States and throughout the world, and to provide assistance in training personnel in protocol and the formalities of diplomatic relations. At the present time, the Department has been unable to comply with such requests due to the provision of the

Constitution prohibiting persons holding offices of profit or trust of the United States from accepting, without the consent of Congress, any office of any foreign state. Because retired Foreign Service officers are subject to recall by the Secretary of State when ever he determines such recall is in the public interest, they have been considered as subject to this prohibition.

Section 3 would provide authority for the Secretary of State to extend the benefits provided in subsection (a) of section 1 of Public Law 86-612, approved July 12, 1960, to June 30, 1963, to not exceed three officers of the Foreign Service, when he determines it to be in the public interest to do so. Public Law 86-612 provided that the annuity of any participant in the Foreign Service retirement and disability system entitled to receive an annuity on or before June 30, 1962, should be increased by 10 percent.

Section 636 of the Foreign Service Act of 1946, as amended, provides that any participant in the Foreign Service retirement and disability system who is at least 50 years of age and has rendered 20 years of service may, on his own application with the consent of the Secretary of State, be retired from the Service and receive an immediate annuity. A number of participants in the Foreign Service retirement and disability system have taken advantage of this benefit which provided them with a substantial increase in annuity if their annuity began before June 30, 1962. The voluntary retirement of these participants was dependent upon the approval of the Secretary. In most instances such approval was granted. There are, however, in the service a few high-ranking career officers who, nearing mandatory retirement age, elected to apply for voluntary retirement because of the benefits accruing to them under the provisions of Public Law 86-612 whose services were needed beyond June 30, 1962. The Secretary was reluctant to disapprove their applications for voluntary retirement in view of the financial hardship this would impose upon them by denying them the annuity benefits of Public Law 86-612. However, their continued service in the key positions to which they are assigned (Chief of Mission and other high-level positions) was in the public interest. This proposed amendment will enable the Secretary to extend, in his discretion, the benefits of Public Law 86-612 to not to exceed three officers, if they retire before June 30, 1963.

ESTIMATED COST OF PROPOSED DRAFT BILL

1. Additional Assistant Secretary for I & R, first year cost, none. (Comment: Appointment of the Director of Intelligence and Research as an Assistant Secretary will involve no cost since his salary is already the same as that of an Assistant Secretary.)

2. Foreign employment of retired Foreign Service officers, first year cost, none. (Comment: This proposal does not involve any cost.)

3. Adjustments and annuities under the Foreign Service retirement and disability system, first year cost, \$116,400. (Comment: This estimate is based on the annuity increase each of three officers would receive under the bill, projected for 20 years:

\$145 × 240 months.....	\$34,800
\$164 × 240 months.....	39,360
\$176 × 240 months.....	42,240

Net cost..... \$116,400)

PRESERVATION OF CERTAIN HISTORICAL AND BACKGROUND MATERIAL RELATING TO AMERICAN INDIANS

Mr. GOLDWATER. Mr. President, there has been presented to me what I feel is a very sound proposal to increase

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF
BUDGET AND FINANCE

(For information only;
should not be quoted
or cited)

Issued May 28, 1963
For actions of May 27, 1963
88th-1st; No. 78

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HIGHLIGHTS: For Highlights see page #7.

HOUSE

1. COTTON. On May 24 (during adjournment) the Agriculture Committee ordered reported (but did not actually report) an amended version of H. R. 6196, the cotton bill. p. D367
2. PERSONNEL. Rep. Olsen, Mont., spoke in favor of H. R. 6403, to provide an additional unit of group life insurance which would not be reduced after retirement, for Federal employees. pp. 9009-10
Rep. Hosmer criticized the dual compensation and employment laws, saying they prevent the Government from obtaining valuable services, and inserted a legal study of this question which had been made by the Library of Congress. pp. 9012-35
3. WHEAT. Rep. Smith, Iowa, analyzed the effects of the wheat referendum and inserted an editorial on this subject. p. 9010

4. SUGAR. Reps. Langen and Berry spoke in favor of increasing domestic sugar production and decreasing the foreign quotas. pp. 9038, 9044
5. FARM LABOR. Rep. Rosenthal spoke against H. R. 5497, which would continue the Mexican farm labor program. p. 9044
On May 24 (during adjournment) the Education and Labor Committee ordered reported (but did not actually report) H. R. 6242 (a clean bill introduced in lieu of H. R. 6158), to provide for registration of contractors of migrant farm laborers. p. D368.
6. FOREIGN TRADE. Rep. Cleveland recommended control of wool imports. p. 9061
Received from the Tariff Commission a supplemental report on the study made pursuant to the Tariff Classification Act of 1962. p. 9063
7. DAIRY INDUSTRY. Rep. Langen inserted a Minn. Legislature resolution favoring a central information agency on the levels of strontium 90 and iodine 131 in milk. pp. 9061-2
8. TRANSPORTATION. Both Houses received from the President the report of the National Capital Transportation Agency and a proposed bill "to authorize the prosecution of a transit development program for the National Capital region"; to D. C. Committees. pp. 9062, 8876
The Interstate and Foreign Commerce Committee reported without amendment H. R. 2876, to repeal the Inland Waterways Corporation Act (H. Rept. 347). p. 9063

SENATE

9. FARM LABOR. The Labor and Public Welfare Committee reported the following bills: pp. 8877-8
S. 522, with amendment, to provide assistance to States in providing for daycare services for children of migrant agricultural workers (S. Rept. 198);
S. 526, with amendment, to establish a program to assist farmers in providing adequate sanitation facilities for migratory farm laborers (S. Rept. 199);
S. 521, with amendment, to provide financial assistance to States to improve educational opportunities for migrant agricultural employees and their children (S. Rept. 201);
S. 523, without amendment, to amend the Fair Labor Standards Act so as to extend the child labor provisions to certain children employed in agriculture (S. Rept. 200);
S. 524, with amendment, to provide for the registration of contractors of migrant agricultural workers (S. Rept. 202); and
S. 525, with amendment, to provide for the establishment of a National Advisory Council on Migratory Labor. (S. Rept. 203).
10. RECLAMATION. The Subcommittee on Irrigation and Reclamation of the Interior and Insular Affairs Committee voted to report to the full committee; H. R. 131, to provide for the renewal of certain municipal, domestic, and industrial water supply contracts entered into under the Reclamation Projects Act of 1939; S. 851, to authorize the Secretary of the Interior to market electric power generated at Amistad Dam on the Rio Grande; S. 614, with amendment, to authorize the use of water from the San Juan-Chama unit of the Colorado River storage project for recreational purposes; and S. 793, to promote the conservation of migratory waterfowl within the Pacific flyway. pp. D366-7

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF
BUDGET AND FINANCE

(For information only;
should not be quoted
or cited)

Issued June 7, 1963
For actions of June 6, 1963
88th-1st; No. 85

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HIGHLIGHTS: House passed USDA appropriation bill. House committee reported cotton bill. Rep. Schwengel urged support for new wheat-feed grains legislation. Sen. McGovern inserted President's and Secretary's addresses before World Food Congress. Sen. Fulbright deplored Common Market decision on poultry tariff. Sen. Symington discussed fall in cattle prices. Sen. Moss said Government should protect tobacco consumers. Sen. Kefauver and others introduced and discussed bill to establish Office of Consumers.

HOUSE

1. AGRICULTURAL APPROPRIATION BILL, 1964. By a vote of 288 to 79, passed with an amendment this bill, H. R. 6754 (pp. 9787-9838). By a vote of 119 to 99, agreed to an amendment by Rep. Gross to provide that none of these funds shall be used directly or indirectly for the establishment of a national service corps or similar domestic peace corps type of program (pp. 9835-7).

Rejected the following amendments:

By Rep. Moorhead, 108 to 120, to reduce the 1964 ACP advance authorization from \$250 million to \$150 million. pp. 9824-9

By Rep. Becker, 53 to 140, to strike out the \$425 million loan authorization for REA. pp. 9831-2

By Rep. Michel, 84 to 111, to reduce the REA loan authorization from \$425 million to \$400 million. pp. 9832-4

By Rep. Becker, to reduce the REA loan authorization from \$425 million to \$275 million by eliminating the \$150 million ear-marked to be placed in reserve. pp. 9834-5

By Rep. Pelly, 87 to 105, to strike out the \$1 million item for FHA for rural renewal activities. p. 9835

By Rep. Findley, 105 to 131, to prohibit the use of funds to pay the salary of any employee who negotiates agreements or contracts or who performs duties incidental to supporting the price of Upland Middling Inch cotton at a level in excess of 30 cents a pound. pp. 9836-7

2. COTTON. The Agriculture Committee reported with amendment a cotton bill, H. R. 6196 (H. Rept. 366). p. 9853

Rep. Findley expressed concern over provisions in the cotton bill (H. R. 6196) to provide for increased cotton research and inserted tables on expenditures for cotton research by this Department for fiscal years 1960-64. pp. 9846-7

3. WHEAT; FEED GRAINS. Rep. Schwengel urged support for new wheat-feed grains legislation and inserted an editorial supporting such legislation. pp. 9847-8

4. FARM LABOR. Rep. Cohelan inserted a letter from an Ariz. farm operator supporting discontinuation of the Mexican farm labor program. p. 9843

Rep. Hutchinson inserted an article on "the violent reaction in Mexico to the defeat of the Mexican farm labor bill." p. 9842

5. LEGISLATIVE BRANCH APPROPRIATION BILL, 1964. The Appropriations committee reported this bill, H. R. 6868 (H. Rept. 369). p. 9853

6. ELECTRIFICATION. Rep. Harding commended the order of Secretary of the Interior Udall including southern Idaho in the Bonneville Power marketing area. pp. 9840-1

7. FOREIGN AID. Rep. Meader inserted an editorial commending his proposal to establish a Commission on Foreign Economic Development to study the foreign aid program. p. 9848

8. PERSONNEL. Rep. Tollefson spoke in favor of his bill, H. R. 6538, to provide that district courts shall have original jurisdiction, concurrent with the Court of Claims, over civil actions or claims for a pension or for recovery of fees, salary, or compensation of Federal employees. pp. 9848-9

9. EDUCATION. The Education and Labor Committee voted to report (but did not actually report) "H. R. 4955 (amended, regarding vocational education aspects (title V-A) of H. R. 3000, the National Education Improvement Act," and the Special Subcommittee of the Education and Labor Committee voted to report to the full Committee "H. R. 3510, regarding Federal contributions to institutions of higher education where segregation is practiced." p. D404

10. ECONOMIC GROWTH. Rep. Langen inserted an article on the relationship of profits to economic growth. pp. 9842-3

11. LEGISLATIVE PROGRAM. Rep. Albert announced that the Area Redevelopment Act amendments bill will be considered next Wed., and the excise tax rate extension bill on Thurs. p. 9846

12. ADJOURNED until Mon., June 10. p. 9852

REVITALIZE THE AMERICAN COTTON INDUSTRY

JUNE 6, 1963.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. COOLEY, from the Committee on Agriculture, submitted the following

R E P O R T

together with

ADDITIONAL VIEWS AND MINORITY REPORT

[To accompany H.R. 6196]

The Committee on Agriculture, to whom was referred the bill (H.R. 6196) to encourage increased consumption of cotton, to maintain the income of cotton producers, to provide a special research program designed to lower costs of production, and for other purposes, having considered the same, report favorably thereon with amendments and recommends that the bill do pass.

The amendments are as follows:

Page 2, line 13, following "1964," insert "such".

Page 3, beginning on line 2, strike out the sentence beginning with the words "In carrying" and insert the following new sentence:

There are hereby authorized to be appropriated such sums, not to exceed \$10,000,000 annually, as may be necessary for the Secretary to carry out this special research program.

Page 4, following line 23, add the following new section:

SEC. 6. The Agricultural Adjustment Act of 1938, as amended, is amended as follows:

"(1) The following new sections are added to the Act:

"SEC. 349. If the national acreage allotment established under section 344(a) for the years 1964, 1965, or 1966 exceeds 17 million acres (exclusive of the national acreage reserve established under section 344(b)), the amount of such acreage allotment in excess of 17 million acres shall, notwithstanding any other provision of this part, be allotted as

follows: One-half of such excess shall be allotted pursuant to the provisions of section 344. The remaining half of such excess shall, subject to the provisions of this section and section 350, be allotted by the Secretary as export market acreage directly to farms eligible to receive allotments under the provisions of section 350 to the extent that he determines that such allotments will not increase the carryover of cotton at the beginning of the marketing year for the next succeeding crop above the carryover on the same date one year earlier, except that no farm may receive an allotment of export market acreage in excess of 20 per centum of the acreage allotment for the farm established under the provisions of section 344. Any acreage available for allotment as export market acreage which the Secretary determines will not be used shall be allotted pursuant to the provisions of section 344. Any acreage allotted to a farm as export market acreage and planted to cotton shall be in addition to the county or State acreage allotments and shall not be taken into account in establishing future State, county, and farm acreage allotments. Notice of the maximum export acreage for a farm shall be included in the notices of farm acreage allotments and marketing quotas. The provisions of this section shall not apply to extra long staple cotton.

"SEC. 350. The producers on any farm on which there is export market acreage or the purchasers of cotton produced thereon shall, under regulations issued by the Secretary, furnish a bond or other undertaking prescribed by the Secretary providing for the exportation, without benefit of any Government cotton export subsidy and within such period of time as the Secretary may specify, of a quantity of cotton equal to the actual production of the export market acreage as determined pursuant to regulations issued by the Secretary. The bond or other undertaking given pursuant to this section shall provide that, upon failure to comply with the terms and conditions thereof, the person furnishing such bond or other undertaking shall be liable for liquidated damages in an amount which the Secretary determines and specifies in such undertaking will approximate the export subsidy on such quantity of cotton. The Secretary may, in lieu of the furnishing of a bond or other undertaking, provide for the payment of an amount equal to that which would be payable as liquidated damages under such bond or other undertaking. If such bond or other undertaking is not furnished, or if payment in lieu thereof is not made as provided herein, at such time and in the manner required by regulations of the Secretary, or if the acreage planted to cotton on the farm exceeds the farm acreage allotment established under the provisions of section 344 by more than the maximum export market acreage, the farm acreage allotment shall be the acreage so established under section 344. Amounts collected by the Secretary under this section shall be remitted to the Commodity Credit Corporation and used by the Corporation to defray costs of encouraging export

sales of cotton under section 203 of the Agricultural Act of 1956, as amended.

“(2) Section 376 of the Act is amended by adding at the end thereof the following: ‘This section also shall be applicable to liquidated damages provided for pursuant to section 350 of this title.’”

BRIEF SUMMARY OF MAJOR PROVISIONS OF THE BILL

1. Payments-in-kind (cotton from Commodity Credit Corporation stocks) to make American cotton available to domestic mills at world cotton prices. Through an export subsidy, the United States now ships American cotton to foreign buyers at 8½ cents a pound cheaper than the same cotton can be obtained by domestic mills.

2. Protection for smaller farmers, by permitting a 10-percent higher price support on the first 15 bales produced on each farm, above the support in effect for the remainder of the crop. The bill provides that the support for the first 15 bales can be no higher than the 32.47 cents a pound prevailing for cotton in 1963. Approximately 72 percent of all cotton farms produce 15 bales or less, meaning that the vast majority of farmers, under this bill, would get the top-level support on their total production.

3. Authority for producers to plant up to 20 percent above their acreage allotments, at world prices for the cotton grown on the extra acres, if the Secretary finds that production on more than 17 million acres would not increase the stocks of the Commodity Credit Corporation. This authority was not embraced in the bill as introduced, but was added by amendment.

4. A crash research program to reduce the cost of producing cotton. The bill as reported requires that this program be financed, up to \$10 million annually, through authorized appropriations rather than funding through the Commodity Credit Corporation as provided in the bill as introduced. Cotton price supports would be reduced in the future to reflect reductions in production costs achieved through such research.

Under the provision for payments-in-kind to eliminate the inequity of one price for export cotton and a higher price for domestic mills—the bill provides:

(a) From the date of enactment, until August 1, 1964, the CCC is directed to make payments through the issuance of payment-in-kind certificates to persons other than producers in such amounts and subject to such terms and conditions as the Secretary determines will eliminate inequities due to the differences in the cost of raw cotton between domestic and foreign users of cotton; and

(b) For the period beginning August 1, 1964, and ending July 31, 1967, such payments-in-kind shall be made to persons other than producers in an amount as will make such cotton available for domestic use at a price which is not in excess of the price at which such cotton is made available for export.

(c) Payments-in-kind also would be provided to make raw cotton in inventory on the date of enactment available for consumption at prices consistent with the purposes of the legislation.

Thus the Secretary of Agriculture would be given discretion in determining the level of payments-in-kind prior to August 1, 1964, but after that date and until July 31, 1967, he would be directed to make such payments in the amount necessary to make cotton available to American mills at the same price American cotton is offered for export.

The bill provides that beginning August 1, 1964, CCC may sell cotton from its stocks at not less than 105 percent of the basic support price plus reasonable carrying charges. Present law provides that the minimum CCC sales price is 115 percent of the support level.

STATEMENT

The purpose of H.R. 6196 is to forestall the ruins of the American cotton industry and to revitalize this industry on which millions of our citizens depend for their livelihood.

The bill will end the two-price system for cotton. Domestic mills will be able to buy cotton at the world price. They now must pay approximately $8\frac{1}{2}$ cents a pound more than the world price for the cotton that goes into goods sold in the United States.

Cotton again will compete fairly with synthetic fibers.

The competitive position of our domestic mills, against imports of cheap foreign cotton goods, will be vastly improved.

Americans will enjoy lower prices for American-made cotton goods, at savings amounting to more than \$500 million a year, according to competent estimates.

Farm prices will remain stabilized and protected. The bill makes no change in the method of determining the basic level of price support. Farmers will benefit also from an expanding use of cotton.

This legislation will protect the livelihood of millions of workers associated with cotton.

It will encourage a healthy cotton trade and merchandising system.

It will assist and promote an efficient, growing, and prosperous cotton textile industry.

And under this bill, the United States will enjoy a fair share of the world cotton market.

Agriculture is the biggest business in America, in dollar value involved and people employed, and the cotton industry perhaps is the biggest segment of American agriculture, in terms of people. More than 10 million persons are associated with the production of cotton, in ginning, marketing, transporting, milling, and in the manufacture and merchandising of cotton goods. Many others gain their livelihood by supplying the production materials for cotton farmers and the industry generally.

No one crop has a more intimate relationship to the well-being of so many Americans.

Moreover, cotton is exceedingly important in this Nation's economic relationship with the rest of the world.

Cotton maintained the financial integrity of the United States before the world for a century or more prior to World War I. It once accounted for approximately one-third of all U.S. exports, of crops and industrial products combined. It now comprises about 20 percent of all our agricultural exports.

This American fiber now relates directly, through exports, to the flow of dollars back to the United States, amounting in years past to

around \$1 billion annually—dollars returning home to maintain our Nation's balance of payments and the stability of our gold supplies.

COTTON INDUSTRY IN JEOPARDY

But the economic structure of the American cotton industry now is in jeopardy. Cotton is assailed, and is losing ground, on two fronts:

1. A flood of low priced textiles is flowing in from abroad, displacing the goods produced by our own workers and demoralizing the domestic markets for our textile industry. Foreign mills enjoy a great advantage in our markets, in that under our export subsidy program they are able to buy American cotton much cheaper than the same cotton may be obtained by domestic mills. The Tariff Commission has denied a request for relief through an import fee that would be equalize the price of raw cotton in foreign and domestic goods.

2. Synthetic fibers—principally rayon—make devastating inroads into markets where cotton never before has been seriously challenged. Rayon imitates cotton and, because it is cheaper, this synthetic is mixed with cotton or substituted for cotton in goods offered to consumers. Synthetic fibers are produced by only a very few large manufacturing concerns which are able to administer their prices to an advantage over cotton on which the Government operates a price stabilization program to protect the income of farmers.

A quarter of a century ago, U.S. cotton was the dominant factor in the world fiber market. This is no longer true. U.S. cotton faces competition from foreign-grown cotton and from a host of manmade fibers.

Thirty years ago, if we exclude wool, silk, and linen, which do not directly compete with cotton on a price basis, cotton enjoyed about 93 percent of the U.S. fiber market, with rayon and acetate accounting for the remainder. In 1962, cotton had only 65 percent. Thus, cotton now holds only two-thirds of the market in which it competes directly.

In the last 13 years, cotton has dropped from 30 pounds consumed annually by each individual in the United States to 23 pounds. Manmade fibers today account for over one-third of this market.

Between December 1960 and March 1963, cotton has suffered a total competitive loss of 1,150,000 bales. Over this period, consumption of rayon in cotton-type spinning mills rose 74 percent. Consumption of dacron and similar-type fibers rose 147 percent. For more than a year, cotton's share of the fiber used in the cotton systems spinning has declined each month.

Allotted acreage for cotton now is at the lowest since the farm program was inaugurated 30 years ago.

Cotton textile imports have increased sharply. In 1962, they reached a record 650,000 equivalent bales of cotton compared with 100,000 bales in 1954. Imports of cotton textile products over the past 4 years have had an average annual increase of 100,000 bales.

The deteriorating cotton situation is sharply increasing Government costs. Two years ago, Commodity Credit Corporation investments in cotton amounted to about \$300 million. Today, this has increased to over \$1.5 billion, and by August 1, 1963, the Department

of Agriculture currently is forecasting a carryover of around 11 million bales, up about 3 million bales from last year.

This is the situation in the cotton industry. For the Congress to ignore this situation will mean the ruin of this industry, with all the greivous implications for those who work in and with the industry.

Cotton's problem primarily is a pricing problem. Thus, this legislation addresses itself to pricing policy. It recognizes that, due to the ever-increasing costs of the machinery and materials used in the production of cotton in the United States, our farmers no longer are able to produce cotton at the now prevailing world price. In this connection it might be pointed out that the standard of living among farmers in a number of countries now competing in the world cotton markets is below such standards in our Southern States at the time some 30 years ago when cotton on our domestic markets was selling at 5 to 6 cents a pound.

This legislation, therefore, sets up a system of payments-in-kind (cotton payments out of CCC stocks) to maintain the income of our farmers while dropping our cotton to the world price (from 32.47 cents a pound down to around 24 cents a pound) so that our cotton industry can compete with imported cotton goods from abroad and with the synthetic fibers that seek to imitate cotton.

CONSUMER INTEREST

In this undertaking, this committee is especially pleased that the users and consumers of cotton in the United States will be among the principal beneficiaries. The Department of Commerce has estimated that savings to consumers through lower priced cotton goods, by the program embraced in this legislation, would amount to more than \$500 million annually. Similar estimates were presented by spokesmen of the cotton textile industry.

Appearing before the Cotton Subcommittee of our Committee on Agriculture on January 31, Hon. Hickman Price, Jr., then Assistant Secretary of Commerce, testified:

Mr. PRICE. Mr. Chairman and gentlemen, thank you very much. It is a great privilege for me to be here with you to present the views of the Department of Commerce in support of the provisions of cotton legislation proposed to eliminate the inequity resulting from the price advantages enjoyed by foreign purchasers of domestic cotton over our own domestic textile industry. This is a subject which, as you know, is one that has been extremely controversial here in the United States since this system was established back in 1956. The effect of it has been extremely widespread throughout the textile industry, and, therefore, the Department of Commerce is most grateful to you for the opportunity today of appearing here.

Today the Under Secretary of Agriculture stated that the payments to the domestic users of American cotton should not be considered as a subsidy to the mills—that because of strong competition within the industry, the reduction in price would be passed along to the consumer. I should like, Mr. Chairman, to elaborate somewhat on this point, because we believe that it is a very vital point and a key to the whole

program. We not only believe that this reduction will be passed on to the consumer, but we believe that because of the necessary distributive markups which are added as a percent on costs, the reduction will be magnified through the distribution channels. Such cumulative markups in the textile and apparel industries range between 100 and 135 percent.

Utilizing the more conservative markup of 100 percent, and using an annual raw cotton consumption figure of 4.5 billion pounds, each cent of reduction in cost would amount to \$45 million, thus magnified to a \$90 million saving to the consumer. And this could be higher than \$100 million per penny of reduction annually.

This would, of course, not occur overnight because of the variable inventory lag. It may run, for example, from 3 to 8 months, in the case of cotton apparel.

The intolerable inequity imposed on our domestic mills by the difference in cost of raw materials must be done away with, and the costs of the payments, whatever they may be, to remove the inequity will find their way into the profits of the American consumer in a ratio of \$2 for every \$1 spent. The American taxpayer is, also, the American consumer. And I doubt that he would shirk the payment of \$1 to correct this obvious unfairness in order to receive \$2 back in his own purse.

So sensitive is the pricing and market structure of this industry that even today, some months before final enactment of this measure, there has been a marked drying up of future bookings on the mills in anticipation of lower prices resulting from the proposed measure. I cannot sufficiently stress the price depressant factors with which the American cotton textile industry is faced. No major industry in the United States suffers more acutely pricewise from factors of both domestic and foreign competition—domestic competition within the vast complex of the thousands of companies constituting the textile and apparel industry as well as competition from fibers other than cotton, and foreign competition. * * *

We, in the Department of Commerce, who are so keenly aware of the difficulties of our domestic textile industry in its struggle against competition, hope that the Congress will consider this legislative proposal favorably and enact it at an early date.

But the issues before the Congress, in considering the proposed legislation is, if I may suggest it, more far-reaching than that merely of the correction of a monstrous inequity. The stake here is the long-term survival of cotton itself as an industrial commodity. The American cotton farmer in good times and in bad times has one basic customer who is with us in peace and in war. That customer is our own domestic cotton textile industry. If that industry continues to be discriminated against as it now is by a very much higher cost of its raw material than its foreign competition, it is inevitable that in the long run, with all the technology now available in today's world, that great customer will progressively

switch to other fibers in the manufacture of fabric and apparel. If it is the policy of the United States to substitute the products of test tubes and chemical engineering for the American cotton farmer, then let us continue on precisely the same road that we are now on, because that is where we are going. If, on the other hand, the Congress says that the economy of this Nation should be a balanced one, including a prosperous cotton sector of our agricultural life, then make it possible for cotton's largest customer to continue the use of this basic staple and to increase it.

Indeed, the issue here is whether the use of cotton is to dwindle as a result of our own self-imposed action, or whether the use of cotton is not only to be maintained, but to be increased.

CONSUMER PRICES FOLLOW RAW COTTON

The U.S. textile mill products industry is one of the largest and most competitive among all U.S. manufacturing industries. More than 5,000 companies and 8,000 separate plants make up the industry. The size composition of the industry with numerous small companies is such that no company accounts for more than 6 to 7 percent of total textile output and the industry is severely price-competitive.

The high degree of price competition in textile markets extends in all directions. The bulk of the industry's output consists of staple items such as cotton duck, sheeting, print cloth, etc., which are traded in the open market and are, therefore, directly subject to changes in manufacturing costs, however small. Raw cotton, for example, makes up approximately 55 percent of the manufacturing costs of primary cotton cloth. A rise or fall in the cost of this basic raw material is almost invariably accomplished by a rise or fall of the same degree in cotton cloth prices.

The American Textile Manufacturers Institute engaged a private research firm to study cotton and cloth price relationships over a period of years, with respect to the expectation that a reduction in the price of raw cotton to American mills would result in large savings to consumers of cotton goods. Excerpts from the report on this research, along with charts, follow:

A correlation was run between the price of raw cotton and the price of cotton cloth to determine the statistical relationship between these two series. Some of the major findings are quoted below:

“(a) There is a remarkably high, positive, correlation between the price of raw cotton and the wholesale price of unfinished cotton cloth. This is to say that increases or decreases in the one were almost invariably accompanied by increases or decreases of the same degree in the other. In other words, when cotton prices went up 2 percent, cloth prices went up 2 percent; when cotton prices went down 5 percent, cloth prices went down 5 percent.

“(c) As compared with almost any other industry, the intimate relationship between the price of the principal raw material and the price of the finished product in the cotton textile industry, as demonstrated by the correlation above,

is most unusual and remarkable. When consideration is given to the long span covered, the varying political and economic conditions during this time period, the great and minor depressions, the two wars and the two postwar periods, this record verges upon the unbelievable."

A detailed examination of trends in the wholesale price index movements of all industrial commodities and cotton products was made. It was found that:

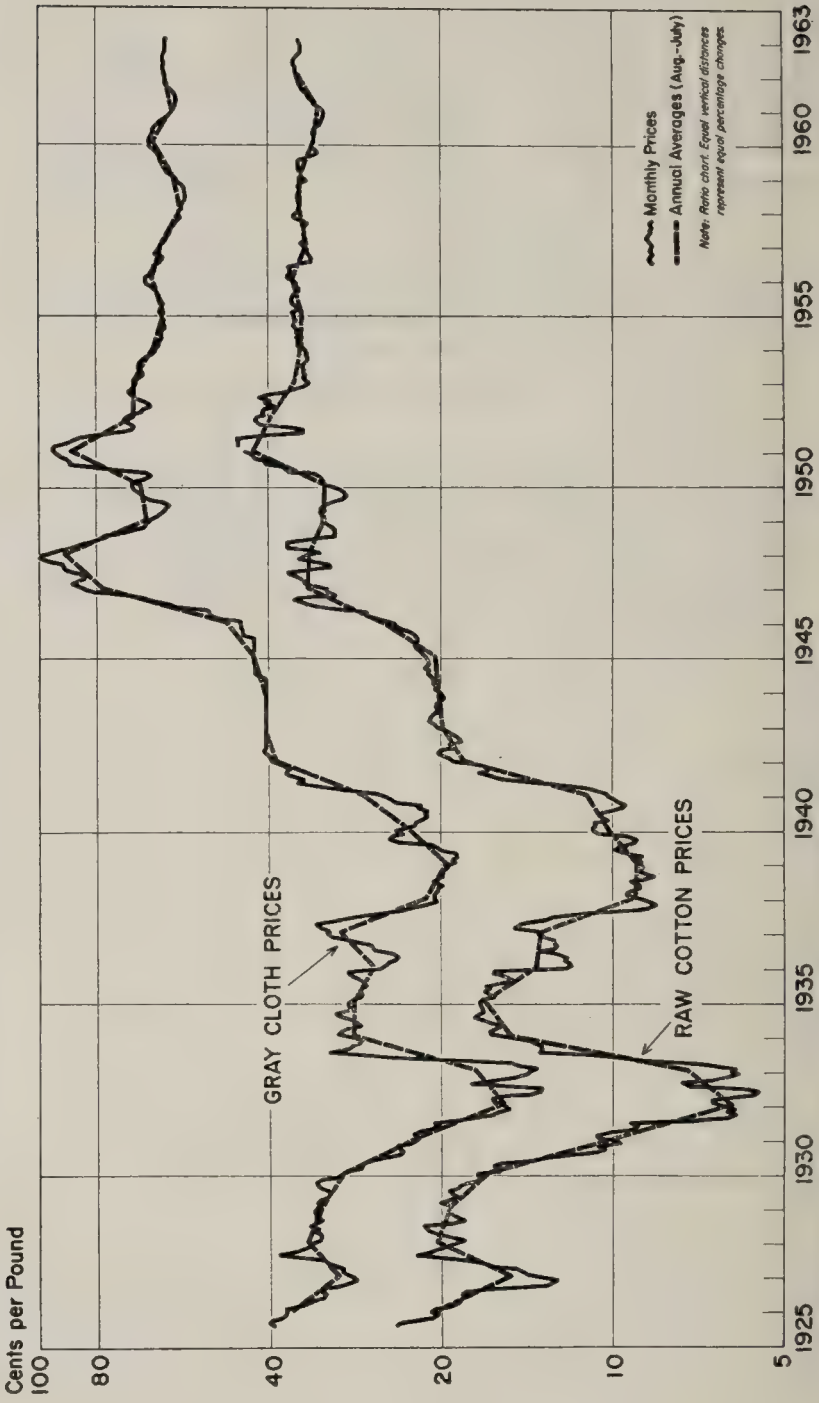
(a) The wholesale price of all commodities increased from an index level of 96 in 1947 to 120 in 1962, an increase of 24 percent.

(b) The wholesale price of all industrial commodities increased from an index level of 95 in 1947 to 128 in 1962, an increase of 34 percent, or about half again as much as all commodities combined.

(c) The wholesale price of cotton products decreased from an index level of 103 in 1947 to 92 in 1962, a decrease of 11 percent.

Thus, the wholesale price of all commodities was 40 percent higher in 1962 than it would have been if it had paralleled the price of cotton products since 1947; and the wholesale price of all industrial commodities was 51 percent higher than it would have been under this circumstance.

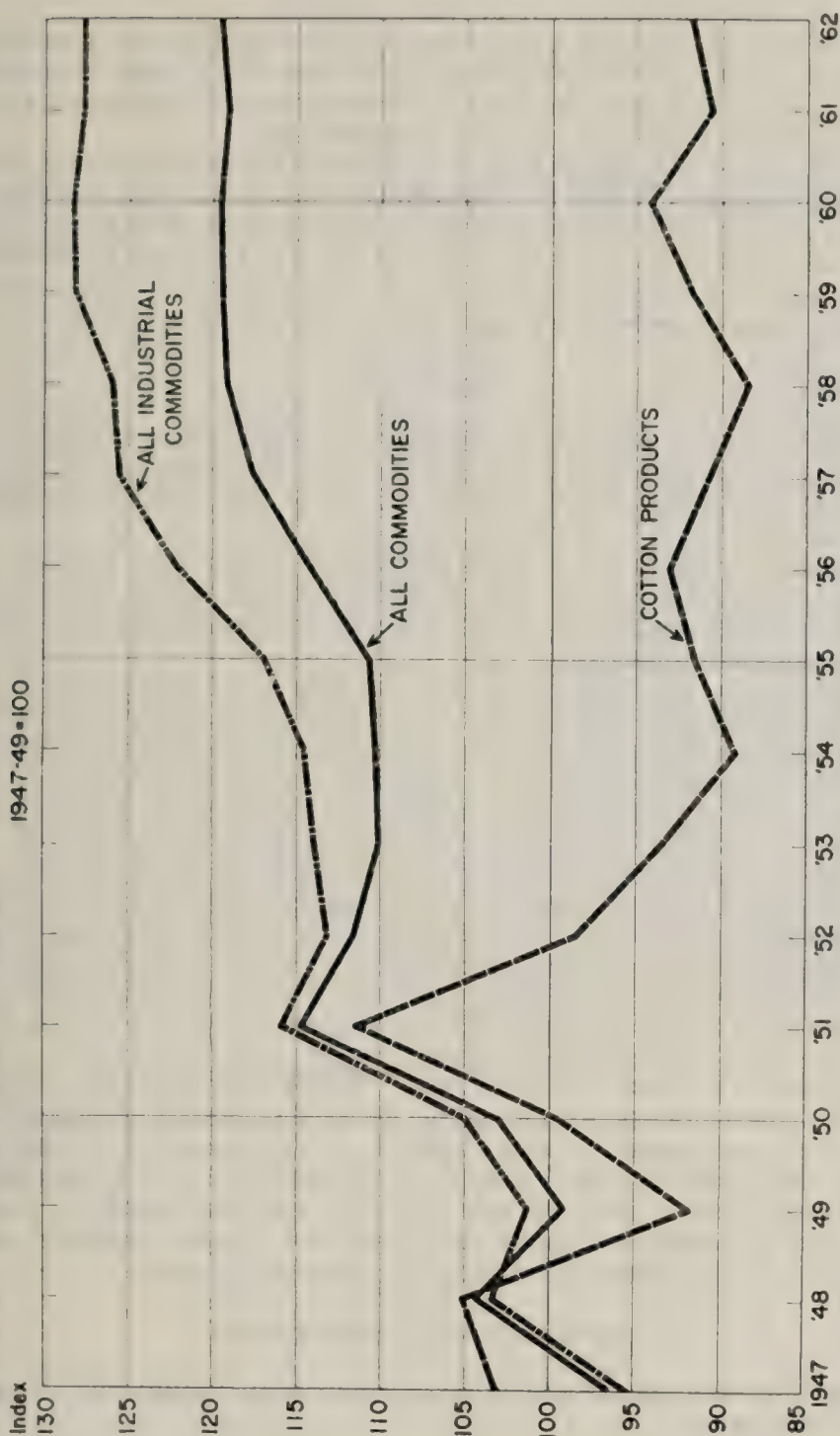
PRICE COMPARISONS: COTTON AND CLOTH



17 constructions thru July 1954; 20 constructions thereafter. Series revised Aug. 1950, Aug. 1954, and Aug. 1957.

Source: Agricultural Marketing Service, U.S. Department of Agriculture.

WHOLESALE PRICE INDEX



Source: Bureau of Labor Statistics, U.S. Department of Labor

The Department of Agriculture estimates that the program under H.R. 6196 would cost approximately \$250 million more annually than the program under the current cotton law.

Thus the savings to consumers—at \$500 million or more under H.R. 6196—would be more than double the extra costs to taxpayers in operating this new program. Consumers and taxpayers are one and the same, and would benefit substantially.

Thus, under this legislation, it is expected that the overall income of cotton producers will be maintained, cotton use will increase, the cotton textile industry will prosper and expand, the livelihoods of millions of persons associated with cotton will be protected, and consumers will be doubly repaid for the investment they make as taxpayers in this new cotton program.

RESEARCH

This legislation directs the Secretary of Agriculture to undertake a crash program aimed at reducing the cost of producing cotton, and for this purpose an appropriation of up to \$10 million annually is authorized.

Cotton farmers in many areas are contributing voluntarily so much a bale produced to finance expanded research and promotion programs, supplementing the limited cotton research undertakings of the Federal and State governments.

Farmers are convinced that there is a great potential for reducing the cost of growing cotton, particularly by eradicating or controlling insects and weeds, and generally through improved technology. The committee received estimates that cost of growing cotton can be reduced as much as 11 cents a pound, on the average, within 5 or 10 years.

This legislation provides that cotton price supports be reduced in the future to reflect reductions in production costs achieved through this research.

THE COTTON TRADE

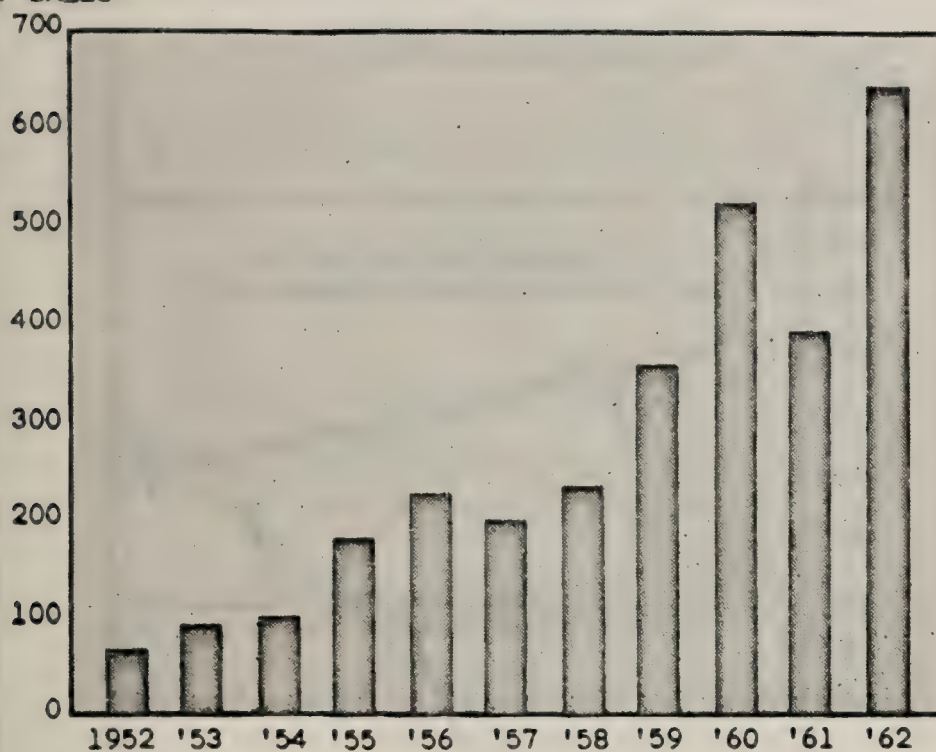
H.R. 6196 stipulates that the payments-in-kind, to equalize cotton prices for American mills at world prices, shall be made "to persons other than producers" of cotton. While the committee rejected several amendments which would have designated the persons to whom the payments-in-kind would be made because it did not want to tie the hands of the Secretary of Agriculture in this respect, the committee feels it is important that the payments-in-kind program be handled in such a manner as to keep the greatest possible volume of cotton in the usual and customary channels of trade.

SUPPLEMENTAL INFORMATION

The following charts and tables present information relating to the cotton industry:

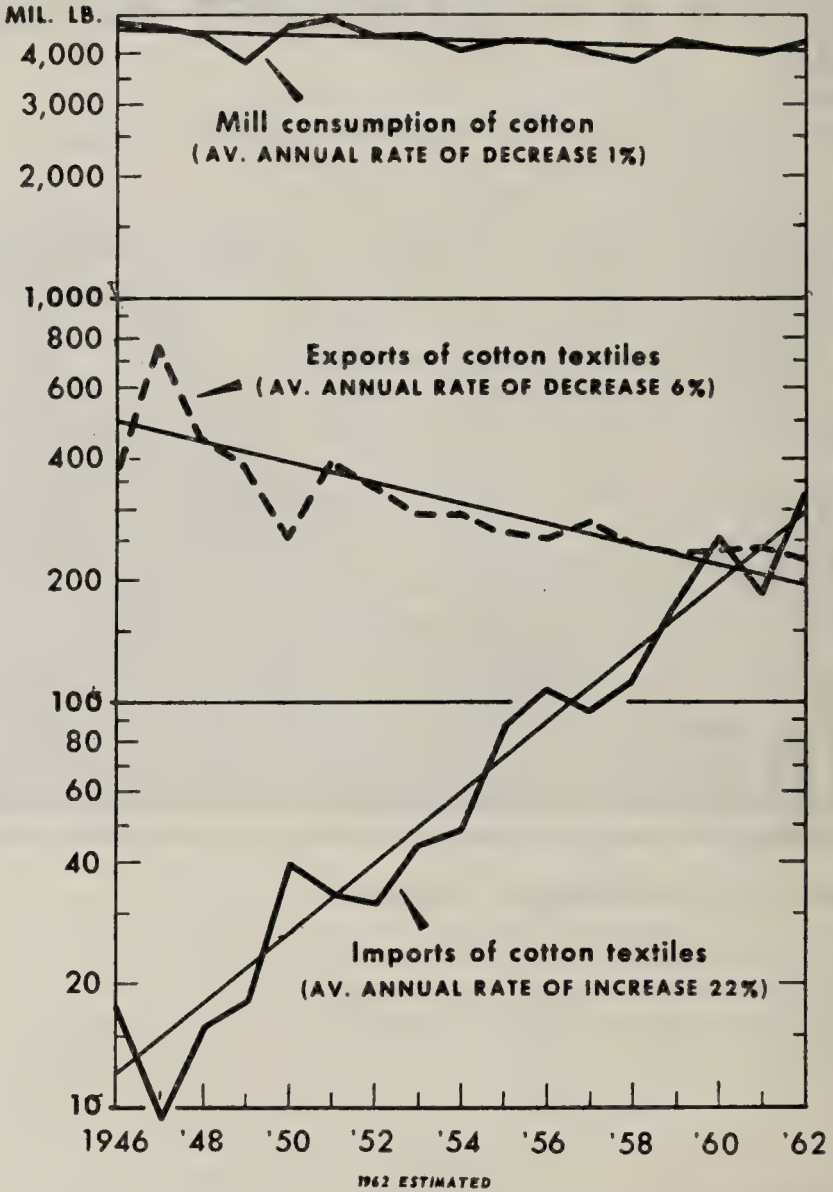
COTTON IN MANUFACTURED IMPORTS

THOUSANDS
OF BALES



Source : U. S. Department of Agriculture

POSTWAR TRENDS IN COTTON CONSUMPTION AND COTTON TEXTILE TRADE



1961 upland cotton: Percent of original allotment farms by size groups

State	Number of original allotment farms	Original allotment (acres) ¹								Percentage of farms with allotments of less than 15 acres
		0.1 to 4.9	5 to 10	10.1 to 14.9	15 to 29.9	30 to 49.9	50 to 99.9	100 to 199.9	200 to 499.9	500 and over
Alabama.....	118,473	46.9	31.8	9.1	7.9	2.3	1.3	0.5	0.2	(3) 2.3
Arizona.....	4,183	9.1	11.8	9.6	15.1	12.8	16.3	13.9	9.1	2.3
Arkansas.....	59,186	29.7	23.7	11.9	17.9	7.1	5.1	2.6	1.6	1.4
California.....	14,943	14.7	14.7	11.5	25.9	11.1	10.9	6.5	3.3	1.4
Florida.....	8,700	70.7	21.9	4.2	2.6	.5	.1	(3)		
Georgia.....	82,583	40.6	30.2	9.7	12.4	4.1	2.2	.7	.1	(2)
Illinois.....	492	63.2	24.2	5.3	4.9	1.6	.2	.6		
Kansas.....	4	50.0	50.0							
Kentucky.....	1,273	80.4	9.3	1.7	4.2	2.2	1.5	.6	.1	
Louisiana.....	43,148	40.5	29.1	9.6	11.7	4.1	3.0	1.3	.6	.1
Maryland.....	1			100.0						
Mississippi.....	107,222	46.0	27.7	9.0	9.2	3.2	2.2	1.4	1.1	.2
Missouri.....	15,212	22.3	19.6	10.6	23.8	11.4	8.1	3.2	.8	.2
Nebraska.....	24		4.2		12.5	16.6	4.2	50.0	8.3	4.2
New Mexico.....	5,345	15.2	16.7	9.8	22.2	14.8	14.3	5.0	1.7	.3
North Carolina.....	83,614	67.2	20.6	5.5	4.5	1.4	6.4	5.2	(3)	(2)
Oklahoma.....	43,220	23.4	23.0	12.8	20.1	10.7	6.4	1.4	.2	(2)
South Carolina.....	76,837	48.7	25.4	10.9	9.1	3.3	2.0	.5	.1	(2)
Tennessee.....	61,227	48.2	26.2	9.9	10.2	3.1	1.8	.5	.1	(2)
Texas.....	196,501	15.2	17.2	8.4	22.1	13.6	14.5	6.6	2.1	.3
Virginia.....	6,367	87.3	9.7	1.8	.9	.2	.1			
United States.....	930,555	38.3	24.3	9.2	13.4	6.2	5.2	2.3	.9	.2

¹ Original allotments refer to those established for all farms prior to the release and reapportionment programs.

² Less than 0.05 percent.

Prepared in Cotton Division, Agricultural Stabilization and Conservation Service.

Upland cotton: Production by States for specified years

[500 pound standard bales]

State	1930		1940		1950		1960	
	Production	Per- cent ¹	Production	Per- cent ¹	Production	Per- cent ¹	Production	Per- cent ²
Alabama.....	1,467,000	10.5	779,000	6.2	575,000	5.7	756,000	5.3
Arizona.....	130,000	.2	165,000	1.3	437,000	4.4	818,000	5.8
Arkansas.....	870,000	6.2	1,501,000	11.9	1,090,000	11.0	1,339,000	9.4
California.....	264,000	1.9	545,000	4.3	978,000	9.9	1,939,000	13.7
Florida.....	56,000	.4	21,000	.2	14,000	.1	17,000	.1
Georgia.....	1,592,000	11.4	1,010,000	8.0	490,000	4.9	505,000	3.5
Illinois.....	(2)	-----	(2)	-----	(2)	-----	2,000	-----
Kansas.....	(2)	-----	(2)	-----	(2)	-----	(2)	-----
Kentucky.....	(2)	-----	(2)	-----	(2)	-----	10,000	.1
Louisiana.....	715,000	5.1	456,000	3.6	426,000	4.3	501,000	3.5
Maryland.....	None	-----	None	-----	None	-----	None	-----
Mississippi.....	1,464,000	10.5	1,250,000	9.9	1,332,000	13.4	1,542,000	10.9
Missouri.....	155,000	1.1	388,000	3.1	254,000	2.5	472,000	3.3
Nevada.....	None	-----	None	-----	None	-----	7,000	.1
New Mexico.....	100,000	.7	127,000	1.0	179,000	1.8	278,000	2.1
North Carolina.....	771,000	5.5	739,000	5.9	181,000	1.8	232,000	1.6
Oklahoma.....	854,000	6.1	802,000	6.4	242,000	2.4	458,000	3.2
South Carolina.....	1,001,000	7.2	966,000	7.7	405,000	4.0	414,000	2.9
Tennessee.....	378,000	2.7	509,000	4.1	409,000	4.1	583,000	4.1
Texas.....	4,037,000	29.0	3,233,000	25.7	2,927,000	29.5	4,323,000	30.4
Virginia.....	46,000	.3	25,000	.2	4,000	-----	10,000	.1
United States.....	13,902,000	-----	12,534,000	-----	9,950,000	-----	14,205,000	-----

¹ Percentage of State production as related to national total production.² Not available.

Prepared in the Policy and Program Appraisal Division, ASCS.

Cotton: Acreage, yield, production, value, and foreign trade, United States, 1866-1901

Year	Cotton						Cottonseed		
	Acreage planted ¹	Acreage harvested	Yield per acre harvested	Production ²	Season average price per pound received by farmers ³	Farm value	Market price per pound, New Orleans year beginning August ⁴	Foreign trade, year beginning August ⁵	
								Domestic exports ⁶	Imports ⁷
	Thousand acres	Thousand acres	Pounds	Thousand bales	Cents	Thousand dollars	Cents	Thousand bales	Thousand bales
								Thousand tons	Thousand dollars
1866	7,666	7,666	121.5	2,097				864	
1867	7,804	7,804	142.6	2,520				1,042	
1868	6,973	6,973	150.7	2,366				974	
1869				5,012					
1869	7,751	7,751	155.4	3,011					
1870	9,238	9,238	208.2	4,352				4	1,980
1870	8,285	8,285	159.0	2,974				3	2,894
1871	8,580	8,580	182.3	3,933				7	1,786
1872	10,998	10,998	168.3	4,198				11	1,223
1873	10,763	10,763	157.0	3,836				5	1,621
1874	11,348	11,348	181.2	4,631				5	2,437
1875	11,747	11,747	167.6	4,474	9.71	200,791		5	2,706
1876	12,606	12,606	170.4	4,773	8.53	192,217		5	2,523
1877	13,539	13,539	167.5	5,074	8.16	194,224		5	2,567
1878	14,474	14,474	180.5	5,755				6	3,003
1879	15,921	15,921	190.9	6,006	10.28	281,784		6	3,869
1880	16,483	16,483	149.0	5,456	8.55	182,217		7	3,198
1881	15,638	15,638	208.9	6,949	8.16	194,224		7	3,265
1882	16,295	16,295	162.0	5,713	10.28	281,784		7	3,711
1883	16,849	16,849	155.1	5,682	9.83	312,925		9	4,409
1884	17,922	17,922	169.9	6,576	10.66	274,440		9	2,822
1885	18,370	18,370	164.3	6,505	9.12	311,644		9	3,430
1886	18,703	18,703	175.1	7,047	9.13	252,501		15	3,033
1887	19,520	19,520	168.5	7,473	9.19	251,981		10	3,745
1888	20,176	20,176	176.9	7,473	8.39	267,481		11	3,740
1889	20,937	20,937	195.5	9,035	8.06	254,733		9	4,193
1890	21,503	21,503	198.7	9,035	8.55	294,527		11	4,274
1891	18,869	18,869	168.7	7,000	8.50	294,183		17	4,557
1892	20,256	20,256	175.3	7,493	8.55	319,334			4,720
1893	21,886	21,886	219.0	9,091	8.55	319,334	10.69	19	4,934
1894	19,839	19,839	172.2	7,162	8.59	368,108	9.08	45	4,934
1895	23,230	23,230	175.2	8,533	8.59	323,943	8.88	61	6,859
1896					8.34	277,556	8.15	90	5,888
					7.00	260,096	7.30	58	4,456
					4.59	230,071	5.86	104	5,309
					7.62	272,378	7.68	115	7,010
					6.66	283,463	7.28	119	4,448
									3,174
									6,172
									3,778

See footnotes at end of table, p. 19.

	1931	1932	1933	1934	1935	1936	1937	1938	1939	1940	1941	1942	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961 12
43,329	38,110	36,494	40,248	27,860	28,063	30,627	34,090	25,018	24,683	24,871	23,130	23,302	21,900	20,221	18,092	18,638	21,786	23,576	28,283	18,866	20,353	28,065	26,872	20,052	17,991	17,077	14,310	12,379	15,833	16,080	16,588
157.1	211.5	173.5	212.7	171.6	185.1	199.4	269.9	235.8	237.9	252.5	231.9	272.4	254.0	209.4	254.1	235.7	266.6	311.3	281.8	269.0	269.4	279.9	324.2	341	417	409	388	466	461	446	438
17,082	17,087	13,003	13,047	9,636	10,638	12,389	18,946	11,943	11,681	11,817	12,566	10,744	12,817	11,427	11,838	12,230	8,640	14,877	16,419	16,128	10,014	15,149	16,465	13,696	14,721	13,310	10,964	11,512	14,558	14,272	14,318
9.46	5.66	7.26	10.17	12.36	11.09	12.36	8.41	8.60	9.09	9.89	9.89	17.03	19.05	19.90	20.73	22.52	32.64	31.93	30.38	28.57	37.88	34.59	32.25	33.61	32.33	31.75	29.65	33.23	31.66	30.19	32.80
658,981	483,375	423,975	653,383	595,572	590,021	706,222	796,469	513,704	537,010	621,310	914,695	1,220,320	1,136,751	1,267,857	1,014,823	1,409,668	1,892,949	2,260,089	2,304,636	2,005,684	2,868,720	2,617,644	2,654,683	2,301,212	2,379,030	2,122,625	1,625,119	1,912,311	2,304,265	2,154,165	2,348,139
112	138	8,895	156	112	162	285	166	157	176	202	279	180	145	193	349	284	301	173	253	189	79	195	145	150	137	191	141	137	145	154	134
7,133	9,193	8,895	7,964	5,037	6,267	6,689	5,976	3,512	6,501	1,174	1,162	1,540	1,199	1,997	3,733	3,656	2,025	4,960	6,004	4,280	5,711	3,181	3,914	3,585	2,320	7,916	5,959	2,895	7,394	6,857	6,857
6,098	7,310	5,815	5,511	4,256	4,634	5,472	7,844	4,950	4,809	3,286	4,553	5,202	4,688	4,902	3,664	3,514	4,682	5,945	6,559	4,105	6,286	6,190	6,748	5,709	6,043	5,407	4,609	4,798	5,991	5,886	5,978
133,054	65,678	69,292	71,166	140,574	141,527	182,230	152,974	107,874	102,933	114,817	216,961	237,221	244,059	238,163	87,155	252,697	402,058	399,755	284,810	354,593	435,891	430,959	355,252	344,175	269,262	288,864	235,367	210,262	232,115	249,877	305,372

¹ Compiled from reports of the Department of Commerce. Equivalent bales of 500 pounds gross weight.

² Excluding linters beginning 1914.

³ Imports for consumption beginning 1934, reexport not considered beginning this date.

⁴ Prior to 1928, cottonseed production was computed on the basis of 65 pounds of seed to 35 pounds of lint.

⁵ Year beginning July.

⁶ 13 months, July-July.

⁷ Acreage in cultivation July 1 less acres removed, as reported by the Agricultural Adjustment Administration and natural abandonment on area not under contract.

⁸ Preliminary.

⁹ Average price to Apr. 1, 1962, including an allowance for unredeemed loans.

Statistical Reporting Service and Economic Research Service. *Italic figures are census returns. Production figures conform with census annual ginning enumerations.*

¹ Acreage in cultivation July 1 prior to 1944. (For 1909-26, inclusive, figures relate to June 25 instead of July 1.)

² Census of Agriculture figures for all periods are in running bales. Department of Agriculture figures for 1866-98 are in running bales; for 1899-1961 in 500-pound gross-weight bales.

³ Gross weight price, including bagging and ties, except that beginning 1922 extra-long staple cotton is included at net weight price. From 1933 to date allowance made for loans unredeemed at date of maturity. Prior to 1908 prices are as of December 1.

⁴ Prices compiled from following sources: August 1899-August 1900, Commercial and Financial Chronicle, average of daily quotations; August 1900-August 1915, from reports of the New York Cotton Exchange except Aug. 1-Nov. 16, 1914, when the exchange was closed (prices for this period from Commercial and Financial Chronicle); beginning August 1915, from reports of the New Orleans Cotton Exchange. These central-market prices are for Middling grade, 3/8-inch staple, through 1939; 1/16-inch staple August 1940-July 1956; 1-inch staple beginning August 1956.

ANALYSIS OF H.R. 6196 AS AMENDED BY THE COMMITTEE

The bill would amend the Agricultural Adjustment Act of 1938, as amended, and the Agricultural Act of 1949, as amended, to encourage increased consumption of cotton, to maintain the income of cotton producers, and to provide a special research program designed to lower costs of production.

Section 1 of the bill would add the following new section to the Agricultural Adjustment Act of 1938, as amended:

SEC. 348. This section would authorize and direct the Commodity Credit Corporation to make payments through the issuance of payment-in-kind certificates to persons other than producers on upland cotton produced in the United States for the period beginning with the date of enactment of this section and ending July 31, 1967, in such amounts and subject to terms and conditions as the Secretary determines will eliminate inequities due to differences in the cost of raw cotton between domestic and foreign users of such cotton. The Corporation would also be required to make such payments as may be necessary to make raw cotton in inventory on the date of enactment of this section available for consumption at prices consistent with the purposes of this section. Beginning August 1, 1964, such payments would be made in an amount as would make upland cotton produced in the United States available for domestic use at a price which is not in excess of the price at which such cotton is made available for export. All payments would be made by the Corporation under rules and regulations prescribed by the Secretary.

Section 2 of the bill would amend section 385 of the Agricultural Adjustment Act of 1938, as amended, by adding a sentence at the end thereof which would make the facts constituting the basis for any payments under section 348 of such act final and conclusive when determined in conformity with the regulations prescribed by the Secretary.

Section 3 of the bill would amend section 104 of the Agricultural Act of 1949, as amended, by providing in subsection (a) authority in the Secretary to conduct a special cotton research program designed to reduce the cost of producing upland cotton in the United States at the earliest practicable date. The Secretary would be required to report annually to the Committee on Agriculture of the House of Representatives and to the Committee on Agriculture and Forestry of the Senate with respect to the results of such research. There are authorized to be appropriated such sums not to exceed \$10 million annually as may be necessary for the Secretary to carry out this special research program. Subsection (b) of section 104 would require the Secretary, notwithstanding the provisions of section 103, to make such reductions in the price support level to cooperators for each crop of upland cotton beginning with the 1965 crop of such cotton as will reflect reductions in the costs of producing cotton.

Section 4 of the bill would amend section 407 of the Agricultural Act of 1949, as amended, by inserting a proviso after the first proviso in the third sentence thereof which provides that beginning August 1,

1964, the Commodity Credit Corporation may sell upland cotton for unrestricted use at not less than 105 percent of the current loan rate for such cotton under section 103(a) plus reasonable carrying charges.

Section 5 of the bill would amend section 103 of the Agricultural Act of 1949, as amended, by designating the present provisions as subsection (a) and adding new subsections (b) and (c) at the end thereof. Subsection (b) of section 103 would provide that the Secretary, notwithstanding any other provision of law, may provide price support to cooperators for the 1964, 1965 and 1966 crops of cotton on not to exceed 15 bales (standard 500 pounds gross weight) of the production from their allotments at a level up to 10 percent in excess of the basic level of price support established under section 103(a) but not in excess of the level of price support for the 1963 crop. Subsection (c) of section 103 would provide that, notwithstanding any other provision of law, in order to keep cotton to the maximum extent practicable in the normal channels of trade, if the level of price support is increased under subsection (b) of section 103, such increased price support shall be carried out through the purchase of cotton at such support level and the simultaneous sale of such cotton at the support price therefor under section 103(a), or similar operations including loans under which the cotton would be redeemable by payment of the amount for which the cotton would be redeemable if the loan had been made at the support price for such cotton under section 103(a).

Paragraph (1) of section 6 of the bill would add the following new sections to the Agricultural Adjustment Act of 1938, as amended:

SEC. 349. This section would provide that if the national acreage allotment established under section 344(a) for 1964, 1965, or 1966 exceeds 17 million acres (exclusive of the national acreage reserve established under section 344(b)), the amount of such allotment in excess of 17 million acres shall be allotted one-half pursuant to section 344 as a part of the basic allotment. The remaining half of such excess shall be allotted by the Secretary as export market acreage to farms to which allotments are made under section 344 to the extent that the Secretary determines that such export market acreage will not increase the carryover of cotton at the beginning of the marketing year for the next succeeding crop above the carryover on the same date one year earlier. If the Secretary determines that any of the remaining half of such excess will not be planted as export market acreage, he shall allot such acreage pursuant to section 344 as a part of the basic allotment. However, in allotting export market acreage, the Secretary may not increase allotments established under section 344 by more than 20 per centum. Export market acreage shall not be taken into account in establishing future State, county, and farm allotments.

Under this section the Secretary would allot export market acreage in years when the national allotment exceeds 17 million acres by estimating the amount of export market acreage which would be planted on farms and establishing a percentage not exceeding 20 percent of the basic farm allotment reasonably expected to result in planting of an acreage equal to the export market acreage available

for the crop year, taking into account the extent to which farmers may be expected not to plant export market acreage.

SEC. 350. This section of the bill would require the producers on any farm on which there is export market acreage, or the purchasers of cotton produced thereon, to furnish a bond or other undertaking prescribed by the Secretary providing for the exportation without benefit of any Government cotton export subsidy of a quantity of cotton equal to the actual production of the export market acreage. Such actual production would be determined in accordance with regulations prescribed by the Secretary under which the Secretary could provide for determination by appraisal if the farmer fails to submit satisfactory proof of such production. Upon failure to comply with the terms and conditions of such bond or other undertaking, the person furnishing such instrument would be liable for liquidated damages in an amount which the Secretary determines will approximate the export subsidy on such quantity of cotton. In lieu of a bond or other undertaking, the Secretary may provide for a payment equal to that which would be payable as liquidated damages. If a bond or other undertaking is not furnished, or if payment in lieu thereof is not made, or if the acreage planted to cotton on the farm exceeds the farm allotment by more than the maximum export market acreage, the farm allotment shall be the acreage established under section 344 and marketing quota penalties would be payable on the farm marketing excess. Amounts collected by the Secretary as liquidated damages or payments under this section shall be remitted to the Commodity Credit Corporation and used by the Corporation to defray costs of encouraging export sales of cotton under section 203 of the Agricultural Act of 1956, as amended.

Paragraph 2 of section 6 of the bill would amend section 376 of the Agricultural Adjustment Act of 1938, as amended, by adding a sentence at the end thereof which would grant court jurisdiction to enforce the collection of liquidated damages under section 350.

CHANGES IN EXISTING LAW

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in *italic*, and existing law in which no change is proposed is shown in roman):

AGRICULTURAL ADJUSTMENT ACT OF 1938, AS AMENDED

* * * * *

SEC. 348. *In order to maintain and expand domestic consumption of Upland cotton produced in the United States and to prevent discrimination against the domestic users of such cotton, notwithstanding any other provision of law, the Commodity Credit Corporation, under such rules and regulations as the Secretary may prescribe, is authorized and directed*

for the period beginning with the date of enactment of this section and ending July 31, 1967, to make payments through the issuance of payment-in-kind certificates to persons other than producers in such amounts and subject to such terms and conditions as the Secretary determines will eliminate inequities due to differences in the cost of raw cotton between domestic and foreign users of such cotton, including such payments as may be necessary to make raw cotton in inventory on the date of enactment of this section available for consumption at prices consistent with the purposes of this section: Provided, That beginning August 1, 1964, such payments shall be made to persons other than producers in an amount as will make upland cotton produced in the United States available for domestic use at a price which is not in excess of the price at which such cotton is made available for export.

SEC. 349. If the national acreage allotment established under section 344(a) for the years 1964, 1965, or 1966 exceeds 17 million acres (exclusive of the national acreage reserve established under section 344(b)), the amount of such acreage allotment in excess of 17 million acres shall, notwithstanding any other provision of this part, be allotted as follows: One-half of such excess shall be allotted pursuant to the provisions of section 344. The remaining half of such excess shall, subject to the provisions of this section and section 350, be allotted by the Secretary as export market acreage directly to farms eligible to receive allotments under the provisions of section 350 to the extent that he determines that such allotments will not increase the carryover of cotton at the beginning of the marketing year for the next succeeding crop above the carryover on the same date one year earlier, except that no farm may receive an allotment of export market acreage in excess of 20 per centum of the acreage allotment for the farm established under the provisions of section 344. Any acreage available for allotment as export market acreage which the Secretary determines will not be used shall be allotted pursuant to the provisions of section 344. Any acreage allotted to a farm as export market acreage and planted to cotton shall be in addition to the county or state acreage allotments and shall not be taken into account in establishing future state, county, and farm acreage allotments. Notice of the maximum export acreage for a farm shall be included in the notices of farm acreage allotments and marketing quotas. The provisions of this section shall not apply to extra long staple cotton.

SEC. 350. The producers on any farm on which there is export market acreage or the purchasers of cotton produced thereon shall, under regulations issued by the Secretary, furnish a bond or other undertaking prescribed by the Secretary providing for the exportation, without benefit of any Government cotton export subsidy and within such period of time as the Secretary may specify, of a quantity of cotton equal to the actual production of the export market acreage as determined pursuant to regulations issued by the Secretary. The bond or other undertaking given pursuant to this section shall provide that, upon failure to comply with the terms and conditions thereof, the person furnishing such bond or other undertaking shall be liable for liquidated damages in an amount which the Secretary determines and specifies in such undertaking will approximate the export subsidy on such quantity of cotton. The Secretary may, in lieu of the furnishing of a bond or other undertaking, provide for the payment of an amount equal to that which would be payable as liquidated damages under such bond or other undertaking. If such bond or other undertaking is not furnished, or if payment in lieu thereof is not made as

provided herein, at such time and in the manner required by regulations of the Secretary, or if the acreage planted to cotton on the farm exceeds the farm acreage allotment established under the provisions of section 344 by more than the maximum export market acreage, the farm acreage allotment shall be the acreage so established under section 344. Amounts collected by the Secretary under this section shall be remitted to the Commodity Credit Corporation and used by the Corporation to defray costs of encouraging export sales of cotton under section 203 of the Agricultural Act of 1956, as amended.

* * * * *

COURT JURISDICTION

SEC. 376. The several district courts of the United States are hereby vested with jurisdiction specifically to enforce the provisions of this title. If and when the Secretary shall so request, it shall be the duty of the several district attorneys in their respective districts, under the direction of the Attorney General, to institute proceedings to collect the penalties provided in this title. The remedies and penalties provided for herein shall be in addition to, and not exclusive of, any of the remedies or penalties under existing law. *This section shall also be applicable to liquidated damages provided for pursuant to section 350 of this title.*

* * * * *

FINALITY OF FARMERS' PAYMENTS AND LOANS

SEC. 385. The facts constituting the basis for any Soil Conservation Act payment, parity payment, payment under section 339, loan, or price support operation, or the amount thereof, when officially determined in conformity with the applicable regulations prescribed by the Secretary or by the Commodity Credit Corporation, shall be final and conclusive and shall not be reviewable by any other officer or agency of the Government. In case any person who is entitled to any such payment dies, becomes incompetent, or disappears before receiving such payment, or is succeeded by another who renders or completes the required performance, the payment shall, without regard to any other provisions of law, be made as the Secretary of Agriculture may determine to be fair and reasonable in all the circumstances and provide by regulations. *This section also shall be applicable to payments provided for under section 348 of this title.*

AGRICULTURAL ACT OF 1949, AS AMENDED

* * * * *

PRICE SUPPORT FOR 1961 AND SUBSEQUENT YEARS (COTTON)

SEC. 103. (a) Notwithstanding the provisions of section 101 of this Act, price support to cooperators for each crop of upland cotton, beginning with the 1961 crop, for which producers have not disapproved marketing quotas shall be at such level not more than 90 per centum of the parity price therefor nor less than the minimum level prescribed below as the Secretary determines appropriate after

consideration of the factors specified in section 401(b) of this Act. For the 1961 crop the minimum level shall be 70 per centum of the parity price therefor, and for each subsequent crop the minimum level shall be 65 per centum of the parity price therefor. Price support in the case of noncooperators and in case marketing quotas are disapproved shall be as provided in section 101(d) (3) and (5).

(b) *For the 1964, 1965, and 1966 crops of cotton, the Secretary, notwithstanding any other provision of law, may provide to cooperators price support on not to exceed fifteen bales (standard five hundred pounds gross weight) of the production from their allotments at a level up to 10 per centum in excess of the basic level of price support established under subsection (a) hereof but not in excess of the level of price support for the 1963 crop.*

(c) *Notwithstanding any other provision of law, in order to keep cotton to the maximum extent practicable in the normal channels of trade, if the level of price support to cooperators for the 1964, 1965, or 1966 crop is increased under subsection (b), price support for cotton at the level established under subsection (b) shall be carried out through the simultaneous purchase of cotton at the support price therefor under subsection (b) and sale of such cotton at the support price therefor under subsection (a) or similar operations, including loans under which the cotton would be redeemable by payment of the amount for which the cotton would be redeemable if the loan thereon had been made at the support price for such cotton under subsection (a).*

SEC. 104. [(a) Not later than December 15, 1958, the Secretary shall conduct a referendum of producers of corn in 1958 in the commercial corn-producing area for 1958 to determine whether such producers favor a price support program as provided in subsection (b) of this section for the 1959 and subsequent crops in lieu of acreage allotments as provided in the Agricultural Adjustment Act of 1938, as amended, and price support as provided in section 101 of the Agricultural Act of 1949, as amended.

[(b) Notwithstanding any other provision of law, if less than a majority of the producers voting in the referendum conducted pursuant to subsection (a) hereof favor a price support program as provided in this subsection (b), the following provisions of law shall become inoperative:

["DISCONTINUANCE OF ACREAGE ALLOTMENTS ON CORN

["(1) The Agricultural Adjustment Act of 1938, as amended, is amended by adding the following new section:

[" 'SEC. 330. Notwithstanding any other provision of law, acreage allotments and a commercial corn-producing area shall not be established for the 1959 and subsequent crops of corn.' "

["PRICE SUPPORT

["(2) The Agricultural Act of 1949, as amended, is amended by adding the following new section:

[" 'Sec. 105. (a) Notwithstanding the provisions of section 101 of this Act, beginning with the 1959 crop, price support shall be made available to producers for each crop of corn at 90 per centum of the average price received by farmers during the three calendar years

immediately preceding the calendar year in which the marketing year for such crop begins, adjusted to offset the effect on such price of any abnormal quantities of low-grade corn marketed during any of such year: *Provided*, That the level of price support for any crop of corn shall not be less than 65 per centum of the parity price therefor.

["(b) Beginning with the 1959 crop, price support shall be made available to producers for each crop of oats, rye, barley, and grain sorghums at such level of the parity price therefor as the Secretary of Agriculture determines is fair and reasonable in relation to the level at which price support is made available for corn, taking into consideration the feeding value of such commodity in relation to corn, and the other factors set forth in section 401(b) hereof."]'

["(3) Section 101(d)(4) of the Agricultural Act of 1949, as amended, is repealed effective with the 1959 crop."]

(a) *The Secretary of Agriculture is hereby authorized and directed to conduct a special cotton research program designed to reduce the cost of producing upland cotton in the United States at the earliest practicable date. There are hereby authorized to be appropriated such sums, not to exceed \$10,000,000 annually, as may be necessary for the Secretary to carry out this special research program. The Secretary shall report annually to the Committee on Agriculture of the House of Representatives and to the Committee on Agriculture and Forestry of the Senate with respect to the results of such research.*

(b) *In establishing the level of price support to cooperators for each crop of upland cotton beginning with the 1965 crop of such cotton, the Secretary, notwithstanding the provisions of section 103, shall make such reductions in the price support level as will reflect reductions in the costs of producing cotton.*

* * * * *

SEC. 407. The Commodity Credit Corporation may sell any farm commodity owned or controlled by it at any price not prohibited by this section. In determining sales policies for basic agricultural commodities or storable nonbasic commodities, the Corporation should give consideration to the establishing of such policies with respect to prices, terms, and conditions as it determines will not discourage or deter manufacturers, processors, and dealers from acquiring and carrying normal inventories of the commodity of the current crop. The Corporation shall not sell any basic agricultural commodity or storable nonbasic commodity at less than 5 per centum above the current support price for such commodity, plus reasonable carrying charges: *Provided*, that effective with the beginning of the marketing year for the 1961 crop, the Corporation shall not sell any upland or extra long staple cotton for unrestricted use at less than 15 per centum above the current support price for cotton plus reasonable carrying charges, except that the Corporation may, in an orderly manner and so as not to affect market prices unduly, sell for unrestricted use at the market price at the time of sale a number of bales of cotton equal to the number of bales by which the national marketing quota for such marketing year is reduced below the estimated domestic consumption and exports for such marketing year pursuant to the provisions of section 342 of the Agricultural Adjustment Act of 1938, as amended: *Provided further*, That beginning August 1, 1964, the Commodity Credit Corporation may sell upland cotton for unrestricted use at not less

than 105 per centum of the current loan rate for such cotton under section 103(a) plus reasonable carrying charges: Provided That if a wheat marketing allocation program is in effect, the current support price for wheat shall be the support price for wheat accompanied by marketing certificate and wheat sold shall be accompanied by a marketing certificate. The foregoing restrictions shall not apply to (A) sales for new or byproduct uses; (B) sales of peanuts and oilseeds for the extraction of oil; (C) sales for seed or feed if such sales will not substantially impair any price-support program; (D) sales of commodities which have substantially deteriorated in quality or as to which there is a danger of loss or waste through deterioration or spoilage; (E) sales for the purpose of establishing claims arising out of contract or against persons who have committed fraud, misrepresentation, or other wrongful acts with respect to the commodity; (F) sales for export; (G) sales of wool; and (H) sales for other than primary uses. Notwithstanding the foregoing, the Corporation, on such terms and conditions as the Secretary may deem in the public interest, shall make available any farm commodity or product thereof owned or controlled by it for use in relieving distress (1) in any area in the United States declared by the President to be an acute distress area because of unemployment or other economic cause if the President finds that such use will not displace or interfere with normal marketing of agricultural commodities and (2) in connection with any major disaster determined by the President to warrant assistance by the Federal Government under Public Law 875, Eighty-first Congress, as amended (42 U.S.C. 1855) and shall make feed owned or controlled by it available at any price not less than 75 per centum of the current support price for such feed (or a comparable price if there is no current support price) for assistance in the preservation and maintenance of foundation herds of cattle (including producing dairy cattle), sheep, and goats, and their offspring, in any area of the United States where, because of flood, drought, fire, hurricane, earthquake, storm, disease, insect infestation, or other catastrophe in such areas, the Secretary determines that an emergency exists which warrants such assistance, such feed to be made available only to persons who do not have, and are unable to obtain through normal channels of trade without undue financial hardship, sufficient feed for such livestock. Except on a reimbursable basis, the Corporation shall not bear any costs in connection with making such commodity available beyond the cost of the commodities to the Corporation in store and the handling and transportation costs in making delivery of the commodity to designated agencies at one or more central locations in each State. Nor shall the foregoing restrictions apply to sales of commodities the disposition of which is desirable in the interest of the effective and efficient conduct of the Corporation's operations because of the small quantities involved, or because of age, location or questionable continued storability, but such sales shall be offset by such purchases of commodities as the Corporation determines are necessary to prevent such sales from substantially impairing any price-support program, but in no event shall the purchase price exceed the then current support price for such commodities. For the purposes of this section, sales for export shall not only include sales made on condition that the identical commodities sold be exported, but shall also include sales made on condition that commodities of the same kind and of comparable

value or quantity be exported, either in raw or processed form. Notwithstanding the foregoing, whenever prior to December 31, 1963, the Secretary determines it necessary in order to assure the Nation an adequate supply of milk free of contamination by radioactive fallout, he may make feed owned or controlled by the Commodity Credit Corporation available to producers of milk in any area or areas of the United States at such prices and on such terms and conditions as he deems appropriate in the public interest.

ADDITIONAL VIEWS

I do not come from a cotton-producing area. I do, however, represent consumers and taxpayers who have an interest in this legislation. I further believe that the prosperity of each of us depends on the prosperity of the whole country. Oregon will be hurt by a depressed cotton industry just as the cotton-producing States will be hurt by a depressed lumber industry in the Northwest. For all these reasons I consider a cotton bill important and have therefore voted to report this compromise bill to the full House, reserving my rights on the floor.

I have serious doubts that this bill is any long-range solution for the cotton program. My study of the Talmadge bill leads me to believe that it is far preferable, and I believe that the Congress will come to it or something much like it before too much longer.

ROBERT B. DUNCAN.

MINORITY REPORT

I. STATEMENT

At the outset of this report, we want to express both our recognition of and our concern for the serious problems facing the cotton industry. The interests of taxpayers, consumers, cottongrowers, textile workers, and the thousands of persons dependent on a vigorous and prosperous cotton industry transcend mere partisan politics in the consideration of this important legislation. We contend that the current problem has to a great degree been aggravated, rather than solved by Government action in the past and that the legislative recommendations embodied in H.R. 6196 will only compound the problem further, not solve it. We recommend an amendment to this bill that will require the Secretary of Agriculture to use the statutory authority he now possesses under the 1958 amendments to the Agricultural Adjustment Act of 1938 and the Agricultural Act of 1949 to eliminate the present inequitable two-price cotton system while at the same time increasing the acreage of cottongrowers in order to maintain their income. We have attempted to perfect and improve this legislation during its consideration in the committee, and we will continue our efforts during the debate on the floor of the House of Representatives.

II. COTTON FACES A SERIOUS PROBLEM

We recognize that the cotton industry is faced today with a most serious problem. This problem has been aggravated by Government action during this administration. Secretary Freeman's action in raising cotton price supports and increasing the size of the export subsidy is the classic example. In addition his action this year in setting the 1963 cotton price support during the consideration of new legislation by the committee has further complicated the problem.

Farmers' income in 1963 from cotton will be reduced because the Secretary cut the national cotton acreage allotment from 18.1 to 16.2 million acres without changing the price support in terms of dollars and cents.

The April 1963 "Farm Income Situation," No. 190, published by the U.S. Department of Agriculture, contains this statement:

Cash receipts from farm marketings in 1963 may be about the same as the record high of \$35.7 billion in 1962. Lower farm prices and a larger volume of marketings are in prospect. Government payments likely will be higher than last year's total of \$1.7 billion. Thus, realized gross farm income probably will be just above the \$40.6 billion record total reached in 1962.

This USDA publication then goes on to state:

The substantially smaller cotton crop expected this year than in 1962 will result in lower cash receipts in total to cottongrowers.

Taxpayer costs under the cotton program continue to be heavy and are estimated by the Department of Agriculture to be \$612 million in the 1962-63 marketing year and \$550.8 million in the 1963-64 marketing year under current legislation. (See table 1.)

The inventory of surplus cotton is continuing its buildup, and on August 1, 1963, the Commodity Credit Corporation is expected to own 10.6 million bales of cotton. (See table 3.) The latest report of the Commodity Credit Corporation shows a total Government investment of \$1.6 billion in upland cotton, counting both loans outstanding and inventory.

The April 1963, "Cotton Situation," No. 205, published by the U.S. Department of Agriculture contains this statement:

The carryover of all kinds of cotton in the United States on August 1, 1963, is expected to total at least 10.6 million bales. This is about 2.8 million bales more than on the previous August 1 and the largest carryover since 1957. However, it is about 27 percent below the record carryover of 14.5 million bales on August 1, 1956. The carryover increase is expected this year because of the smallest disappearance since 1958-59 and the largest crop since 1953.

The textile industry is facing a serious problem due to the inequities of the current two-price cotton system. Because of the export subsidy program for which taxpayers are spending \$148.7 million in the 1962-63 marketing year, foreign textile mills are able to obtain American cotton for at least 8½ cents a pound cheaper than American textile mills can. When the labor cost advantage of foreign countries is added to the lower raw cotton cost, and the use of modern machinery in foreign nations, it is easy to see why foreign textiles are able to come into the United States and compete unfairly with American textile products. The American textile industry is unable to obtain free world cotton in any significant amount due to the import restrictions of our country which prohibit foreign raw upland cotton imports in excess of approximately 30,000 bales annually. The failure of the U.S. Tariff Commission to grant the relief requested by the textile industry along with the failure of the Long-Term Agreement on Textiles made at Geneva have also contributed to the current serious problem.

As can be seen from tables 6 and 7, imports of cotton textiles from foreign nations have been steadily advancing.

U.S. exports of cotton, in spite of the heavy export subsidy, are also down. In the current marketing year only 4 million bales are expected to be exported as compared to 4.9 million bales last year. As of May 17, 1963, the U.S. Department of Agriculture had announced that 3,059,333 bales of cotton had been registered for export under the 1962-63 program as compared to 4,350,571 bales on a comparable date a year earlier.

Cotton as a fiber is rapidly losing its dominant place as the "king" of the textile industry. As can be seen from table 8, cotton represented 81.6 percent of all fiber used in 1938 when the Agricultural Adjustment Act of 1938 was passed. After 24 years of Government involvement in cotton production control, cotton's share of all fiber use fell to 59.8 percent in 1962.

And finally, many textile workers have lost their jobs because of declining cotton markets and the very intense pressure on textile

manufacturers to meet competition from foreign sources through the establishment and use of automated equipment. During the hearings on earlier cotton legislation, the representative of the Textile Workers Union of America, AFL-CIO, submitted the following statement concerning employment in the textile industry:

Let me add just this further bit of elaboration as to the present situation in the cotton textile industry in the United States:

Production workers employed in the cotton textile industry (yarn and thread, narrow fabric, and broad woven fabric) have declined as follows:

1954.....	418, 200
1958.....	348, 600
1961.....	327, 900

The 1962 figures are not yet available.

On January 22, 1963, the executive council of the Textile Workers Union of America adopted a resolution on cotton which contains in part these statements:

The American people are paying three penalties for the outmoded cotton price-support program. First, they have to foot the bill for the Federal payments to cotton farmers in support of the inflated price of cotton. Second, they are taxed to provide subsidies amounting to \$200 million a year to exporters of cotton products. Finally, they have to pay at least \$600 million a year more for domestically produced cotton products than would be necessary in the absence of high support prices.

While a few large cotton producers reap the bulk of the benefit from the price-support program, it actually works to the detriment of all sectors of the cotton industry. The growers suffer from a declining market as a result of the mills' efforts to substitute lower cost synthetic fibers. Thus, cotton's share of total fiber consumption has fallen from 71 percent in 1951 to 60 percent in 1962.

III. OBJECTIONS TO THE BILL

While there is general agreement that a very serious problem does face the cotton industry of America, we must vigorously dissent that the enactment of H.R. 6196 will in any way solve the basic problems. We feel this legislation which was reported to the House by a narrow 19-15 vote of the committee is completely unsound and will further aggravate the problem for the following reasons:

1. *H.R. 6196 will increase the cost of the present program*

This bill would add at least another \$221 million to the already high annual cost of the cotton program. According to the information submitted to the committee by the Department of Agriculture, H.R. 6196 is the most expensive cotton proposal now being considered in Congress, and it would bring the cotton program's total cost to \$779.4 million. (See table 1.) It should be noted that the Department's cost estimate of H.R. 6196 was submitted prior to the adoption of the two amendments by the committee dealing with research and

with overplanted or export acreage. The authorization for research in the committee amendment is for \$10 million annually. The Department in its testimony before the Senate Committee on Agriculture and Forestry estimated a \$17 million recapture on marketing fees to be collected under the export acreage provision (assuming the very unlikely prospect that the overplant provision would be in effect next year). Therefore the total annual cost of H.R. 6196 at \$779.4 million as shown in table 1 could be theoretically offset by \$17 million and would be augmented by \$10 million, leaving a total annual cost of the bill as amended of at least \$772.4 million. Since the Department estimates the present program will cost \$550.8 million next year under current legislation, H.R. 6196, as amended, calls for additional expenditures of \$221.6 million next year *at the very least*.

This of course would mean a "triple subsidy" program for cotton—one for producers, another for exporters, and finally this one for mills.

Since the annual value of a normal cotton crop is approximately \$2.4 billion, this Federal expenditure would represent 32.2 percent of the value of the crop, and this, we submit, is an additional burden which taxpayers should not be called upon to bear at a time when our Nation faces a Federal deficit of \$11 billion in fiscal year 1964 and a national debt of \$307 billion.

2. H.R. 6196 is not in the interest of the American textile industry

This bill provides new and extremely costly subsidies to textile mills and to cottongrowers. Under the terms of this bill, the Secretary would make two types of payments. The first would be to "persons other than producers," and the second would be to producers themselves through the legal fiction known as "simultaneous purchase and sale." The Department of Agriculture estimates that the former payments would amount to \$292.5 million annually and the latter payments would be \$68 million annually. (See table 1.) While the language "persons other than the producers" could theoretically encompass anyone in the cotton processing chain between the farmer and the retailer, the legislative history that this payment would go to textile mills is clear.

During the consideration of H.R. 6196 in the committee, an amendment to make the "trade incentive" payments directly to farmers was adopted by record votes of 19 to 16 and 18 to 17. This amendment was later reconsidered and rejected by the committee by a record vote of 19 to 15. An amendment to make these payments to the first purchaser (or second purchaser) was rejected in the committee by a record vote of 28 to 6.

Since the committee has spoken on which persons are not to receive these payments (i.e., producers and first or second handlers) only the mills remain as the practical recipients of such payments.

When this subsidy to the mills is translated into terms of individual companies, it can be readily seen that payments involving many millions of dollars would be made. This fact was confirmed by actual observation by members of the cotton subcommittee during the field trip to textile centers in North and South Carolina earlier this year and is also shown by a letter from Dr. Walter Wilcox, senior agricultural specialist of the Library of Congress, in response to a request of Congressman Findley, a member of the cotton subcommittee.

Dr. Wilcox stated:

This is in reply to your letter of January 26.

Approximately 9 million bales of upland cotton of 500 pounds each are used by domestic millers. Each cent per pound subsidy on this cotton would cost the Government about \$45 million. A 5-cent-per-pound subsidy would cost about \$225 million and an 8-cent-per-pound subsidy on cotton used by domestic manufacturers would cost the Government about \$360 million.

He went on to state:

As a very rough estimate, the 12 largest textile mills probably process over half of the cotton used domestically. (The eight largest knitting mills accounted for 61 percent of the total value of shipments by knitting mills in 1958, according to the census of manufacturers.)

It is probable that several of the largest companies process over 400,000 bales or 200 million pounds of cotton a year.

Fragmentary information suggests that several of the largest merchants handle 500,000 bales or more.

As Dr. Wilcox points out, there are several textile firms in this country which use in excess of 400,000 bales annually. In considering this legislation, it should be borne in mind that approximately 35 textile companies use a total of 6 million bales of cotton annually and that 12 of these companies use approximately one-half of this 6 million bales each year.

Taking one of these large companies which uses 500,000 bales of cotton annually, and multiplying the proposed 6-cents-a-pound subsidy in the following calculation, we see the American taxpayer carrying a \$15 million annual burden for just one textile company.

<i>Calculation</i>	
Bales	500, 000
Pounds per bale	500
Pounds in 500,000 bales	250, 000, 000
Cents per pound "trade incentive" subsidy	6
Annual value of payment-in-kind subsidy	\$15, 000, 000

We do not think that the American textile industry should be placed in a position of relying directly on this type of Government subsidy for its economic survival. Nor do we believe that the cotton processing industry should become an instrumentality of the Federal Government.

If the Secretary should, however, under the broad authority of this bill, choose not to follow the legislative history and select some other "persons" as recipients of these Federal subsidies, the same principle would apply. Ginners, merchants, warehousemen, or any other intermediate processors of cotton could also receive multimillion-dollar Federal payments each year under the provisions of H.R. 6196.

3. *H.R. 6196 is not financed by the regular appropriations process*

The bill authorizes what is known as payments in kind through the issuance of negotiable certificates which would go to textile mills to be redeemed in cotton. The cotton which is in the Government in-

ventory, of course, has been bought and paid for by taxpayers, and even though the redemption of these certificates was entirely in cotton, the Commodity Credit Corporation would absorb the loss which is the difference between what it paid for the cotton (32½ cents per pound Middling 1 inch) and what it gave away. This loss will have to be made up subsequently by either increased borrowing from the Treasury or by subsequent appropriations from Congress.

Under the simultaneous purchase and sale provision the Commodity Credit Corporation would buy the farmer's first 15 bales of production of cotton at 32½ cents a pound and simultaneously (as defined in the Webster's Dictionary as "taking place or operating at the same time") would sell the same cotton back to the producer for 29½ cents per pound. The Commodity Credit Corporation would realize an immediate loss of 3 cents a pound and the farmer would receive a payment in an equal amount. As the Department points out, the annual cost of these simultaneous purchase and sale payments would be \$68 million, a cost item which will have to be met by increased borrowing from the Treasury or by subsequent appropriations.

We support the committee amendment in regard to research. The bill provides for a \$10 million annual research effort aimed at lowering cotton production costs financed by annual appropriations by Congress. Under the original bill, the Commodity Credit Corporation would have financed this activity out of price support funds.

We would also point out that there is no limitation in the bill on the size of the "trade incentive" payments which could be made by the Secretary. The sky is the limit, and these payments could in some cases far exceed the \$15 million annual subsidy described previously.

4. H.R. 6196 is not a consumer subsidy

During the testimony before the committee, some witnesses argued that by subsidizing mills and producers in the manner envisioned by this bill, consumers would benefit by lower cotton textile costs. This, we submit, is a fallacious argument because consumers and taxpayers are the *same* people, and whatever remote and intangible benefit might possibly accrue to the taxpayer buying a cotton shirt for \$5 with a little bit more than 1 pound of cotton in it receiving a 6-cent subsidy will be more than offset by his income tax bill at the end of the year when he and his neighbors have to ante up the extra \$221 million to finance this proposal.

Some witnesses contended that a \$600 million "savings" to consumers would result in an 8½-cent subsidy to the mills. If this line of reasoning were at all valid it would logically follow that an outright donation by the Government of its entire cotton surplus (or a 32½-cent subsidy) would "save" consumers four times as much, or \$2.4 billion. Such an argument, we contend, defies commonsense.

5. H.R. 6196 discriminates against the production of cotton in the most efficient parts of the United States

Cotton producers in the Western States where production techniques are substantially more efficient than those employed in other parts of the country will suffer immeasurably under the terms of this bill. As can be seen in tables 11, 12, 13, and 14 the larger cotton farms which produce more cotton per acre are located in the western part of the Nation. These farmers will find no relief against ever-

shrinking cotton acreage allotments, even though many of them, as based on the testimony before the committee, would be willing to accept much lower prices for their cotton in return for the opportunity to produce on expanded acreage.

The committee amendment on "export acreage" would not come into effect until the national allotment reaches 17 million acres. With a surplus of 10.6 million bales on hand and a present national allotment of 16.2 million acres, it is obvious that the overplant provision will not operate next year. Even if it should, western growers would share in only one-half of the acreage in excess of 17 million acres.

6. Cotton farmers want less not more Government control of the cotton industry

It is interesting in this regard to compare the results of the national wheat referendum which was conducted on May 21, 1963, in the cotton-producing States with the results of last year's wheat referendum in these same States.

Last year 13 of the 18 cotton-producing States voted in favor of marketing quotas for wheat (3 cotton States—Florida, Louisiana and Nevada did not vote in last year's referendum). Not a single cotton-producing State failed to give the wheat program a simple majority last year.

In this year's referendum only 5 of the 21 cotton-producing States voted in favor of the administration's certificate wheat plan. Sixteen cotton-producing States voted "no" and 14 of them even failed to give that plan a simple majority.

Thus there is a clear mandate from cotton farmers for fewer Government restrictions and more freedom in agriculture. H.R. 6196 goes in the opposite directions. This year's and last year's wheat referendum results are as follows:

U.S. DEPARTMENT OF AGRICULTURE,
Washington, D.C., May 22, 1963.

WHEAT FARMERS DISAPPROVE 1964 CROP WHEAT MARKETING
QUOTAS

Preliminary results received by telephone from State Agricultural Stabilization and Conservation (ASC) Offices for the Tuesday (May 21) referendum show that farmers did not approve marketing quotas for 1964 crop wheat.

The vote was 547,151 or 47.79-percent for and 597,776 or 52.31-percent against. Total vote cast, a record, was 1,144,927, excluding the challenged vote (73,245).

Because the for vote was less than two-thirds approval as required by law, marketing quotas will not be in effect on the 1964 wheat crop.

As required by law when marketing quotas are disapproved, acreage allotments—previously announced at 49.5 million acres—will continue in effect as a condition of eligibility for price support which will be at 50 percent of parity as of the beginning of the marketing year on July 1, 1965.

The total preliminary vote does not include 73,245 challenged ballots. Final results of the referendum will be announced later.

Following is a State-by-State tabulation of the referendum vote:

State	"Yes" vote	"No" vote	Total vote	Percent for—
Alabama ¹	1,681	1,235	2,916	57.6
Arizona ¹	172	542	714	24.1
Arkansas ¹	1,881	3,637	5,518	34.1
California ¹	855	2,257	3,112	27.5
Colorado	7,211	7,677	14,888	48.4
Connecticut	8	22	30	26.7
Delaware	394	423	817	48.2
Florida ¹	262	624	886	29.6
Georgia ¹	11,528	1,781	13,309	86.6
Idaho	7,317	17,800	25,117	29.1
Illinois ¹	17,949	41,263	59,212	30.3
Indiana	19,601	57,321	76,922	25.5
Iowa	5,432	3,097	8,529	63.7
Kansas ¹	38,269	53,210	91,479	41.8
Kentucky ¹	22,143	3,669	25,812	87.9
Louisiana ¹	149	741	890	16.7
Maine	24	8	32	75.0
Maryland ¹	823	3,876	4,699	17.5
Massachusetts	4	18	22	18.1
Michigan	15,483	61,006	76,489	20.2
Minnesota	31,350	16,393	47,743	65.7
Mississippi ¹	414	1,371	1,785	23.2
Missouri ¹	55,086	29,841	84,927	64.9
Montana	11,118	10,664	21,782	51.0
Nebraska	23,944	20,150	44,094	54.3
Nevada ¹	89	272	361	24.6
New Jersey	552	1,171	1,723	32.0
New Mexico ¹	1,010	1,381	2,391	42.2
New York	6,874	15,011	21,885	31.4
North Carolina ¹	64,040	15,079	79,119	80.9
North Dakota	52,020	26,980	79,000	65.8
Ohio	19,639	67,081	86,720	22.6
Oklahoma ¹	17,656	25,845	43,501	40.6
Oregon	4,637	5,032	9,669	47.9
Pennsylvania	7,211	25,632	32,842	22.0
Rhode Island	2	6	8	25.0
South Carolina ¹	16,426	3,292	19,718	83.3
South Dakota	21,771	11,616	33,387	65.2
Tennessee ¹	19,462	6,129	25,591	76.0
Texas ¹	21,740	26,736	48,476	44.8
Utah	1,213	2,999	4,212	28.8
Vermont	5	38	43	11.6
Virginia ¹	6,918	11,172	18,090	38.2
Washington	6,976	8,012	14,988	46.5
West Virginia	1,239	1,350	2,589	46.1
Wisconsin	3,484	2,766	6,250	55.7
Wyoming	1,089	1,551	2,640	41.2
United States	547,151	597,776	1,144,927	47.79

¹ States with cotton acreage allotments in 1962 and 1963.

U.S. DEPARTMENT OF AGRICULTURE,
Washington, September 19, 1962.

FINAL WHEAT VOTE SHOWS 68.4 PERCENT VOTED FOR 1963
MARKETING QUOTAS

Final results of the August 30 referendum in the 39-State commercial wheat-producing area show that 68.4 percent of the 247,508 farmers voting favored marketing quotas on the 1963 wheat crop, the U.S. Department of Agriculture reported today. The vote was 169,348 for and 78,160 against.

The final favorable percentage is the same as the preliminary figure announced August 31. The final tally shows an increase of about 11,800 votes from the preliminary total vote of 235,696.

The vote on 1963 wheat marketing quotas compares to a total vote of 278,515, with 79.4 percent favorable, in the referendum in August

1961 on 1962 marketing quotas. The vote in the 1963-crop referendum marks the 12th successive time that farmers have voted favorably on quotas for wheat.

Since wheat marketing quotas have been approved by more than the necessary two-thirds of the farmers voting in the referendum, quotas will be in effect for the 1963 wheat crop.

Producers in the 39-State commercial area who stay within their acreage allotments will be eligible for price support on 1963-crop wheat at not less than a national average price of \$1.82 per bushel.

The following final tabulation shows the vote cast by States:

State	Vote for	Vote against	Total vote	Percentage
Alabama ¹	180	56	236	76.3
Arizona ¹	59	50	109	54.1
Arkansas ¹	257	12	269	95.5
California ¹	335	248	583	57.5
Colorado	4,554	2,713	7,267	62.7
Delaware	119	22	141	84.4
Georgia ¹	910	29	939	96.9
Idaho	3,213	1,923	5,136	62.6
Illinois ¹	5,370	3,537	8,907	60.3
Indiana	3,531	2,158	5,689	62.1
Iowa	514	70	584	88.0
Kansas ¹	26,974	14,298	41,272	65.4
Kentucky ¹	1,423	43	1,466	97.1
Maryland ¹	416	156	572	72.7
Michigan	3,072	2,661	5,733	53.6
Minnesota	5,977	1,068	7,045	84.8
Mississippi ¹	363	13	376	96.5
Missouri ¹	5,808	1,256	7,064	82.2
Montana	10,676	6,913	17,589	60.7
Nebraska	11,222	4,001	15,223	73.7
New Jersey	115	15	130	88.5
New Mexico ¹	480	208	688	69.8
New York	837	554	1,391	60.2
North Carolina ¹	1,978	61	2,039	97.0
North Dakota	37,214	16,371	53,585	69.4
Ohio	3,121	2,665	5,786	53.9
Oklahoma ¹	9,729	6,110	15,839	61.4
Oregon	1,417	375	1,792	79.1
Pennsylvania	420	635	1,055	39.8
South Carolina ¹	1,281	36	1,317	97.3
South Dakota	11,691	2,256	13,947	83.8
Tennessee ¹	959	55	1,014	94.6
Texas ¹	8,727	3,642	12,369	70.6
Utah	492	262	754	65.3
Virginia ¹	1,121	261	1,382	81.1
Washington	3,955	2,927	6,882	57.5
West Virginia	41	31	72	56.9
Wisconsin	178	27	205	86.8
Wyoming	619	442	1,061	58.3
United States	169,348	78,160	247,508	68.4

¹ States with cotton acreage allotments in 1962 and 1963.

IV. BACKGROUND

(A) *How the present cotton program operates*

The present cotton price support and production control program is embodied in the Agriculture Act of 1949, as amended, and the Agricultural Adjustment Act of 1938, as amended. It is a complex and extensive program, but its general features are as follows:

Under section 103 of the Agricultural Act of 1949 the Secretary is authorized to set the price support for upland cotton at any level from 65 to 90 percent of the parity price of cotton. Price supports are set according to the quality and staple length of the crop with the "average of the crop" as the statutory basis for cotton price support. The key grade is known as middling 1 inch. The 1963 price support on this

cotton is 32.47 cents per pound (middling 1 inch), or 79 percent of parity. Premiums and discounts are provided for growths of higher or lower quality cotton. The basic instrument for price support is a "nonrecourse" loan whereby the producer obtains a loan from the Commodity Credit Corporation based on the quality of his crop. If the market price advances above the loan level, the producer has the option of repaying his loan and handling charges and taking advantage of the enhanced market price. If the market price does not advance, the producer can forfeit his loan and let the Government retain his cotton. The Government however has no "recourse" or legal claim against the producer in the event it sustains a loss on this operation. Under section 407 of the act, most of the Government's cotton surplus cannot be sold into the domestic market for less than 115 percent of the current support price plus carrying charges.

Under the Agricultural Adjustment Act of 1938 the Secretary estimates the annual domestic utilization and export of cotton and translates that estimate into the number of acres needed to produce the desired amount. This national acreage is then apportioned to States, counties, and farms based on their historical production. If necessary, the Secretary also proclaims the need for marketing quotas which must be approved in a farmer referendum. The farm marketing quota is tied to the farm acreage allotment and is basically the amount of cotton that is produced on the number of allotted acres assigned to the farm. The violation of a marketing quota by a farmer results in a civil penalty being assessed against him. Last December cotton farmers approved marketing quotas in the cotton referendum after the Secretary had set the 1963 national allotment at 16.2 million acres, the statutory minimum.

Since the World price for cotton is lower than the U.S. price, the Commodity Credit Corporation subsidizes the export of cotton by payments to exporters. The current subsidy is 8½ cents per pound.

(B) The principal provisions of H.R. 6196.

(1) Beginning with date of enactment and running until July 31, 1967, Secretary of Agriculture would make payments-in-kind to persons other than producers (i.e., cotton textile mills) in an attempt to eliminate inequity of the cotton cost differential between domestic and foreign mills. Until August 1, 1964, the payment rate would be at level determined by the Secretary (up to 8½ cents but presumably 5 cents a pound). From August 1, 1964, to July 31, 1967, the rate would be the amount necessary to make cotton available to domestic mills at a price not in excess of that for which it is made available for export (presumably about 6 cents a pound).

(2) The Secretary would be directed to conduct a special cotton research program to reduce production costs as soon as practicable. For this purpose, up to \$10 million annually would be authorized subject to the regular appropriations process.

(3) Beginning with the 1965 crop of upland cotton, the Secretary would be directed to reduce the level of price support to reflect reductions (if any) in the cost of growing cotton.

(4) For the 1964, 1965, and 1966 crops, the Secretary would be authorized to provide up to 10 percent additional price support on not over 15 bales of each farmer's production, but the level of price support could not exceed that for the 1963 crop (presumably about 32½ cents per pound for 15 bales and minimum of about 29½ cents per pound for the balance of crop in 1964). In an effort to keep cotton supported at the higher level in normal channels of trade, the bill provides producer payments through the legal device of "simultaneous purchase and sale."

(5) Beginning August 1, 1964, the minimum CCC resale price would drop to 105 percent of current loan, plus reasonable carrying charges. Present law restricts such sales at 115 percent of current support price plus reasonable carrying charges.

(6) At such time when the national acreage allotment reaches 17 million acres, one-half of the acreage in excess of 17 million acres would be allocated to increases in the regular acreage allotments of farmers. The other one-half would be earmarked for cotton farmers willing to produce additional cotton at world prices. This extra or overplant acreage would be up to 20 percent in addition to the regular farm allotment. In order to produce this extra acreage for export, farmers would have to pay an extra "export marketing fee" equal to the current export subsidy. These collections would then be earmarked for paying export subsidies.

V. THE WAY OUT OF THIS DILEMMA

The solution to the dilemma facing the cotton industry will not be an easy one. It should be recognized from the start that it is virtually impossible to meet the conflicting demands of all segments of the cotton industry, of fiscal responsibility to all taxpayers, of continued inroads of synthetic fibers, of foreign competition, of the loss of jobs in the textile industry, and of the promotion of efficient production areas and techniques, while at the same time preserving the status quo for inefficient producers and areas. In order for the common good to prevail, some of these conflicting demands must be abated. It is therefore our general recommendation that the Secretary of Agriculture be required by law to follow the mandate and the authority which he has failed to use under the provisions of the Agricultural Adjustment Act of 1938 and the Agricultural Act of 1949, both of which were amended by the Agricultural Act of 1958. We propose that these acts be amended to effect an orderly transition over a period of years toward lower price supports for cotton which would allow increased markets and the development and reestablishment of a one-price cotton system while lowering Government costs, maintaining farm income, and recapturing cotton's historic preeminence as the "king" of textiles.

VI. TABULAR MATERIAL

The following tables and charts are submitted for reference. Table 1 and table 2 were submitted to the committee by the Department of Agriculture during the consideration of this legislation. It should be noted that these tables refer to H.R. 6196 as introduced and should be now construed in the light of the two committee amendments on research and export acreage as discussed previously.

Tables 3 through 6 and tables 8 through 14 are reproduced from the April 1963 "Cotton Situation" published by the U.S. Department of Agriculture.

Table 7 is reproduced from the January 1963 "Cotton Situation" published by the U.S. Department of Agriculture.

TABLE 1.—UPLAND COTTON

Basic data

Item	Market- ing year 1961-62	Market- ing year 1962-63	Subsequent marketing year		
			Current legisla- tion	S. 1190 ¹	H.R. 6196 ²
	(1)	(2)	(3)	(4)	(5)
Acreage:					
Allotted.....thousands..	18,458	18,102	16,250		16,700
Acreage added—choice program.....do.....					0
Diverted: Soil bank.....do.....	679	617	586		586
Planted.....do.....	16,526	16,200	14,700		15,000
Harvested.....do.....	15,575	15,475	14,000		14,300
Yield: Pound per acre harvested.....do.....	438	457	460		460
Domestic allotment (bales).....thousands..				10,000	
Supply and utilization (bales):					
Production.....do.....	14,323	14,750	13,400	13,600	13,700
Beginning stocks.....do.....	7,090	7,750	11,000	11,000	11,000
Imports and city crops.....do.....	139	100	100	100	100
Domestic disappearance.....do.....	8,806	8,100	8,800	9,700	9,750
Exports.....do.....	4,915	3,500	5,000	4,500	5,000
Ending stocks.....do.....	7,759	11,000	³ 10,700	⁴ 10,500	⁵ 10,050
CCC stocks.....do.....	4,690	7,500	7,200	7,000	6,550
Free stocks.....do.....	3,069	3,500	3,500	3,500	3,500
Support price per pound (average of crop).....cents..	31.88	31.88	⁴ 31.72	⁴ 23.00	⁴ 29.0
Producer payment rates.....do.....				⁴ 12, 10, 8	⁴ 2.72 on 15
Effective price (domestic use) per pound.....do.....	32.70	32.0	32.0	24.0	⁴ 23.5
Effective price (export) per pound.....do.....	24.20	23.5	23.5	24.0	⁴ 23.5
CCC sales price (unrestricted use).....do.....				24.15	30.45
Export payment rate per pound.....do.....	8.5	8.5	8.5	0	6.0
Trade incentive rate per pound.....do.....				0	6.0
Marketing fee rate per pound.....do.....				0	0
Farm value of production.....millions	\$2,331	\$2,332	\$2,144	⁷ \$2,116	⁸ \$2,089
Less marketing fee.....do.....				0	0
Total.....do.....	\$2,331	\$2,332	\$2,144	⁷ \$2,116	⁸ \$2,089

¹ Assumptions: Domestic allotment, 10,000,000 bales; export allotment, no limitation; price support, 23 cents per pound average of crop; CCC minimum sales price, 24.15 cents per pound; no export subsidy or trade incentive payments; producer payments, 12 cents on 1st 15 bales, 10 cents on 2d 15 bales, and 8 cents per pound on balance of production from domestic allotment. Public Law 480 limited to 1,000,000 bales.

² Assumptions: Basic allotment, 16,700 acres; 29-cent loan average of crop plus 2.72 cents per pound increased support on 1st 15 bales; Public Law 480, 1,500,000 bales; 6-cent trade incentive; 6-cent export subsidy; and 105-percent sales price for CCC stocks.

³ The cost figures do not reflect future savings from reduction of carryover.

⁴ Middling 1 inch approximately $\frac{3}{4}$ cent per pound higher.

⁵ Payment of 12 cents per pound on 1st 15 bales, 10 cents on 2d 15 bales, 8 cents on balance of domestic production.

⁶ Estimated market price, $\frac{1}{2}$ cent above support level.

⁷ Includes \$484,000,000 producer payments.

⁸ Includes \$68,000,000 for 2.72-cent increase in support price on 1st 15 bales.

Cotton: Major elements of CCC costs for a subsequent marketing year under various assumptions compared with 1961-62 and 1962-63 marketing years ¹

[In millions of dollars]

	Market- ing year 1961-62	Market- ing year 1962-63 (esti- mated)	Subsequent marketing year		
			Current legisla- tion	S. 1190	H.R. 6196
	(1)	(2)	(3)	(4)	(5)
Major elements of CCC costs:					
Export subsidy payments.....	\$208.9	\$148.7	\$212.5	0	\$150.0
Cotton products payments.....	18.1	17.0	17.0	0	0
Public Law 480 (excluding export subsidy).....	153.6	204.0	180.0	\$120.0	180.0
Carrying charges and interest.....	26.8	46.8	64.8	63.0	58.9
Trade incentive payments.....					292.5
Increase in support price on 1st 15 bales.....					68.0
Producer payments.....				484.0	
Subtotal.....	407.4	416.5	474.3	² 667.0	749.4
Differences in support level and world price on cotton acquired by CCC ³	137.9	195.5	76.5	0	30.0
Grand total.....	545.3	612.0	550.8	667.0	77.94

¹ Summarizes the major elements of CCC costs under various programs, these costs cover major elements only during the marketing year and are for comparative purposes. Costs during a marketing year cannot be compared directly with budgetary expenditures within a particular fiscal year. Total costs include differences in support level and world price on cotton acquired by CCC.

² Based on a 1-price system for domestic use and for export.

³ Col. (1) based on 3,245 bales at 8½ cents; col. (2), 4,600 bales at 8½ cents; col. (3), 1,800 bales at 8½ cents; col. (4), 1,200 bales at 0 (no export subsidy); col. (5), 1,000 bales at 6 cents.

TABLE 2.—1961 upland cotton: U.S. summary by size of allotments

ORIGINAL ALLOTMENT ¹ (ACRES)											
State	Total	Size of allotment									
		0.1 to 4.9	5.0 to 10.0	10.1 to 14.9	15.0 to 29.9	30.0 to 49.9	50.0 to 99.9	100.0 to 199.9	200.0 to 499.9	500.0 and over	
Original allotment (farms).....	930,555	356,795	226,046	85,737	124,432	57,414	48,920	21,486	8,253	1,472	
Total original allotment (acres).....	18,451,501	1,030,074	1,589,160	1,051,402	2,574,822	2,200,395	3,373,754	2,933,759	2,364,213	1,333,922	
Farms releasing entire 1961 allotment.....	168,307	95,667	44,335	11,219	12,388	3,146	1,238	265	46	3	
Farms releasing entire 1960 and 1961 allotment.....	92,507	52,528	25,258	6,064	6,483	1,498	1,541	118	17	8	
Farms not planting any part of original allotment ²	358,159	215,035	81,116	22,616	26,583	8,255	3,710	737	89	-----	
EFFECTIVE ALLOTMENT ³ (ACRES)											
Effective allotment (farms).....	762,257	242,269	181,780	74,839	118,008	58,461	52,708	23,622	8,947	1,623	
Total effective allotments (acres).....	18,415,909	653,027	1,303,859	919,790	2,441,002	2,239,765	3,628,271	3,217,647	2,550,478	1,462,070	
Total 1961 final actual planted acres.....	16,181,572	357,098	951,790	728,451	1,993,634	1,929,209	3,302,587	3,036,104	2,451,772	1,430,927	
Effective allotment farms not planting.....	198,852	119,363	36,781	11,397	14,205	5,109	2,472	472	43	5	
Producers sharing in 1961 crop.....	840,903	169,251	189,991	88,653	148,726	83,734	84,029	44,459	22,817	9,243	

¹ Original allotments refer to those established for all farms prior to the release and reapportionment programs.
² Sum of farms from which entire allotments were released and the farms not releasing entire allotments but on which no cotton was planted.
³ Effective allotments refer to those established for all farms after any adjustments in farm allotments resulting from the release and reapportionment program. These were the final allotments for compliance purposes.

TABLE 3.—Commodity Credit Corporation stocks of cotton, United States, Aug. 1, 1959, 1960, and 1961, and Aug. 1, 1962, to date

[Thousands of bales]

Date	Total	Upland			Extra-long staple ¹		
		Owned	Under loan	Total	Owned	Under loan	Total
1959—Aug. 1	7,042	6,971		6,971	71		71
1960—Aug. 1	5,041	4,975		4,975	66		66
1961—Aug. 1	1,519	1,475	10	1,485	34		34
1962—Aug. 1	4,709	4,693	(²)	4,693	16		16
Aug. 3	4,709	4,693	(²)	4,693	16		16
Aug. 10	4,722	4,693	13	4,706	16		16
Aug. 17	4,738	4,693	29	4,722	16		16
Aug. 24	4,760	4,693	51	4,744	16		16
Aug. 31	4,803	4,693	94	4,787	16		16
Sept. 7	4,879	4,693	170	4,863	16		16
Sept. 14	5,005	4,693	296	4,989	16		16
Sept. 21	5,153	4,693	444	5,137	16		16
Sept. 28	5,299	4,692	591	5,283	16		16
Oct. 5	5,504	4,692	796	5,488	16		16
Oct. 12	5,696	4,692	988	5,680	16		16
Oct. 19	5,969	4,962	1,261	5,953	16		16
Oct. 26	6,325	4,692	1,617	6,309	16	(²)	16
Nov. 2	6,730	4,691	2,023	6,714	16	(²)	16
Nov. 9	7,158	4,691	2,450	7,141	16	1	17
Nov. 16	7,573	4,691	2,864	7,555	16	2	18
Nov. 23	7,910	4,690	3,200	7,890	16	4	20
Nov. 30	8,211	4,690	3,500	8,190	16	5	21
Dec. 7	8,496	4,690	3,784	8,474	16	6	22
Dec. 14	8,674	4,690	3,961	8,651	16	7	23
Dec. 21	8,858	4,690	4,144	8,834	16	8	24
Dec. 28	9,022	4,689	4,308	8,997	16	9	25
Jan. 4	9,348	4,689	4,634	9,323	16	9	25
Jan. 11	9,797	4,689	5,082	9,771	16	10	26
Jan. 18	10,075	4,689	5,360	10,049	16	10	26
Jan. 25	10,276	4,689	5,553	10,242	16	18	34
Feb. 1	10,384	4,689	5,661	10,350	16	18	34
Feb. 8	10,399	4,689	5,675	10,364	16	19	35
Feb. 15	10,381	4,689	5,657	10,346	16	19	35
Feb. 28	10,350	4,689	5,627	10,316	16	18	34
Mar. 1	10,316	4,689	5,592	10,281	16	19	35
Mar. 8	10,286	4,685	5,543	10,228	16	24	40
Mar. 15	10,237	4,685	5,511	10,196	16	25	41

¹ Includes American-Egyptian, Sealand, and Sea Island. Does not include cotton transferred to CCC from the national stockpile.² Less than 500 bales.

Source: Agricultural Stabilization and Conservation Service.

TABLE 4.—*Special programs of the U.S. Government for financing cotton exports: fiscal years 1959-60 to 1962-63*¹

Program	1959-60		1960-61		1961-62		1962-63 ²	
	Value (millions)	Quantity (million bales) ³	Value (millions)	Quantity (million bales) ³	Value (millions)	Quantity (million bales) ³	Value (millions)	Quantity (million bales) ³
Mutual Security Act.....	\$49.1	0.4	\$42.4	0.3	\$8.3	0.1	(⁴)	(⁴)
Export-Import Bank ⁵	36.0	.3	49.9	.3	57.4	.4	\$97.6	0.8
Public Law 480:								
Title I.....	94.8	.7	177.8	1.3	146.3	1.1	143.8	1.0
Title II.....	1.5	(⁶)	2.8	(⁶)	(⁷)	(⁶)	28.1	.2
Title IV.....					6.9	.1		
Total ⁸	181.4	1.4	266.0	2.0	218.9	1.6	269.6	2.0
Barter.....	12.7	.1	12.7	.1	2.7	(⁶)		

¹ Authorized for delivery, shipment and disbursement.² Preliminary data through Mar. 25. Includes carryover from 1961-62. Does not include agreements totaling \$76,400,000 under Public Law 480, titles I and IV, of which \$23,200,000 are scheduled for fiscal years 1963, 1964, and 1965.³ Running bales partly estimated.⁴ Mutual security program discontinued.⁵ Includes amounts advanced by participants or disbursed by others at Export-Import Bank risk. Includes \$30,000,000 to Hong Kong with expiration date—Dec. 31, 1963.⁶ Less than 50,000 bales.⁷ Less than \$50,000.⁸ Totals were made from unrounded data.

TABLE 5.—Cotton: Supply and distribution, United States, 1925 to date
[Thousands of bales] ¹

Year beginning Aug. 1	Supply				Distribution					
	Carryover, Aug. 1	Ginnings		Net imports (total less reexports)	City crop	Total ²	Net exports (total less reimports) ³	Mill con- sumption	Destroyed	Total ¹
		Current crop less ginnings prior to Aug. 1 of current season	New crop prior to Aug. 1, end of season							
1925	1,610	15,961	48	314	---	17,933	8,045	6,456	50	14,551
1926	3,543	17,707	163	382	---	21,794	10,917	7,190	70	18,177
1927	3,762	12,621	89	321	---	16,793	7,529	6,834	20	14,383
1928	2,537	14,208	87	442	---	17,273	8,038	7,091	18	15,147
1929	2,312	14,461	78	368	---	17,219	6,675	6,106	25	12,806
1930	4,530	13,677	7	99	---	18,314	6,757	5,263	28	12,048
1931	6,370	16,622	71	107	---	23,169	8,707	4,866	62	13,635
1932	9,678	12,639	171	124	---	22,612	8,418	6,137	30	14,585
1933	8,165	12,493	100	137	---	20,894	7,531	5,700	40	13,271
1934	7,744	9,372	94	107	---	17,317	4,767	5,361	30	10,158
1935	7,208	10,326	41	155	---	17,730	5,971	6,351	35	12,347
1936	5,409	12,100	143	249	---	17,901	5,433	7,950	45	13,428
1937	4,499	18,109	158	158	---	22,924	5,595	5,748	65	11,408
1938	11,533	11,465	137	132	---	23,268	3,325	6,858	66	10,249
1939	13,033	11,344	32	162	---	24,670	6,191	7,784	73	14,048
1940	10,504	12,266	2	188	---	23,020	1,112	9,722	70	10,904
1941	12,166	10,493	49	252	---	22,979	1,125	11,170	50	12,345
1942	10,640	12,389	107	168	---	23,305	1,480	11,100	60	12,640
1943	10,657	11,021	48	129	---	21,856	1,138	9,943	50	11,131
1944	10,744	11,791	133	190	---	22,858	2,007	9,568	50	11,025
1945	11,164	8,681	172	343	---	20,359	3,613	9,163	60	12,836
1946	7,326	8,346	194	270	35	16,170	3,544	10,025	16	13,585
1947	2,530	11,364	259	238	26	14,416	1,963	9,354	20	11,337
1948	3,080	14,321	298	163	30	17,892	4,746	7,795	35	12,576
1949	5,287	15,611	283	245	27	21,453	5,771	8,851	37	14,659
1950	6,846	9,627	224	189	28	16,914	4,108	10,509	27	14,944
1951	2,278	14,852	176	72	40	17,419	5,515	9,196	35	14,746
1952	2,789	14,778	346	193	42	18,149	3,048	4,946	50	12,559
1953	5,005	15,971	388	142	43	22,149	3,760	8,576	75	12,411
1954	9,728	13,231	314	146	46	23,465	3,445	8,841	60	12,346
1955	11,205	14,228	405	137	47	26,022	2,215	9,210	---	11,425
1956	14,529	12,746	231	136	50	27,692	7,598	4,868	---	16,206
1957	11,323	10,650	213	141	58	22,384	5,717	4,799	---	13,716

1958	8,737	11,223	150	136	51	20,296	2,789	48,703	11,492
1959	8,885	14,365	140	131	50	23,570	7,182	9,017	16,199
1960	7,559	14,125	228	127	63	22,102	6,632	8,279	14,911
1961 ⁵	7,228	14,097	287	153	64	21,827	4,915	8,954	13,869
1962 ⁷	7,831	14,860		140	65	22,896	4,000	8,300	12,300
1963 ⁷	10,596								

¹ Running bales except "Net imports" which is in bales of 500 pounds, gross weight.

² Totals were made before data were rounded to thousands.

³ Beginning 1956 reimports no longer published.

⁴ Adjusted to period Aug. 1-July 31.

⁵ Does not include picker lap imports reported by the Bureau of the Census as raw cotton.

⁶ Preliminary.

⁷ Estimated.

⁸ Bureau of the Census, "Cotton Ginnings," report of Mar. 20, 1963.

NOTE.—Table 1 of annual report of the Bureau of the Census, "Cotton Production and Distribution," except for 1961 and 1962 which are from subsequent census reports.

1902 ¹⁰	31	14,530	560	17,771	37.0	154	321	1,264	205	8,234	146	970	54	194	11,542	24.0	29,313	61.0
January.....	2,650																	
February.....	3,446																	55.0
March.....	4,110																	61.9
April.....	3,004																	66.1
May.....	3,457																	53.9
June.....	3,218																	47.7
July.....	1,875																	47.4
August.....	2,771																	54.7
September.....	960																	53.8
October.....	4,281																	58.0
November.....	855																	36.3
December.....	1,727																	48.7
Annual ¹	32,334	138,402	6,849	177,854	370.5	3,655	4,043	14,889	2,348	89,248	1,978	12,813	885	1,692	131,551	274.0	309,405	644.6

¹ Includes tapestry and upholstery fabrics, tire cord fabrics, and cloths in chief value cotton containing other fibers.

² Includes velvets and velveteens, corduroys, plushes and chenilles, and manufactures of pile fabrics.

³ Includes blankets, quilts, and bedspreads, sheets and pillow cases.

⁴ Includes knit and woven underwear and outerwear (collars and cuffs, shirts, coats, vests, robes, pajamas, and ornamented wearing apparel).

⁵ Includes nets and nettings, veils and veillings, edgings, embroideries, etc., and lace window curtains.

⁶ Includes braids (except hat braids), tubing, labels, lacings, wicking, loom harness, table and bureau covers, polishing and dust cloths, fabrics with fast edges, cords and tassels, garters, suspenders and braces, and miscellaneous articles.

⁷ Includes belts and beltings, fish nets and netting, and coated, filled or waterproof fabrics.

⁸ 480 pounds net weight bales.

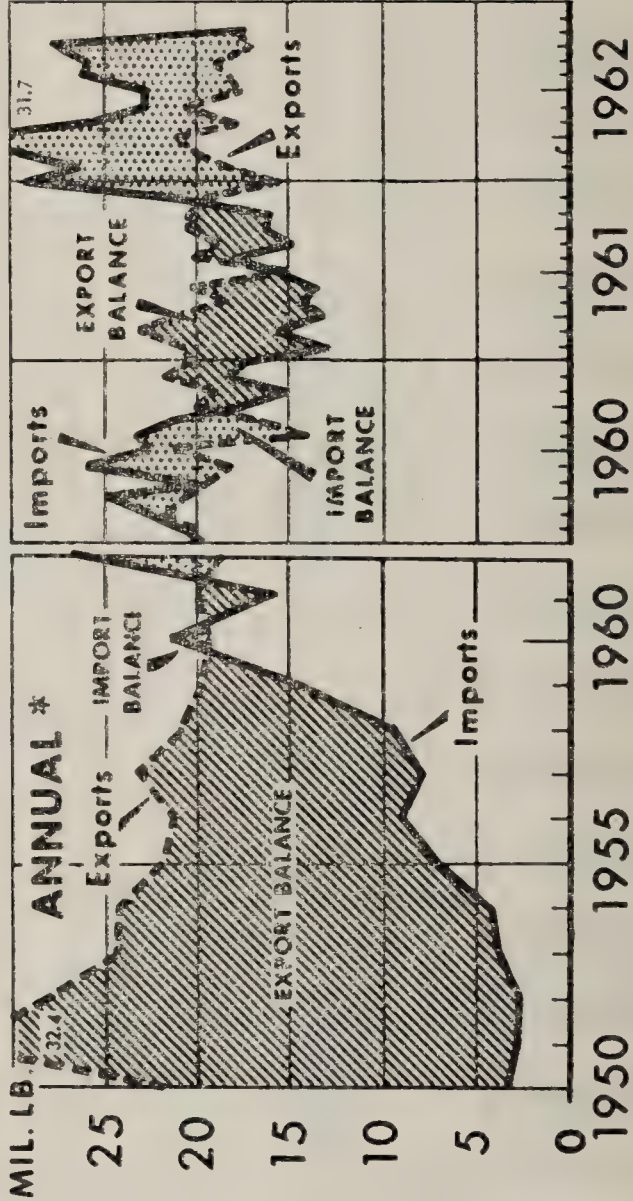
⁹ Monthly data may not always agree with the annual because of rounding and minor revisions in the annual report.

¹⁰ Preliminary.

TABLE 7

U. S. FOREIGN TRADE

Cotton Equivalent of Cotton Manufactures



* MONTHLY AVERAGE (1962 ESTIMATED AT 11 MONTHS RATE).

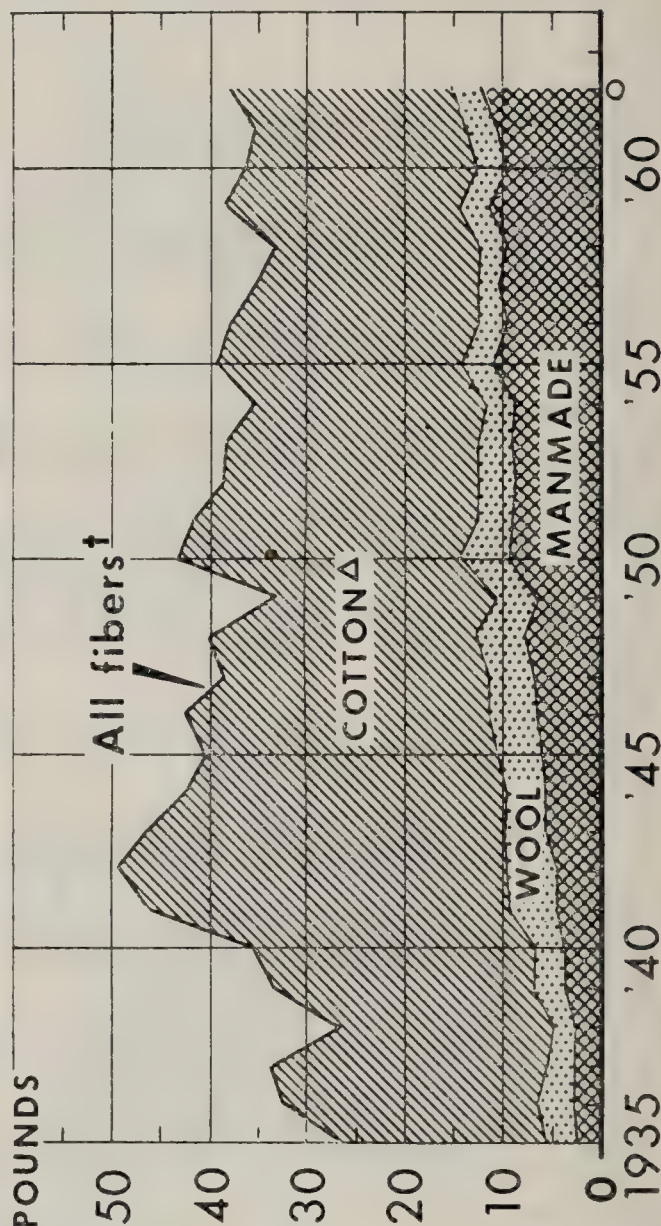
TABLE 8.—Domestic consumption of fibers: Total and per capita, 1935-62

Year beginning Jan. 1	Popula- tion July 1	Cotton		Wool		Rayon and acetate ¹		Noncellulosic manmades ²		All fibers ³	
		Total	Per capita	Total	Per- cent- age of fibers	Total	Per- cent- age of fibers	Total	Per capita	Total	Per capita
	Millions	Million pounds	Pounds	Million pounds		Million pounds		Million pounds	Pounds	Million pounds	Pounds
1935	127.2	2,700.9	21.2	433.6	12.7	272.0	8.0	3,406.5	26.8	3,406.5	26.8
1936	128.1	3,433.0	26.8	434.2	10.3	340.7	8.1	4,207.9	32.8	4,207.9	32.8
1937	128.8	3,598.7	28.1	405.0	10.4	326.5	7.5	4,330.2	33.6	4,330.2	33.6
1938	129.8	2,809.2	21.6	295.8	8.6	335.8	9.8	3,440.8	26.5	3,440.8	26.5
1939	130.8	3,504.0	26.8	418.6	9.5	465.3	10.6	4,392.9	33.6	4,392.9	33.6
1940	132.1	3,822.6	28.9	416.9	8.8	483.2	10.2	4,726.9	35.8	4,726.9	35.8
1941	133.4	4,936.9	37.0	663.1	10.7	584.5	9.4	6,195.7	46.4	6,195.7	46.4
1942	134.9	5,424.3	40.2	607.1	9.1	621.4	9.3	6,675.3	49.5	6,675.3	49.5
1943	136.7	5,008.9	36.7	604.9	9.6	663.7	10.5	6,312.0	46.2	6,312.0	46.2
1944	138.4	4,507.9	32.6	561.5	9.6	707.2	12.2	5,821.1	42.1	5,821.1	42.1
1945	139.9	4,248.7	30.4	604.6	10.7	766.8	13.5	5,668.1	40.5	5,668.1	40.5
1946	141.4	4,450.4	31.5	689.1	11.6	846.6	14.0	6,045.8	42.8	6,045.8	42.8
1947	144.1	3,915.8	27.2	698.1	12.1	901.2	16.3	5,530.9	38.4	5,530.9	38.4
1948	146.6	4,025.7	27.5	714.7	12.1	1,081.1	18.4	5,887.5	40.2	5,887.5	40.2
1949	149.2	3,472.6	23.3	533.5	10.7	911.9	18.2	5,002.8	33.5	5,002.8	33.5
1950	151.7	4,464.1	29.4	691.1	10.5	1,305.6	19.8	6,595.6	43.5	6,595.6	43.5
1951	154.4	4,513.9	29.2	582.4	8.3	1,205.2	18.7	6,437.0	41.7	6,437.0	41.7
1952	157.0	4,165.4	26.5	585.3	9.0	1,162.4	19.0	6,112.1	38.9	6,112.1	38.9
1953	159.6	4,209.4	26.4	551.0	8.9	1,167.7	18.9	6,192.7	38.8	6,192.7	38.8
1954	162.4	3,885.6	23.9	439.6	7.7	1,105.7	19.3	5,742.1	35.4	5,742.1	35.4
1955	165.3	4,206.6	25.5	489.6	7.5	1,305.3	21.4	6,518.0	39.4	6,518.0	39.4
1956	168.2	4,216.0	25.1	536.2	8.2	1,166.6	18.3	6,388.1	38.0	6,388.1	38.0
1957	171.2	3,878.0	22.7	449.4	7.5	1,145.9	18.9	6,031.9	35.2	6,031.9	35.2
1958	174.1	3,729.0	21.4	416.7	7.1	1,113.4	19.1	5,832.6	33.5	5,832.6	33.5
1959	177.1	4,274.4	24.1	557.3	8.1	1,256.3	18.4	6,833.4	38.6	6,833.4	38.6
1960	180.7	4,232.8	23.4	538.5	8.2	1,031.8	15.7	6,557.6	35.7	6,557.6	35.7
1961 ⁴	183.7	4,048.3	22.1	585.0	8.1	1,105.4	16.9	6,551.0	35.7	6,551.0	35.7
1962 ⁵	186.6	4,278.1	22.9	568.7	7.9	1,238.7	17.3	7,159.9	38.4	7,159.9	38.4

¹ Bureau of the Census.² Armed Forces overseas.³ Includes fiber waste.⁴ Does not include silk and flax.⁵ Less than 0.05 pound.⁶ Includes picker lap.⁷ Preliminary.

TABLE 9

DOMESTIC CONSUMPTION* OF FIBERS, PER CAPITA



* MILL CONSUMPTION ADJUSTED FOR FIBER EQUIVALENT OF TRADE BALANCE IN TEXTILE MANUFACTURERS.
CALENDAR YEAR. ○ 1962 PRELIMINARY. † DOES NOT INCLUDE FLAX AND SILK.

Δ INCLUDES PICKERLAP, 1959 AND 1960.

TABLE 10

MILL CONSUMPTION OF FIBERS, PER CAPITA

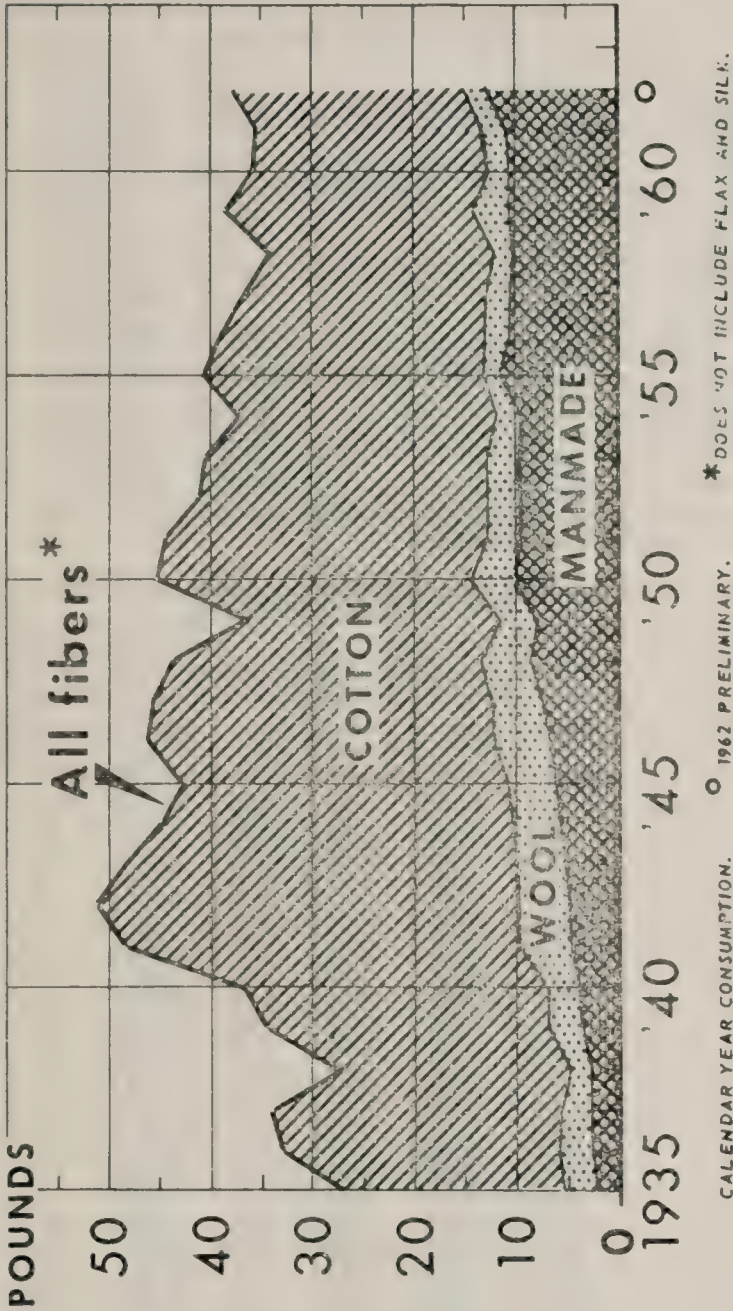


TABLE 11.—*Cotton, upland; Acreage allotments, 1962 and 1963*

State	1962			1963, total acreage in allotments
	Allotments	Total acreage in allotments	Average acres per allotment	
Alabama.....	112,827	1,068,195	9.5	972,239
Arizona.....	3,958	370,644	93.6	331,738
Arkansas.....	55,498	1,481,377	26.7	1,321,954
California.....	14,373	826,698	57.5	738,871
Florida.....	7,820	39,316	5.0	37,171
Georgia.....	77,778	931,859	12.0	843,382
Illinois.....	462	3,216	7.0	2,935
Kansas.....	3	25	8.3	23
Kentucky.....	1,254	8,024	6.4	7,306
Louisiana.....	38,279	630,322	16.5	568,383
Maryland.....	0	14		14
Mississippi.....	99,636	1,720,000	17.3	1,546,299
Missouri.....	14,825	396,457	26.7	354,911
Nevada.....	24	3,522	146.8	3,522
New Mexico.....	5,229	191,310	36.6	171,430
North Carolina.....	82,347	504,116	6.1	466,443
Oklahoma.....	42,719	847,494	19.8	757,866
South Carolina.....	74,851	762,108	10.2	690,499
Tennessee.....	58,540	600,592	10.3	548,352
Texas.....	188,779	7,698,160	40.8	6,869,304
Virginia.....	5,873	18,260	3.1	17,558
Total.....	885,075	18,101,718	20.5	16,250,000

Source: Compiled from ASCS records.

TABLE 12.—*Production and percentage distribution of cotton by regions, United States, 1930 to date*

Crop year beginning Aug. 1	Production—1,000 bales, 500 pounds gross weight					Percentage of U.S. crop			
	West ¹	South- west	Delta States ²	South- east ⁴	United States	West ¹	South- west ³	Delta States ²	South- east ⁴
1930.....	519	4,892	3,589	4,933	13,932	4	35	26	35
1931.....	393	6,582	5,464	4,658	17,097	2	39	32	27
1932.....	270	5,584	3,921	3,228	13,003	2	43	30	25
1933.....	407	5,694	3,389	3,556	13,047	3	44	26	27
1934.....	466	2,722	3,157	3,291	9,636	5	28	33	34
1935.....	449	3,523	3,171	3,495	10,638	4	33	30	33
1936.....	744	3,223	4,724	3,708	12,399	6	26	38	30
1937.....	1,214	5,927	6,787	5,017	18,946	6	31	36	27
1938.....	716	3,649	4,572	3,007	11,943	6	31	38	25
1939.....	747	3,372	4,645	3,052	11,817	6	29	39	26
1940.....	868	4,036	4,122	3,540	12,566	7	32	33	28
1941.....	691	3,370	4,266	2,417	10,744	6	31	40	23
1942.....	706	3,746	5,108	3,256	12,817	6	29	40	25
1943.....	580	3,207	4,502	3,138	11,427	5	28	39	28
1944.....	579	3,290	4,939	3,432	12,230	5	27	40	28
1945.....	576	2,079	3,644	2,716	9,015	7	23	40	30
1946.....	758	1,931	3,413	2,539	8,640	9	22	39	30
1947.....	1,185	3,767	4,192	2,716	11,860	10	32	35	23
1948.....	1,532	3,527	6,282	3,536	14,877	10	24	42	24
1949.....	2,087	6,650	4,878	2,512	16,128	13	41	30	16
1950.....	1,639	3,188	3,618	1,667	10,014	16	32	35	17
1951.....	2,842	4,536	4,467	3,304	15,149	19	30	29	22
1952.....	3,098	4,072	5,068	2,901	15,139	21	27	33	19
1953.....	3,167	4,754	5,646	2,899	16,465	19	29	34	18
1954.....	2,716	4,234	4,507	2,240	13,697	20	31	33	16
1955.....	2,201	4,502	5,313	2,705	14,721	15	31	36	18
1956.....	2,578	3,876	4,629	2,227	13,310	19	29	35	17
1957.....	2,539	3,895	3,010	1,520	10,964	23	36	27	14
1958.....	2,644	4,621	2,883	1,364	11,512	23	40	25	12
1959.....	2,973	4,797	4,784	2,004	14,558	20	33	33	14
1960.....	3,086	4,804	4,448	1,934	14,272	22	34	31	13
1961.....	2,823	5,155	4,497	1,843	14,318	20	36	31	13
1962 ⁵	3,107	5,058	4,720	1,997	14,863	21	34	32	13

¹ West includes California, Arizona, New Mexico, and Nevada.² Southwest includes Texas, Oklahoma, and Kansas.³ Delta includes Mississippi, Arkansas, Tennessee, Louisiana, Illinois, and Kentucky.⁴ Southeast includes Virginia, North Carolina, South Carolina, Georgia, Florida, and Alabama.⁵ Preliminary, Bureau of the Census, "Cotton Ginnings" report of Mar. 20, 1963.

Source: Crop Reporting Board, Statistical Reporting Service.

TABLE 13.—Yield of cotton, all kinds, United States, by States and regions, 1947 to date
[Pounds per acre]

Year	West		Southwest		Delta					Southeast				Region averages ¹				U.S. average ¹	
	Arizona	California	New Mexico	Oklahoma	Texas	Arkansas	Louisiana	Mississippi	Missouri	Tennessee	Alabama	Georgia	North Carolina	South Carolina	West	Southwest	Delta		South-east
1947-----	497	693	528	141	198	298	314	320	315	341	298	246	323	297	616	191	315	286	267
1948-----	558	576	542	175	176	412	408	441	436	391	353	279	440	372	567	176	421	351	311
1949-----	674	656	441	225	261	303	329	261	368	338	216	185	263	213	620	257	300	214	282
1950-----	825	805	526	145	211	313	287	314	278	310	212	228	149	224	764	204	307	209	269
1951-----	671	648	435	149	165	292	391	329	293	325	293	318	370	379	625	163	322	331	269
1952-----	673	628	536	104	171	337	408	378	367	355	269	241	366	276	629	164	366	277	280
1953-----	743	632	497	205	233	368	407	410	386	354	285	262	278	281	646	230	385	275	324
1954-----	1,038	806	743	151	245	380	399	384	478	405	298	286	319	288	862	235	395	296	341
1955-----	981	774	688	281	231	545	454	570	502	523	478	376	350	375	818	281	536	405	117
1956-----	1,108	924	797	175	280	500	496	483	586	488	370	334	391	360	957	269	499	359	409
1957-----	1,037	1,035	619	231	295	416	380	388	281	427	346	333	321	320	974	290	392	334	388
1958-----	981	1,049	820	365	383	436	392	409	446	501	398	443	466	406	983	382	430	422	466
1959-----	893	1,055	782	292	334	566	476	509	607	620	412	381	395	353	975	330	546	386	461
1960-----	953	991	693	343	329	485	470	486	648	545	421	371	284	360	937	331	497	371	446
1961-----	1,010	990	728	274	350	512	429	493	469	493	327	354	337	337	959	343	489	338	438
1962-----	1,059	1,092	657	253	349	514	463	515	583	498	371	371	328	376	1,020	340	512	365	455

¹ Regions include the following additional States: West: Nevada, Southwestern: Kansas, Southwest: Virginia and Florida. Source: Compiled from reports of Crop Reporting Board, Statistical Reporting Service

TABLE 14.—*Cotton, all kinds: Acreage allotments, planted acreage and percentage planted, by States, regions, and United States, 1954-62*

Year	Pounds per acre													
	West				Southwest				Delta				Southeast	
	Arizona	California	New Mexico	Oklahoma	Texas	Arkansas	Louisiana	Mississippi	Missouri	Tennessee	Alabama	Georgia	North Carolina	South Carolina
Acreage allotments (thousand acres)														
1954.....	430	937	226	1,098	8,733	1,847	750	2,080	463	681	1,346	1,189	625	929
1955.....	352	779	191	873	7,629	1,530	648	1,751	400	594	1,102	951	516	774
1956.....	362	783	188	846	7,427	1,425	611	1,647	378	563	1,025	903	484	726
1957.....	398	811	202	842	7,577	1,417	610	1,644	376	569	1,029	905	493	728
1958.....	403	813	200	827	7,502	1,412	610	1,660	378	583	1,035	906	494	740
1959.....	393	917	205	779	7,284	1,438	604	1,651	422	582	1,004	857	487	720
1960.....	435	974	215	805	7,365	1,453	587	1,651	429	574	1,098	863	482	713
1961.....	402	837	206	862	7,871	1,520	646	1,762	406	611	1,090	948	509	778
1962 ²	413	827	211	847	7,733	1,481	630	1,720	396	601	1,068	932	504	762
Acreage planted (thousand acres)														
1954.....	430	898	215	989	8,250	1,730	703	2,010	460	660	1,186	1,044	565	839
1955.....	370	765	195	825	7,670	1,500	630	1,755	400	585	1,065	915	500	750
1956.....	373	773	190	814	7,240	1,415	588	1,655	375	561	1,005	802	462	700
1957.....	367	728	192	578	6,260	1,200	466	1,400	378	505	747	581	355	507
1958.....	386	750	184	430	5,675	1,075	379	1,185	307	416	540	388	271	357
1959.....	389	898	206	660	6,775	1,345	520	1,535	410	525	855	678	400	578
1960.....	434	965	216	655	6,800	1,370	525	1,580	423	525	878	675	410	568
1961.....	400	834	208	705	7,080	1,415	595	1,665	398	557	942	718	418	600
1962 ²	412	826	212	678	6,920	1,403	581	1,635	392	553	917	710	417	590
Percentage planted ³														
1954.....	100	96	95	90	94	94	94	97	99	97	88	88	90	90
1955.....	105	98	102	95	101	98	97	100	100	98	97	96	97	97
1956.....	103	99	101	96	97	99	96	100	99	100	98	95	95	96
1957.....	92	90	95	69	83	85	76	85	101	89	73	64	72	70
1958.....	96	92	92	52	76	76	62	71	81	71	52	43	55	48
1959.....	99	98	100	85	93	94	86	93	97	90	85	79	82	80
1960.....	100	99	100	81	92	94	89	96	99	91	88	78	85	80
1961.....	100	100	101	82	90	93	92	94	98	91	86	76	82	77
1962 ²	100	100	100	80	89	95	92	95	99	92	86	76	83	77
Region totals ¹														
U.S. total ¹														
1954.....	21,418	4,156	5,835	9,832	1,595	1,324	929	1,332	8,501	9,832	4,156	5,835	9,832	21,418
1955.....	18,157	3,398	4,934	8,272	1,335	1,334	774	1,332	8,495	8,495	3,398	4,934	8,495	18,157
1956.....	17,672	3,212	4,627	8,420	1,413	1,413	726	1,413	8,272	8,272	3,212	4,627	8,272	17,672
1957.....	17,635	3,233	4,653	8,330	1,419	1,419	740	1,419	8,330	8,330	3,233	4,653	8,330	17,635
1958.....	17,415	3,125	4,709	8,063	1,518	1,518	720	1,518	8,063	8,063	3,125	4,709	8,063	17,415
1959.....	17,617	3,112	4,707	8,170	1,628	1,628	713	1,628	8,170	8,170	3,112	4,707	8,170	17,617
1960.....	18,321	3,382	4,957	8,733	1,448	1,448	778	1,448	8,733	8,733	3,382	4,957	8,733	18,321
1961.....	18,200	3,325	4,840	8,550	1,455	1,455	762	1,455	8,550	8,550	3,325	4,840	8,550	18,200
1962 ²	18,200	3,325	4,840	8,550	1,455	1,455	762	1,455	8,550	8,550	3,325	4,840	8,550	18,200

¹ Regions include the following additional States: West, Nevada; Southwest, Kansas, Delta, Illinois and Kentucky; Southeast, Virginia and Florida.

² Preliminary.

³ Percentages in excess of 100 indicate planted acreage in excess of allotted acreage.

Source: Compiled from Agricultural Stabilization and Conservation Service and Crop Reporting Board data.

VII. SUMMARY

In conclusion we want to again emphasize our grave concern for the future of the American cotton industry which is of such vital importance to so many of our citizens and our Nation. We sincerely feel, however, that H.R. 6196 will only perpetuate and aggravate the serious difficulties now facing all of us. This bill would impose still another excessive and ineffective cost burden on the general public; it would not be in the interest of the textile industry; it would be financed without direct control by Congress; it would not assist consumers of cotton products; it would discriminate against efficiency and progress in cotton production; and it would be contrary to the interests of the cotton farmer. Unless H.R. 6196 can be amended to meet the urgent and pressing needs of this great industry, we recommend its rejection by the House of Representatives.

CHARLES B. HOEVEN.
PAUL B. DAGUE.
PAGE BELCHER.
CLIFFORD G. MCINTIRE.
CHARLES M. TEAGUE.
ALBERT H. QUIE.
DON L. SHORT.
CATHERINE MAY.
DELBERT L. LATTA.
RALPH HARVEY.
PAUL FINDLEY.
ROBERT DOLE.
RALPH F. BEERMANN.
EDWARD HUTCHINSON.



88TH CONGRESS
1ST SESSION

H. R. 6196

[Report No. 366]

IN THE HOUSE OF REPRESENTATIVES

MAY 9, 1963

Mr. COOLEY introduced the following bill; which was referred to the Committee on Agriculture

JUNE 6, 1963

Reported with amendments, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Omit the part struck through and insert the part printed in italic]

A BILL

To encourage increased consumption of cotton, to maintain the income of cotton producers, to provide a special research program designed to lower costs of production, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That the Agricultural Adjustment Act of 1938, as amended,
4 is amended by adding the following new section:

5 “SEC. 348. In order to maintain and expand domestic
6 consumption of Upland cotton produced in the United States
7 and to prevent discrimination against the domestic users of
8 such cotton, notwithstanding any other provision of law,
9 the Commodity Credit Corporation, under such rules and

1 regulations as the Secretary may prescribe, is authorized
2 and directed for the period beginning with the date of en-
3 actment of this section and ending July 31, 1967, to make
4 payments through the issuance of payment-in-kind certifi-
5 cates to persons other than producers in such amounts and
6 subject to such terms and conditions as the Secretary deter-
7 mines will eliminate inequities due to differences in the cost
8 of raw cotton between domestic and foreign users of such
9 cotton, including such payments as may be necessary to
10 make raw cotton in inventory on the date of enactment of
11 this section available for consumption at prices consistent
12 with the purposes of this section: *Provided*, That beginning
13 August 1, 1964, *such* payments shall be made to persons
14 other than producers in an amount as will make upland cot-
15 ton produced in the United States available for domestic use
16 at a price which is not in excess of the price at which such
17 cotton is made available for export.”

18 SEC. 2. Section 385 of the Agricultural Adjustment Act
19 of 1938, as amended, is amended by adding at the end thereof
20 the following: “This section also shall be applicable to pay-
21 ments provided for under section 348 of this title.”

22 SEC. 3. Section 104 of the Agricultural Act of 1949, as
23 amended, is amended to read as follows:

24 “(a) The Secretary of Agriculture is hereby authorized

1 and directed to conduct a special cotton research program
2 designed to reduce the cost of producing upland cotton in the
3 United States at the earliest practicable date. ~~In carrying~~
4 ~~out this special research program,~~ the Secretary is authorized
5 ~~to utilize not to exceed \$10,000,000 annually of the funds of~~
6 ~~the Commodity Credit Corporation.~~ *There are hereby au-*
7 *thorized to be appropriated such sums, not to exceed*
8 *\$10,000,000 annually, as may be necessary for the Secretary*
9 *to carry out this special research program.* The Secretary
10 shall report annually to the Committee on Agriculture of
11 the House of Representatives and to the Committee on
12 Agriculture and Forestry of the Senate with respect to the
13 results of such research.

14 “(b) In establishing the level of price support to co-
15 operators for each crop of upland cotton beginning with the
16 1965 crop of such cotton, the Secretary, notwithstanding
17 the provisions of section 103, shall make such reductions in
18 the price support level as will reflect reductions in the costs
19 of producing cotton.”

20 SEC. 4. Section 407 of the Agricultural Act of 1949, as
21 amended, is amended by inserting after the first proviso in
22 the third sentence thereof the following: “*Provided further,*
23 *That beginning August 1, 1964, the Commodity Credit Cor-*
24 *poration may sell upland cotton for unrestricted use at not*

1 less than 105 per centum of the current loan rate for such
2 cotton under section 103 (a) plus reasonable carrying
3 charges:"

4 SEC. 5. Section 103 of the Agricultural Act of 1949, as
5 amended, is amended by inserting "(a)" before the first
6 sentence thereof and by adding at the end of such section the
7 following new subsections:

8 "(b) For the 1964, 1965, and 1966 crops of cotton,
9 the Secretary, notwithstanding any other provision of law,
10 may provide to cooperators price support on not to exceed
11 fifteen bales (standard five hundred pounds gross weight)
12 of the production from their allotments at a level up to 10
13 per centum in excess of the basic level of price support
14 established under subsection (a) hereof but not in excess
15 of the level of price support for the 1963 crop.

16 "(c) Notwithstanding any other provision of law, in
17 order to keep cotton to the maximum extent practicable in
18 the normal channels of trade, if the level of price support to
19 cooperators for the 1964, 1965, or 1966 crop is increased
20 under subsection (b), price support for cotton at the level
21 established under subsection (b) shall be carried out through
22 the simultaneous purchase of cotton at the support price
23 therefor under subsection (b) and sale of such cotton at the
24 support price therefor under subsection (a) or similar opera-
25 tions, including loans under which the cotton would be re-

1 deemable by payment of the amount for which the cotton
2 would be redeemable if the loan thereon had been made at
3 the support price for such cotton under subsection (a).’”

4 *SEC. 6. The Agricultural Adjustment Act of 1938, as*
5 *amended, is amended as follows:*

6 *(1) The following new sections are added to the Act:*

7 *“SEC. 349. If the national acreage allotment established*
8 *under section 344(a) for the years 1964, 1965, or 1966*
9 *exceeds seventeen million acres (exclusive of the national*
10 *acreage reserve established under section 344(b)), the amount*
11 *of such acreage allotment in excess of seventeen million acres*
12 *shall, notwithstanding any other provision of this part, be*
13 *allotted as follows: One-half of such excess shall be allotted*
14 *pursuant to the provisions of section 344. The remaining*
15 *half of such excess shall, subject to the provisions of this*
16 *section and section 350 be allotted by the Secretary as*
17 *export market acreage directly to farms eligible to receive*
18 *allotments under the provisions of section 350 to the extent*
19 *that he determines that such allotments will not increase*
20 *the carryover of cotton at the beginning of the marketing year*
21 *for the next succeeding crop above the carryover on the same*
22 *date one year earlier, except that no farm may receive an*
23 *allotment of export market acreage in excess of 20 per centum*
24 *of the acreage allotment for the farm established under the*
25 *provisions of section 344. Any acreage available for allot-*

1 *ment as export market acreage which the Secretary determines*
2 *will not be used shall be allotted pursuant to the provisions of*
3 *section 344. Any acreage allotted to a farm as export*
4 *market acreage and planted to cotton shall be in addition to*
5 *the county or State acreage allotments and shall not be taken*
6 *into account in establishing future State, county, and farm*
7 *acreage allotments. Notice of the maximum export acreage*
8 *for a farm shall be included in the notices of farm acreage*
9 *allotments and marketing quotas. The provisions of this*
10 *section shall not apply to extra long staple cotton.*

11 *“SEC. 350. The producers on any farm on which there*
12 *is export market acreage or the purchasers of cotton pro-*
13 *duced thereon shall, under regulations issued by the Secre-*
14 *tary, furnish a bond or other undertaking prescribed by the*
15 *Secretary providing for the exportation, without benefit of any*
16 *Government cotton export subsidy and within such period of*
17 *time as the Secretary may specify, of a quantity of cotton*
18 *equal to the actual production of the export market acreage*
19 *as determined pursuant to regulations issued by the Secretary.*
20 *The bond or other undertaking given pursuant to this section*
21 *shall provide that, upon failure to comply with the terms and*
22 *conditions thereof, the person furnishing such bond or other*
23 *undertaking shall be liable for liquidated damages in an*
24 *amount which the Secretary determines and specifies in such*
25 *undertaking will approximate the export subsidy on such*

1 quantity of cotton. The Secretary may, in lieu of the furnish-
2 ing of a bond or other undertaking, provide for the payment
3 of an amount equal to that which would be payable as liqui-
4 dated damages under such bond or other undertaking. If
5 such bond or other undertaking is not furnished, or if pay-
6 ment in lieu thereof is not made as provided herein, at such
7 time and in the manner required by regulations of the Secre-
8 tary, or if the acreage planted to cotton on the farm exceeds
9 the farm acreage allotment established under the provisions
10 of section 344 by more than the maximum export market
11 acreage, the farm acreage allotment shall be the acreage so
12 established under section 344. Amounts collected by the Sec-
13 retary under this section shall be remitted to the Commodity
14 Credit Corporation and used by the Corporation to defray
15 costs of encouraging export sales of cotton under section 203
16 of the Agricultural Act of 1956, as amended."

17 (2) Section 376 of the Act is amended by adding at the
18 end thereof the following: "This section also shall be ap-
19 plicable to liquidated damages provided for pursuant to sec-
20 tion 350 of this title."

88TH CONGRESS
1ST SESSION

H. R. 6196

[Report No. 366]

A BILL

To encourage increased consumption of cotton,
to maintain the income of cotton producers,
to provide a special research program de-
signed to lower costs of production, and for
other purposes.

By Mr. COOLEY

MAY 9, 1963

Referred to the Committee on Agriculture

JUNE 6, 1963

Reported with amendments, committed to the Com-
mittee of the Whole House on the State of the
Union, and ordered to be printed

"We have and still have full confidence in their judgment," said the spokesman.

At Jacksonville, Fla., Col. Harold R. Parfitt, district engineer of the corps, told the Post, URSAM was selected after a screening of 500 to 600 engineering firms over the country.

Parfitt said the corps was fully aware of background of the URSAM firms.

Max O. Urbahn, speaking for URSAM, said when the Sugar Grove telescope was canceled his firm was out of the project.

"We had finished our work a year before," he said, "and the design was continued by another company."

Mr. Speaker, I have called this matter to the attention of the Comptroller General of the United States, the National Aeronautics and Space Administration, and the Army Corps of Engineers. I think the American people and the Congress are entitled to know why these firms were chosen.

The Army Corps of Engineers has conceded that the background of the firms was known in a letter to me dated May 15, 1963. It said:

While the Corps of Engineers was aware of the association of the Moran firm with the Texas tower and Urbahn and Seelye firms with the "big dish" job, it was considered that their preeminent capabilities in their particular specialties made the selection of the joint venture highly desirable.

I think the Corps of Engineers should explain what criteria were used in making this selection. If this combine was selected from among "several hundred architect-engineer firms throughout the United States," as the Corps of Engineers reports, we should know the reasons for rejecting the others. Does the Corps of Engineers contend that it could not find a team with a proven record of performance?

Mr. Speaker, the National Aeronautics and Space Administration also has a responsibility to answer these questions. So far NASA has failed to assume its responsibility.

Mr. Speaker, in its report dated June 15, 1961, the Preparedness Investigating Subcommittee of the U.S. Senate Committee on Armed Services said of Texas tower No. 4—

The design criteria was clearly inadequate. . . . The structural design engineers miscalculated in believing that the design criteria was reasonable and safe.

In the face of such a finding, with full knowledge of the background of the structural design engineers, the contract for the design of the vertical assembly building at Cape Canaveral was let.

Mr. Speaker, another aspect of this contract has come to light through the assiduousness of New York Post reporter Joseph Kahn. In the New York Post of June 5, 1963, Joseph Kahn revealed that the Corps of Engineers has awarded a contract for an independent review of the design of the vertical assembly building to a consulting engineering firm which includes an engineer who was the subject of conflict-of-interest hearings by the House of Representatives Com-

mittee on the Judiciary in 1955. On November 10, 1955, the New York Times, in reporting the resignation of Peter A. Strobel as Commissioner of Public Buildings, said, "A reliable informant said that direct pressure from the White House has brought about the resignation."

Mr. Speaker, I include the article of June 5, 1963, by Joseph Kahn at this point in the RECORD.

[From the New York Post, June 5, 1963]

MOON PROJECT ENGINEER LOST U.S. JOB IN 1955

(By Joseph Kahn)

A consulting engineer who was forced to resign his high Government job over conflict-of-interest charges has been assigned to review the design of the moon rocket assembly building, the New York Post learned today.

The awarding of the design of the rocket building to engineering firms linked to two multimillion-dollar Government project failures is under investigation by several Federal agencies.

Engineer Peter A. Strobel, with offices at 70 West 40th Street, was Federal Commissioner of Public Buildings in 1955, when the House Judiciary Committee investigated charges that he steered alteration contracts to firms that were his clients.

Under pressure from the White House, Strobel resigned in November 1955. He said he had done nothing wrong, but left the service so as not to embarrass the Eisenhower administration.

On April 18, the Post revealed the details of the moon rocket building design award made by the Corps of Engineers for the National Aeronautics and Space Agency.

The engineering combine chosen without competitive bids is called URSAM, of 642 Fifth Avenue, and includes these firms: Moran, Proctor, Mueser & Rutledge; Max O. Urbahn; and Seelye, Stevenson, Value & Knecht.

The Moran firm designed the \$21 million Air Force Texas tower that collapsed off New Jersey in January 1961, drowning 21 men.

The Urbahn and Seelye firms designed the Navy's giant radiotelescope at Sugar Grove, W. Va. It was canceled last July by Defense Secretary McNamara after 4 years of work and \$80 million had been spent.

Why the firms with a background of failures were selected over 500 to 600 engineering specialists throughout the country is a question raised by Federal agencies and legislators.

The Defense Department has asked the Corps of Engineers for a full report. Senator CASE, Republican, of New Jersey, is conducting an independent investigation. Senator HUMPHREY, Democrat, of Minnesota, is looking into the matter, and Senator DOUGLAS, Democrat, of Illinois, has asked the General Accounting Office to review the puzzling award.

Representative RYAN has written for an explanation from the Corps of Engineers, U.S. Comptroller Campbell, and NASA Administrator Webb.

The assignment by the Corps of Engineers of Strobel to review the rocket building design, has raised criticism in some engineering circles. One expert made this observation:

"It seems a waste of money to hire someone to review the design, especially if the corps has confidence in its original selection.

Certainly, if a review is needed, someone who has not encountered trouble with the Government could have been chosen."

Mr. Speaker, I think the Corps of Engineers should explain, first, why an outside firm was selected to review the design contract and, secondly, why this firm was chosen. The responsibility for the supervision of the performance of the design contract belongs to the Corps of Engineers and NASA.

Mr. Speaker, I have raised questions which must be answered. The multi-billion dollar space program must be supervised and administered in such a way as to have the full confidence of the American people.

THE 1962 EDISON AWARD

(Mrs. GREEN of Oregon asked and was given permission to address the House for one minute, and to revise and extend her remarks.)

Mrs. GREEN of Oregon. Mr. Speaker, I was pleased today, Mr. Speaker, to have called to my attention in the newspapers and elsewhere that the Edison Electric Institute has selected the Portland (Oreg.) General Electric Co., for its coveted 1962 Edison Award. The reason for the selection is based upon a worthy public service carried on by Portland General Electric in connection with the operation of its franchise. I think that Portland General Electric should be congratulated for its program of developing at its hydroelectric projects nine free recreation facilities. In the Portland General Electric service territory, Portland General Electric reports that there were 400,000 visits made last year to these recreation areas, equipped with electricity and hot water and other recreation, such as camping. The Portland General Electric program has been applauded, I understand, by Mr. Jack Binford of Portland, national president of the Izaak Walton League and by the Under Secretary of the Interior James K. Carr.

I ask that the text of the citation accompanying the award to Portland General Electric and the acceptance speech by Mr. T. W. Delzell, chairman of the board of directors of Portland General Electric Co., during the ceremony at Denver, Colo., June 5, 1963, be printed in the RECORD.

TEXT OF 1962 EDISON AWARD CITATION TO PORTLAND GENERAL ELECTRIC CO.

To Portland General Electric Co., for its leadership in bringing to fruition a model water resources development program for the State of Oregon combining the preservation of natural beauty, the creation of attractive recreational areas for free public use and providing for conservation, the fishing interests and water utilization for electric power production, thus demonstrating to its customers, the general public, and to the Nation at large, how investor-owned electric light and power companies act in the public interest, thereby enhancing the stature of the free enterprise philosophy.

REMARKS BY THOMAS W. DELZELL IN ACCEPTING
THE EDISON AWARD FOR 1962

Mr. Chairman, Mr. President, ladies and gentlemen of the convention, there are 1,600 men and women in Portland, Oreg., who will be as thrilled as I am to hear news of this award. They are the members of the Portland General Electric Co. organization, and for them I gratefully accept the Edison Award and the honor that goes with it.

The loyalty and dedication these people have shown to their company and to the program which has brought us this honor cannot be overstated. I know that they will feel, as I do, a profound sense of pride and accomplishment—enhanced to a large degree by the outstanding quality of the companies which shared with us the honor of an Edison Award nomination. The Allegheny Power System, American Electric Power Co., Consolidated Edison and General Public Utilities are in the frontline of our industry. Their achievements are of the first order of magnitude, and to them I extend my sincere congratulations.

The conservation program which made it possible for me to stand at this rostrum is something about which we feel very deeply. In our minds its significance lies not in its application to an immediate problem but in its meaning as an overall concept of business policy; a policy which can best be defined as good corporate citizenship.

Simply stated, this policy means that we have a responsibility to ourselves, our customers, our stockholders and the people of Oregon to provide something more than simple utility service. Developing our water resources for the fullest public good is but one element in the broad spectrum of activities which we have designed to meet that responsibility.

Certainly I do not presume to suggest that my company is ahead of the field in this corporate idea, but I will suggest that our industry is ahead of the field, and that we have a splendid opportunity to provide leadership to the American industrial community.

By all measures our industry is the Nation's largest. Through the mechanism of voluntary investment we have energized this country's climb to the highest point yet achieved by human beings. But that is not enough. Pressures of world growth have given us a new challenge, a challenge to the ability of our economic system to survive in the arena of world competition.

The basic theory of voluntary investment is being contested by the countries behind the Iron Curtain, and the free people of the European Economic Community are driving to beat us at our own game; free competition for the world market.

It seems basic to me that success in this conflict depends to no small degree on our ability to demonstrate to this country and to the world that the economics of a free society and the dynamic concept of a free market can provide—as no other system can—not only the material requirements for living but also the things which go to make living better.

By its example, our industry can create a keener awareness of this need to provide more than simply goods and services. We need to move beyond the area of technical excellence, which we have achieved, and into the field of active day-to-day fulfillment of our responsibility of citizenship.

The only basis on which this country can build its foundation for survival is that there is no interest greater than the public interest. That we have been selected to receive this industry's highest award for a policy which developed from that principle is the thing for which we are truly grateful.

CORRECTION OF ROLLCALL

Mr. PIKE. Mr. Speaker, on rollcall No. 63 of June 4 I am recorded as not being present. I was present and answered to my name, and I ask unanimous consent that the Record be corrected accordingly.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from New York?

There was no objection.

LEGISLATIVE PROGRAM FOR NEXT
WEEK

(Mr. ARENDS asked and was given permission to address the House for 1 minute.)

Mr. ARENDS. Mr. Speaker, I take this time to inquire of the majority leader what the program for the balance of the week may be, and for next week.

Mr. ALBERT. Mr. Speaker, in response to the gentleman's request, I am advised we have completed the legislative business for this week.

The program for the House of Representatives for the week of June 10 is as follows:

Monday is District day, but there are no District bills.

On Tuesday, the legislative branch appropriation bill will be called up for consideration.

On Wednesday H.R. 4996, to amend certain provisions of the Area Development Act, under an open rule, with 3 hours' debate.

Thursday and the balance of the week, the Tax Rate Extension Act of 1963.

This is of course subject to the general reservation that conference reports may be brought up at any time and any further program will be announced later.

ADJOURNMENT UNTIL MONDAY

Mr. ALBERT. Mr. Speaker, I ask unanimous consent that when the House adjourns today it adjourn to meet on Monday next.

The SPEAKER pro tempore (Mr. NATCHER). Is there objection to the request of the gentleman from Oklahoma?

There was no objection.

CALENDAR WEDNESDAY

Mr. ALBERT. Mr. Speaker, I ask unanimous consent that the business in order on Calendar Wednesday of next week be dispensed with.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma?

There was no objection.

SPECIAL ORDER

Mr. SAYLOR. Mr. Speaker, I ask unanimous consent that at the conclusion of all legislative business and other special orders previously entered into I may be permitted to address the House for 2 hours today.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Pennsylvania?

Mr. HAYS. Mr. Speaker, I object.

SPECIAL ORDER

Mr. COLLIER. Mr. Speaker, I ask unanimous consent to address the House for 2 hours at the close of all business on Monday next.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Illinois?

Mr. HAYS. Mr. Speaker, I object.

IS CRASH RESEARCH TO IMPROVE
COTTON PRODUCTION REALLY
NEEDED?

(Mr. FINDLEY (at the request of Mr. NYGAARD) was given permission to extend his remarks at this point in the Record and to include some tables.)

Mr. FINDLEY. Mr. Speaker, the Committee on Agriculture has favorably reported H.R. 6196, a bill intended to cure the cotton headache. The bill would authorize, among other things, a so-called crash program of research aimed at reducing the cost of cotton production.

Cotton farmers have had the benefit of extensive research programs through the years, partly through general agricultural appropriations, and partly in the form of specific appropriations. In my opinion, the best and quickest way to cut cotton production costs is to remove the shackles of acreage controls and Government price fixing.

Just so no one will make the mistaken assumption that nothing has been done recently in cotton research, I invite your attention to this data supplied to me by the Legislative Reference Service, Library of Congress.

You will note that the level of spending for specific direct research for the current year is estimated at \$7,884,000, and the budget estimate for next year is \$8,140,000, without the research money proposed in H.R. 6196.

Also noteworthy is the fact that the level of spending has risen without exception in each of the 5 fiscal years.

The research listed below is not all inclusive. It consists only of federally financed research which can easily be identified.

AGRICULTURAL RESEARCH SERVICE, U.S. DEPARTMENT OF AGRICULTURE

Estimated obligations for direct research on cotton, fiscal years 1960-64

[In thousands of dollars]

	1960	1961	1962	1963 estimate	1964 budget estimate
AGRICULTURAL RESEARCH SERVICE					
Production research:					
Crops: Production, breeding, quality, and disease investigations	1,149	1,229	1,311	1,401	1,493
Entomology: Entomological studies of cotton insects	1,940	1,254	1,489	1,558	1,652
Agricultural engineering: Mechanical harvesting of cotton; cotton ginning research and other engineering studies	748	875	902	944	937
Total, production research	3,837	3,358	3,702	3,903	4,082
Utilization research and development: Development of cotton products of higher quality and new processing machinery to achieve it; and new and improved uses for cotton products	2,459	2,923	2,992	3,914	4,003
Nutrition and consumer use: Clothing and housing; consumer use studies on cotton textiles	102	118	68	67	55
Total, cotton research	6,398	6,399	6,762	7,884	8,140

¹ Includes \$1,100,000 provided for nonrecurring construction of Boll Weevil Laboratory, State College, Miss.

Increase provided for cotton research, fiscal years 1960-64

[In thousands of dollars]

	1960	1961	1962	1963 estimate	1964 budget estimate
AGRICULTURAL RESEARCH SERVICE					
Program increases:					
For research on cotton mechanization and ginning at the Delta Experiment Station, Stoneville, Miss.	+200				
Strengthen cotton insect research at Baton Rouge, La. (\$32,500); College Station, Tex. (\$40,000); and Florence, S.C. (\$165,000)		+238			
Research on mechanical cotton stripper (Lubbock, Tex. \$40,000) and gin stand research with long staple and upland cotton (Mesilla Park, N. Mex., \$30,000)		+70			
Research on cotton to develop new and improved textiles and processes		+325			
Partial staffing and operating costs of new facilities provided in 1960 appropriation for research at State College, Miss. (cotton insects)			+395		
For basic research to obtain new knowledge of the composition of farm products: Cotton at Southern Utilization			+100		
For staffing and operating new farm research laboratory: Cotton Insects Laboratory, State College, Miss.				+85	
For an accelerated utilization research program on cotton				+750	
Total, program increases	+200	+633	+495	+835	
Construction of facilities (nonrecurring): To construct laboratory facilities for research on cotton boll weevil at State College, Miss.	+1,100				

¹ The 1964 budget estimates now before Congress include a request for \$190,000 for staffing Boll Weevil Research Laboratory, State College, Miss.

REMOVING DEPENDENCE OF THE LEGISLATIVE BRANCH UPON THE EXECUTIVE

(Mr. SIBAL (at the request of Mr. NYGAARD) was given permission to extend his remarks at this point in the RECORD.)

Mr. SIBAL. Mr. Speaker, today, I am introducing a bill designed to fill what I believe to be a very serious gap in the legislative process. It would remove the present dependence of the legislative branch upon the executive and occasional outside experts for technical advice and counsel.

For a long time, the executive branch has had a near monopoly of scientific talent in Government. Although the President and the major departments and agencies have scientific staffs which they consult on the tremendous range of highly technical issues concerning the Government, Congress does not. Members of Congress, who are nearly always

persons untrained in science, have to rely chiefly on scientists from the executive branch whose task is to defend their programs and seek the funds to run them.

It has become increasingly difficult for Congressmen to question programs sent down from the executive side. This is extremely serious when one considers that it is Congress that must decide whether to vote the money and, if so, how much. Right now, for example, we are weighing the question of whether to authorize billions and billions in the race to reach the moon. We should not have to be so dependent upon the executive for technical advice. This lack of independent scientific resources must be corrected if Congress is to fulfill its responsibilities as direct representatives of the people and is not to become, through lack of proper tools, a mere rubber-stamp for the executive.

My bill would establish a permanent source of scientific talent solely responsible to Congress. It would be the duty of these scientists to advise Members and committees, at their request, on technical matters before them. Under the bill, the House and the Senate would each have a permanent staff of three scientists representing the fields of physics, biology, and chemistry.

As conditions warranted, these staffs would be authorized to name temporary scientific personnel to work on specific projects. The top three scientists would have to be under 55 years old to keep an emphasis on youth and creativity. They could serve no more than a total of 6 years, but the terms would be staggered to provide for continuity, as well as fresh outlooks.

The majority party would appoint two of the scientists in each House, designating one of them as director, and the minority party would name the other. Political affiliation of the appointees, however, is ruled out as a consideration. The directors of each staff would be paid \$21,500 a year; the associate members would receive \$20,000 a year and temporary personnel would be compensated by the day for the period they are employed.

I envision the science staffs as a vital liaison point between the executive and legislative branches, serving as a scientific information exchange between Congress, the executive agencies, and the scientific community at large. Through the science staffs, a Member of Congress would be able to learn what is being done in any field of interest to him whether it is space, insect pests, plant viruses, uses for coal, atomic energy, cancer research, or whatever. He would be able to obtain advice and suggestions on technical matters concerning his district or his committee work. Most important, the science staffs would keep an eye on science spending by the executive branch, seeking to hold down waste and duplication. They would evaluate programs and suggest new or different avenues of research.

There is no reason why scientific matters cannot be made comprehensible to a nonscientist. In the case of Congress, which yearly votes billions of dollars for science, it is essential.

NOW, A HOPE OF FARM SANITY

(Mr. SCHWENGEL (at the request of Mr. NYGAARD) was given permission to extend his remarks at this point in the RECORD and to include an editorial.)

Mr. SCHWENGEL. Mr. Speaker, the June 7 issue of Life magazine carries an editorial on the status of farm legislation which should be read and digested by all Members who have an interest in a strong, unregimented agricultural economy in this Nation.

The editorial calls attention to a new bill which would take us a long way toward rationality. Permit me to say that I have long supported the approach which is embodied in this bill and have introduced the same legislation myself. I am pleased to see that it has bipartisan support in the Senate. I feel certain that it will gain support in the House.

It is important that the Agriculture Committees of the House and the Senate take a reading on the prevailing attitude in the farm community which is against regimentation even in the face of high price supports. Hearings should be held on this legislation right away so that wheat can be included in the program with the other feed grains and so that steps can be taken to retire enough land from production to achieve the satisfactory balance between production and consumption.

I commend this editorial from Life magazine to the attention of my colleagues:

NOW, A HOPE OF FARM SANITY

Hurrah for the wheat farmers. When they slapped down Secretary Freeman and President Kennedy by rejecting straitjacket acreage controls, they struck a blow for liberty and reaffirmed individualism as an outstanding characteristic of American life. They also created an opportunity, the like of which we have not known since before World War II, to phase the Federal Government out of the individual's hair.

So what now for the farmer? Absolutely nothing, the administration is saying so far. In effect, Kennedy and Freeman tell the farmers that they have made their bed and they must lie in it; that is, if they really do get \$1-a-bushel wheat, they deserve it.

But saner voices are also being heard. Four respected Senators—Vermont's AIKEN, Florida's HOLLAND, Iowa's HICKENLOOPER, and New Mexico's ANDERSON—last week introduced a bipartisan bill aimed at getting some basic crops back into the free marketplace. Their bill incorporates the principal recommendations of the Farm Bureau Federation. Although the details should be thoroughly debated, two elements in the bill would take us a long way toward rationality:

The bill downgrades parity and endorses the principle of so-called rolling supports. These would be based, for wheat, on 3-year world price averages and for feed grains on 90 percent of domestic averages. The bill contains a backstop guarantee of 50 percent of parity, \$1.25 a bushel in the case of wheat, if world averages drop below that. The backstop may be necessary now, but we ought eventually to get rid of that too.

The bill attacks the heart of the problem by advocating massive retirement of U.S. cropland. This might run up to 80 million of the 450 million acres now under cultivation. In the past 30 years piecemeal attempts at soil banking largely failed because farmers naturally retired their poor land and grew more food than ever on the rest. Now it is proposed to take entire farms out of production under rental contracts, not just marginal land and scrub.

Naturally this will cost some money. But even if it costs in excess of \$1 billion a year, as a study by the Purdue University economist Carroll Bottum estimates, the expenditure would be accompanied by the eventual elimination of at least \$4 billion now spent annually on export subsidies, storage costs and other handouts to the farmer.

Congress should match the integrity the farmers showed when they told Kennedy and Freeman to take their \$2 wheat and go jump in the lake. We are not going to solve this problem overnight. But no part of our house more needs putting in order, and we must consolidate the opportunity the wheat farmers have given us.

FOR A LOOK AT FOREIGN AID

(Mr. MEADER (at the request of Mr. NYGAARD) was given permission to ex-

tend his remarks at this point in the RECORD and to include an editorial.)

Mr. MEADER. Mr. Speaker, last Monday I testified before the Foreign Affairs Committee of the House of Representatives during their hearings on foreign aid and urged the committee to incorporate in the bill their report on the provisions of my bill, H.R. 6679, to establish a Commission on Foreign Economic Development.

The Jackson (Mich.) Citizen Patriot of June 4, 1963, commented favorably on my proposal in an editorial which I incorporate at this point in my remarks:

FOR A LOOK AT FOREIGN AID

Representative GEORGE MEADER, of the Michigan Second (Jackson) District, has a good idea in his suggestion for a permanent, bipartisan commission to study foreign aid and, as he puts it, "take up where the Clay Committee left off."

If created by Congress—and the chances for it seem dubious—the Commission would make a continuing study of foreign aid and specific recommendations for programs and reforms to make the programs more effective.

The Clay Committee did a good over-all job of surveying the foreign aid program and made some recommendations. It did not, however, do the type of job contemplated by Mr. MEADER.

There is no question that the American public is becoming skeptical of—if not actually fed up with—the spending of its foreign aid dollars. It realizes that much of the money is wasted by the recipients and that heavy investments in areas such as Laos often produce no results.

If effective foreign aid is to continue, the American public will have to be shown that the money is being properly spent. Otherwise it may force the Congress to rebel against the ladling out of their dollars.

Representative MEADER speaks from experience when he recommends a continuing study by a bipartisan commission. As a member of congressional committees he has traveled around the world more times than we can count. He can and does give numerous specific examples of the good and the bad he has found in spending abroad. Talking with him provides a quick education on the subject.

But Members of Congress haven't much time to spend studying this subject. They can take a quick look here and there and form broad conclusions. Beyond that they can do little.

Administrative agencies concerned with spending foreign aid money sometimes seem more concerned with building up their own empires and moving the dollars than in cutting out waste.

Thus the justification for a permanent commission, not directly concerned with spending foreign aid cash, becomes apparent.

We hope Representative MEADER finally gets somewhere with this idea that he has been pushing for at least 2 years.

Mr. Speaker, this afternoon, the gentleman from Pennsylvania, Chairman MORGAN, of the Foreign Affairs Committee, called my attention to the fact that a witness appearing before the committee yesterday on behalf of the Americans for Democratic Action expressed that organization's views on foreign aid and urged the establishment of a study commission very much in line with my own recommendations. The two final paragraphs of the ADA's statement are as follows:

In addition to approving H.R. 5490, we strongly urge the Congress to establish a commission composed of public and congres-

sional members that will reexamine the purposes—successes and failures of foreign aid—from a point of departure that determines its effect on American political interests. Has foreign aid contributed to necessary economic change in the free world? Has it contributed to more efficient and equitable distribution of economic resources and benefits? Has it encouraged the establishment of better administration and better government in developing countries? What machinery can be instituted to more effectively utilize the international agencies and the other industrialized countries?

We suggest that a comprehensive investigation by this commission will teach Americans further, and others, the necessary uses of foreign aid.

Mr. Speaker, I assure the House that there was no collusion between me and the Americans for Democratic Action in concurring in this proposal. In fact, I have had very little contact with the ADA. It is I think interesting, however, that an identical proposal should come from divergent political philosophies. It would seem to indicate that the idea is a meritorious one and should have universal acceptance from at least a wide band of the political spectrum.

JURISDICTION OF U.S. DISTRICT COURTS IN PENSION AND PAY CASES

(Mr. TOLLEFSON (at the request of Mr. NYGAARD) was given permission to extend his remarks at this point in the RECORD.)

Mr. TOLLEFSON. Mr. Speaker, I have introduced H.R. 6538, a bill to repeal subsection (d) of section 1346 of title 28 of the United States Code.

Subsection (d) of title 28, United States Code, section 1346, provides that the district courts shall not have jurisdiction under section 1346 of any civil action or claim for a pension or any civil action or claim to recover fees, salary, or compensation for official services of officers or employees of the United States. The purpose of my bill is to repeal this subsection so that the district courts shall have original jurisdiction, concurrent with the Court of Claims, of civil actions or claims for a pension or for salary of officers and employees of the United States. But for the subsection which this bill proposes to repeal, the district courts would have jurisdiction of these matters under title 28, United States Code, section 1346(a)(2), which generally authorizes district court jurisdiction of all claims against the United States, not exceeding \$10,000, based upon either the Constitution, any act of Congress, any Executive regulation, or any contract with the United States.

This proposed repeal of a narrow limitation upon the jurisdiction of the district courts would not, of course, create any new liabilities or new causes of action against the U.S. Government; substantive law, in other words, is entirely unaffected. Nor would this bill, if enacted, change in any manner the present jurisdiction of the Court of Claims. As before, the Court of Claims would retain its exclusive jurisdiction of Tucker Act cases where the amount in controversy exceeds \$10,000, regardless of the precise nature of the individual

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11. ELECTRIFICATION. Rep. Harding stated that the increase of the Bonneville power-marketing-area to include southern Idaho will be "in the best interest of Idaho." pp. 9932-3
12. POLLUTION. Rep. Reuss inserted testimony urging HEW and the detergent industry "to present a draft agreement to end detergent pollution." pp. 9942-3
13. CIVIL DEFENSE; APPROPRIATIONS; BUILDINGS. Received from the President on May 6 (H. Doc. 120) an amendment to the budget for the Department of Defense for fiscal year 1964 increasing from \$217,800,000 to \$264,700,000 the estimate of funds needed to complete the provisioning of an estimated 70 million shelter spaces for emergency public use under radiological fallout conditions, including fallout shelters in Government owned or leased structures.
14. COTTON. As reported (see Digest 85), H. R. 6196, the cotton bill, includes provisions as follows: Directs CCC, under rules prescribed by the Secretary of Agriculture, to make payments through the issuance of payment-in-kind certificates to persons other than producers of upland cotton for the period beginning with the date of enactment of the bill until July 31, 1967, in such amounts and subject to terms and conditions as the Secretary determines will eliminate inequities due to differences in the cost of raw cotton between domestic and foreign users of such cotton, including such payments as may be necessary to make raw cotton in inventory available for consumption at prices consistent with the purposes of the provision above. Provides that, beginning Aug. 1, 1964, such payments shall be made to persons other than producers in an amount as will make upland cotton available for domestic use at a price which is not in excess of the price at which such cotton is made available for export. Authorizes the appropriation of not to exceed \$10 million annually for a special cotton research program designed to reduce the cost of producing upland cotton. Requires the Secretary to make such reductions in the price support level to cooperators for each crop of upland cotton, beginning with the 1965 crop, as will reflect reductions in the costs of producing cotton. Authorizes CCC to sell, beginning Aug. 1, 1964, upland cotton for unrestricted use at not less than 105 percent of the current loan rate, plus reasonable carrying charges. Provides that the Secretary may provide to cooperators, for the 1964, 1965 and 1966 crops, price support on not to exceed fifteen bales of the production from their allotments at a level up to ten percent in excess of the basic level of price support, but not in excess of the level of price support for the 1963 crop. Provides special authority for the purchase and sale of cotton in order to keep cotton to the maximum extent practicable in the normal channels of trade if the price support level is increased under the 15-acre price support provision. Authorizes producers to plant up to 20 percent above their acreage allotments, at world prices for the cotton grown on the extra acres, if the Secretary finds that production on more than 17 million acres would not increase the stocks of CCC. Requires producers on any farm on which there is export market acreage, or the purchasers of cotton produced thereon, to furnish a bond or other undertaking prescribed by the Secretary providing for the exportation without benefit of any Government cotton export subsidy of a quantity of cotton equal to the actual production of the export market acreage.
15. PERSONNEL. Received a letter from the Comptroller General "transmitting a report on unemployment compensation payments to former Federal civilian employees and exservicemen for more than 1 benefit year based upon only one termination of employment. These payments are financed by Federal appropriations." p. 9955

16. LOANS. Received from the Interior Department a proposed bill "to amend section 2 of the act of July 4, 1955 (69 Stat. 244), to provide that distribution system loan repayment contracts may be executed contingent upon the availability of appropriated funds"; to Interior and Insular Affairs Committee. p. 9955 without amendment
17. TAXATION. The Ways and Means Committee (during recess, on June 7) reported / H. R. 6755, to provide a 1-year extension of the existing corporate normal-tax rate and of certain excise tax rates (H. Rep. 370). p. 9955
Received a memorial from Wisc. urging Congress "to defeat and reject the extreme and harmful changes in timber taxation proposed by" Treasury. p. 9956
18. PACIFIC ISLANDS. The Territorial and Insular Affairs Subcommittee of the Interior and Insular Affairs Committee (during recess, on June 7) voted to report to the full committee H. R. 3108 (amended), to promote the economic and social development of the Trust Territory of the Pacific Islands. p. D411
19. FLOOD CONTROL. The "Daily Digest" states that "on Friday, June 7, Subcommittee on Flood Control" of the Public Works Committee "approved several survey resolutions." p. D412
20. MANPOWER RESOURCES. Rep. Miller (Calif.) urged deliberate steps "whereby the Federal Government accepts the Nation's responsibility to assure adequacy of technical manpower resources to meet its commitments." pp. 9950-4
21. FOREIGN AID. Rep. Fascell inserted testimony and charts concerning the various budget request for the foreign aid program. pp. 9944-51

ITEMS IN APPENDIX

22. ELECTRIFICATION. Extension of remarks of Sen. Magnuson inserting an address urging the electric power industry to "create and maintain an organization which will assure the utmost technological advancement" in its field. pp. A3685-7
23. APPROPRIATIONS. A speech of Rep. Jones (Mo.) opposing an amendment to the agricultural appropriation bill, 1964, which would restrain officers of USDA "from entering into price-support levels which are not anticipated nor intended in the legislative act of 1958." p. A3688
24. FOREIGN TRADE. Extension of remarks of Rep. Rumsfeld inserting an editorial showing the benefits of the free market system. pp. A3698-9
25. AGRICULTURAL CONSERVATION. Extension of remarks of Rep. Wickersham inserting some of the highlights of the agricultural conservation program in Okla. p. A3706
26. WATER POLLUTION. Extension of remarks of Rep. Dingell inserting an article "Chronicling the ineffective efforts of the Public Health Service and Federal agencies generally in the fight against water pollution." p. A3709
27. BUDGET. Extension of remarks of Rep. Boggs inserting a speech by Kermit Gordon discussing the wise use of the Federal budget to continue prosperity and economic growth and the amount Federal Government spending. pp. A3717-5
28. COTTON. Extension of remarks of Rep. Beermann inserting a Reader's Digest article illustrating the cotton problem. pp. A3721-3

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13. PEACE CORPS. Sen. Humphrey inserted and commended an article by Sargent Shriver, "Two Years of the Peace Corps." pp. 10985-9
14. ELECTRIFICATION. Sen. Morse expressed concern that the Federal Power Commission may not license in such a way as to "provide for comprehensive development of the Nation's waterways and, at the same time, give qualified public bodies preference to carry out such development." pp. 10998-11001
15. RESEARCH; ELECTRIFICATION. Passed without amendment S. 1745, to authorize additional projects of the Atomic Energy Commission, including work on power-reactor development, biology and medicine, etc. pp. 10929-32
16. NATURAL RESOURCES. Received from the President a report of the Federal Council for Science and Technology, on research and development of natural resources. p. 10889
17. LEGISLATIVE APPROPRIATIONS. The Appropriations Committee reported with amendments H. R. 6868, the legislative appropriation bill (S. Rept. 313). p. 10891
18. POSTAL RATES. Passed without amendment H. R. 5795, to provide a 3-year suspension of certain restrictions in the Supplemental Appropriations Act, 1951, on subsidizing postal operations, thus allowing the Congress time to develop a policy on the cost-revenue limitations and the postal rate structure. Earlier in the day this bill was reported by the Post Office and Civil Service Committee (S. Rept. 311). This bill will now be sent to the President. p. 10894
19. STRIP MINING. Sen. Kefauver urged TVA to establish a pattern of reclamation of scarred strip mine areas. p. 10908

HOUSE

20. WHEAT. Rep. Findley charged that the Kennedy administration had exerted pressure on radio and TV stations to publicize its viewpoint on the wheat referendum. p. 10868
21. COTTON. Rep. Hemphill urged passage of H. R. 6196 as a means of correcting the inequities of the two-price cotton system. pp. 10871-8
22. SUGAR. Rep. Hoeven urged "an amendment to the Sugar Act prohibiting sugar lobbyists from receiving contingent fees for their services." pp. 10879-80
23. APPROPRIATIONS. Began debate on H. R. 7179, the defense appropriation bill. pp. 10820-55
24. MARKETING. Rep. Shelley complimented the work of the San Francisco Farmers' Market on its 20th anniversary. p. 10871
25. WHEAT. Rep. Whitener criticized USDA's exchange of wheat for mica while terminating the mica stockpiling program in N.C. pp. 10878-9
26. LANDS. The Interior and Insular Affairs Committee reported without amendment H. R. 6218, to authorize additional extensions of time for final proof by certain entrymen under the desert land laws (H. Rept. 452); and H. R. 6689, to extend the principles of equitable adjudication to sales under the Alaska Public Sale Act (H. Rept. 453). p. 10886

with amendment

27. PERSONNEL. The Judiciary Committee reported H. R. 6910, to provide for the settlement of claims against the U. S. by U. S. employees for damage to, or loss of, personal property incident to their service (H. Rept. 460). p. 10886
Both Houses received from the Civil Service Commission a proposed bill "to simplify, modernize, and consolidate the laws relating to the employment of civilians in more than one position"; to Post Office and Civil Service Committees. p. 10886, 10890
28. ROADS. The Public Works Committee voted to report (but did not actually report) H. R. 7195, to amend various sections of title 23 of U. S. Code relating to the Federal-aid highway systems. p. D477

ITEMS IN APPENDIX

29. FORESTRY. Extension of remarks of Sen. Byrd (W.Va.) inserting an article, "Harvesting the Forest for the Present and the Future," illustrating measures for the preservation of West Virginia's forests. pp. A4033-4
Extension of remarks of Rep. Johnson (Calif.) inserting an advertisement praising Forest Service and its newly designed emblem. p. A4036.
30. FAIR TRADE. Extension of remarks of Sen. Thurmond inserting an editorial, "Fair Trade Anything but Fair", criticizing so-called quality stabilization bills. p. A4030
Extension of remarks of Rep. Celler inserting articles criticizing quality stabilization bills as damaging competitive system. p. A4045
31. WATER POLLUTION. Extension of remarks of Rep. Mathias, Jr., inserting an editorial, "Poor Fish," accusing the Federal Government of being "one of the most serious spoilers of our water supply." p. A4042
32. LAND ACQUISITION. Extension of remarks of Rep. Reuss inserting an article criticizing a slowdown in acquisition of wetlands for duck refuges. p. A4046
33. CONSUMERS. Extension of remarks of Rep. Multer asking action on his resolution for a Committee on Consumer Interests and inserting an article which praised formation of the Consumer Advisory Council and urged close cooperation of the latter with the American Home Economics Association. pp. A4050-1
34. AREA DEVELOPMENT. Extension of remarks of Rep. Perkins inserting an article suggesting means of developing the Appalachia region. p. A4035.

BILLS INTRODUCED

35. ANTIDUMPING ACT. H. R. 7241, by Rep. McIntire, and H. R. 7260, by Rep. Green, Penn., to amend the Antidumping Act, 1921; to Ways and Means Committee.
36. WHEAT. H. R. 7240, by Rep. Latta, to amend the Agricultural Adjustment Act of 1938 to exempt certain public institutions from the obligation to pay penalty marketing penalties with respect to certain wheat produced by them for their own use; to Agriculture Committee.
37. PERSONNEL. H. R. 7244, by Rep. Morrison, to equalize compensation for overtime; to Post Office and Civil Service.
38. TRANSPORTATION. H. R. 7249, by Rep. Whitener, to authorize the prosecution of a transit development program for the National Capital region; to District of Columbia Committee.

tioner's own agent. I am sure the great majority of owners of private fee-charging agencies would not with malicious intent misinform any Member of the Congress.

Mr. Speaker, I urge the Congress to support an appropriation to continue the valuable service of assisting all persons to find jobs which will utilize their skills to the greatest capacity.

LET GOOD WILL HAVE A CHANCE

(Mr. DOWDY (at the request of Mr. ALBERT) was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. DOWDY. Mr. Speaker, I have just had the privilege of reading a sound and well-reasoned editorial from the Palestine (Tex.) Herald-Press of June 14, 1963, relating to the mob-incited violence in our country today.

I feel all the Members should be interested in this comment. The editorial was written prior to the brutal slaying of the young white soldier here in Washington, and the barbarious ambush slaying of the young white lawyer as he was riding in an automobile near Washington on the Baltimore Freeway.

As the editorial points out, tensions and violence are aggravated by and will continue to increase so long as Federal officialdom encourages and abets the mob demonstration in violating the laws of the land which forbid trespassing, breach of the peace, and violence.

Our law enforcement officers need support in upholding law and order.

I include the mentioned editorial as a part of my remarks:

LET GOOD WILL HAVE A CHANCE

President Kennedy says he is appalled by the "barbarity" of the ambush slaying of an NAACP official in Jackson, Miss.

So is every other decent American, Negro or white. But as they are appalled along with the President, many of them also can reflect on the fact that they, if not the President, could see what was coming.

This is not the last death that will take place in the silly period this country is in, when the President of the United States in effect endorses the law of the jungle, then is "appalled" at the result. If the President, without playing political favor, had simply upheld the law, and encouraged local authorities to uphold the law, the dangers over which he now wrings his hands would never have presented themselves.

There are people of low character in both Negro and white races who will quickly resort to violence when they are thwarted, confused or frustrated. It is those people who fight it out on the streets when local law and order fall down as the result of intimidation from the Department of Justice and the Federal courts.

The record of recent racial violence, North and South, in this country shows that the blame for bloodshed is about equally divided between the races, with the thugs of one race not one bit better or worse than the thugs of the other.

But there is a measure of responsibility, shared by the President, his brother Robert, and a variety of agitators in both Negro and white organizations, for stirring up the thugs by refusing to uphold law and order.

Until the President becomes as colorblind as he says justice ought to be, and until the President carries out his oath of office to uphold the laws, instead of playing politics with a highly explosive emotional issue,

bloodshed is going to be an increasingly shameful phenomenon in this country.

It is high time for people of good will, of both races, to point out to the President that racial harmony and trust are being destroyed, not enhanced, by a Presidentially endorsed flaunting of the law. It is time to cut out agitations, riots and demonstrations and get down to the business of being decent Americans. In that atmosphere good will might have a chance.

If the President intends to be President of all the people, as he claims, then let him get at the job in truth and not merely in voice. Impartial law enforcement is the answer to today's tensions, and there is no other. The increasing wave of violence across the country is ample proof of the fact.

(Mr. ELLIOTT (at the request of Mr. ALBERT) was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

[Mr. ELLIOTT'S remarks will appear hereafter in the Appendix.]

SAN FRANCISCO FARMERS' MARKET OBSERVES 20TH ANNIVERSARY

(Mr. SHELLEY (at the request of Mr. ALBERT) was given permission to extend his remarks at this point in the RECORD, and to include extraneous matter.)

Mr. SHELLEY. Mr. Speaker, a unique experiment in urban-rural relations that was begun 20 years ago in San Francisco in the form of a farmers' market has succeeded beyond all expectations. There are farmers' markets in many parts of the Nation, but only in San Francisco is the farmers' market a city-owned fruit and vegetable market where the farmers who grow the produce sell it at reduced prices direct to the housewife who prepares it for eating. Other farmers' markets operate in conjunction with wholesale produce outlets, or are privately owned institutions.

This year the San Francisco Farmers' Market is observing its 20th anniversary. In these two decades it has paid off capital costs of \$260,000 from earnings and now makes an annual profit for its owner—the city. Proceeds come from fees charged farmers for use of sales stalls.

The market's first location was Duboce Avenue at Market Street, where it began by selling surplus pears and apples. Four years later it moved to its permanent quarters at Alemany Boulevard and Bayshore Freeway. The market has prospered, always under the guiding hand of its founder, John G. Brucato. Total sales since its beginning have now passed the \$49 million mark.

The market operates Tuesdays through Saturdays. A grower may sell only the products that he has grown himself. The leading commodities offered for sale are—depending on the season—potatoes, tomatoes, lettuce, carrots, corn, cauliflower, squash, onions, apples, apricots, pears, plums, melons, grapes, oranges, grapefruit, and all varieties of berries.

Mr. Speaker, during the peak production season, the number of farmers using the market varies from 30 to 50 on Tuesdays to a high of about 120 on Saturdays. They come from 40 California

counties ranging from Siskiyou to San Diego.

Peddlers are not permitted to sell at the market. No resales of any kind are permitted. Only fresh fruits and vegetables, nuts, honey and dried fruits—the latter brought to the market and sold in unbroken packages—may be sold at the market.

The Farmers' Market has helped improve urban-rural relations. It has led to a closer and better understanding between the city consumer and the farmer.

The San Francisco Farmers' Market continues to operate as a service to all who may wish to avail themselves of this unique effort in bringing urban consumers into direct contact with rural fruit and vegetable producers.

(Mr. FLOOD (at the request of Mr. ALBERT) was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

[Mr. FLOOD'S remarks will appear hereafter in the Appendix.]

ACTION IS NEEDED NOW

The SPEAKER pro tempore (Mr. LIBONATI). Under previous order of the House, the gentleman from South Carolina [Mr. HEMPHILL] is recognized for 60 minutes.

(Mr. HEMPHILL asked and was given permission to revise and extend his remarks and to include extraneous matter.)

Mr. HEMPHILL. Mr. Speaker, I rise again today to speak on a subject on which I have found it necessary to discuss on many occasions. It is a sad reflection that I do have to come here so often and address the House, in the hope of bringing to the attention of the Nation a problem which has not been solved and which needs solving. If there is any title I would have for my remarks, it would be "Action Is Needed Now."

Mr. Speaker, H.R. 6196 has been reported out of the Agriculture Committee, and Report No. 366 reflects a lot of hard work, some controversy and a salutary effort on behalf of the Department of Agriculture and the Committee on Agriculture to correct the inequities of the two-price cotton system. Very frankly, I would not prefer the approach of H.R. 6196, but I am going to support the legislation because it appears to me that this is the only possible solution in this Congress and action is needed now. Rather than plagiarize, I include an editorial from the Camden Chronicle, Camden, S.C., of June 12, 1963:

ACTION IS NEEDED

Legislation before Congress is aimed at relief for the hard-pressed cotton industry, the industry which supports numerous jobs in Kershaw County and South Carolina.

Since 1960, cotton has lost almost a million and a half bales in its domestic market. Exports have fallen from a 5-year average of 6 million bales annually to around 4.5 million bales.

With markets dropping off, surpluses are mounting and the threat of a drastic acreage cut looms. This cutback would affect not only the grower whose sound operation depends on sufficient acres for efficient use of his resources but also millions of other

people in the cotton industry and in businesses supplying goods and services to the industry.

Cotton's big problem is that it's being priced out of its markets. It needs emergency assistance to enable it to become competitive.

The cotton industry, however, can't expect Government subsidies permanently nor is it asking this. It's asking for alleviation of the price situation, coupled with a massive research effort so farmers can lower costs quickly and thereby meet price competition on their own.

Cotton consumption in the free world is at a level of more than 33 million bales annually and is rising. If U.S. cotton can become competitive, its share of the increase can average more than 500,000 bales annually.

The cotton industry is a vital one and deserves a fair chance to become competitive.

I note, but not for the purpose of criticism at this time, that all the Republicans on the Senate Agriculture Committee voted against this legislation. I do hope they will change their minds because one of the most prominent Republicans of the United States and a distinguished and patriotic citizen who was formerly a Cabinet Officer, made a significant statement before the Senate Committee on Commerce on the 23d of May 1963, and while he did not back H.R. 6196, he pointed to the need for some provision, and he talked about many problems of the textile industry. I would hope that he would back the legislation because his backing of it would help the textile industry, and we are in need of some legislation now in order to maintain our status quo. If H.R. 6196 is not the correct approach, we have to have some vehicle in which to travel in the right direction until we find such an alternative as may be proposed. I enclose the statement at this point:

STATEMENT OF ROBERT T. STEVENS, PRESIDENT J. P. STEVENS & Co., Inc., BEFORE U.S. SENATE COMMITTEE ON COMMERCE, TEXTILE SUBCOMMITTEE, WASHINGTON, D.C., MAY 23, 1963

Mr. Chairman and members of the subcommittee, my name is Robert T. Stevens. I am president of J. P. Stevens & Co., Inc., producers of textile products from cotton, wool, and manmade fibers. We have 55 manufacturing plants in nine States from Maine to Alabama. I am currently serving as first vice president of the American Textile Manufacturers Institute, Inc. In the normal course of events I will become president for a term of 1 year beginning in October. The ATMI does not embrace the woolen and worsted industry, therefore I appear today as an individual businessman.

Stevens' 35,000 employees are keenly interested in the deliberations of this subcommittee and, on their behalf, I take this opportunity to thank each member of the subcommittee, especially the chairman, for the sustained interest which you have shown in the problems of the American textile industry and the fine workers who look to it for their livelihood and that of their families.

Textile industry problems have been the subject of three studies by this subcommittee. The present hearing is the fourth. As the record indicates, this is my third appearance before this distinguished subcommittee. I have made every effort to cooperate with you. Your official reports in 1959, 1961, and 1962 were models of objectivity and they focused much needed light on our problems.

As a result of your efforts, as well as the outstanding efforts by others—particularly the President's milestone, seven-point textile program of May 2, 1961—some progress has been realized. This progress is well known to this subcommittee and to others familiar with the textile industry. I need not discuss it at this time unless, of course, it be the desire of the subcommittee that I do so. Instead, I would like to focus primary attention on the very serious and steadily deteriorating situation with regard to the woolen and worsted segment of the overall textile industry.

In my opinion we are in serious trouble. American wool manufacturing is in a precarious state. Congress, in passing the Wool Act of 1954, did so as a "measure of national security" and declared that wool is an "essential and strategic commodity." Congress acted wisely but let us bear in mind that before raw wool actually acquires strategic value it must be fabricated into wool products for military and essential civilian demand. Without adequate wool manufacturing facilities in the United States and the necessary skills available in time of overriding national need, of what value is raw wool?

Woolen equipment, processing and skills are greatly different from the machinery, processes and skills prevailing in other segments of the textile industry. The average cotton manufacturing plant, for example, cannot possibly produce the wool goods needed by the military. Since Congress really passed judgment on the combined wool situation in the Wool Act of 1954, it seems ironic that 9 years later and scores of mill liquidations later there still has not been one single action to control the devastating growth and impact of imported wool products from cheap-labor foreign countries.

In 1947, the wool industry had 36,972 broadlooms in place. By 1962, this figure dropped to 15,136. In 1947, the industry had 3,331,000 spindles in place and by 1961 (latest figure available) spindles dropped to 1,170,000. In 1947, the United States could count on 2,656 combs, an absolute key machine in the worsted manufacturing process. By 1961, this figure dropped to 1,564.

Meanwhile, during 1947, imports of woven fabric in chief value of wool were just 4,635,000 square yards and, by 1962, they increased to 65 million square yards. In addition to this increased yardage, imports of wool products in every other major category have also mounted astronomically. It is estimated that total wool product imports during 1962 amounted to 20 percent of domestic consumption.

Statistics available thus far in 1963 indicate imports for the year will be still higher. These are the dismal facts which confront the American woolen and worsted industry. These are the facts which have led to the great deterioration of this industry. And, with these facts in mind, it is not difficult to understand why so many wool mills have gone by the boards during the past several years, although effective controls over wool textile imports could have prevented the major portion of these losses.

In 1961, at least nine woolen and worsted mills were liquidated. The largest of these, the Peerless Woolen Mills of Rossville, Ga., was a lamentable loss to the country's mobilization base. It had been a prime source of woolen cloth for America's armed services in World War II and in the Korean war. In 1962, eight additional mills were forced to liquidate. And, thus far in 1963, 10 have announced their closing, showing an accelerated rate of liquidation.

One of these is owned by J. P. Stevens & Co., Inc. It is the Marland plant located in Andover, Mass. The decision to close the plant was not arrived at lightly. The company has owned the Marland plant since

1879. During World War II and the Korean war, this mill produced desperately needed uniform cloth and blankets for the military. In recent years, the Setevens Co. made large capital expenditures in the Marland plant both in modernization of the building and on the latest type of equipment in order to remain competitive. The machinery is modern. But, imported fabrics, particularly those from Japan, similar to the fabrics manufactured at the Marland plant were offered in the American market in the case of one very important line at about 40 cents a yard below our actual cost. This is not competition—it is legalized economic piracy.

In the Stevens Co. we are struggling very diligently to keep our remaining six New England woolen mills and eight southern woolen mills in operation. If this distressing wool import situation is not reversed, it is extremely difficult to give assurance to this subcommittee that these thousands of jobs and million dollar payrolls can be continued unimpaired. Without effective action by our Government to control wool textile imports, it is crystal clear that additional mills in this industry will be liquidated.

The members of this subcommittee are, of course, keenly aware of the disastrous effects foreign textile imports have had upon the entire American textile industry. The President, on May 2, 1961, indicated in point six of his seven-point program that he was directing the State Department to arrange an international conference to seek an understanding between the principal textile exporting and importing countries to "provide a basis for trade that will avoid undue disruption of established industries."

On June 30, 1961, the President in a letter to Congressman Vinson, dean of the House and chairman of the Armed Services Committee, said:

"It should be borne in mind that the contemplated (cotton textile) negotiations are designed as one of a series of efforts to assist the textile industry. Our objective is to assist the industry to overcome all of the handicaps which it faces. The State Department is being instructed to get the best possible relief, not only for cotton, but for other fibers."

In a letter from the special assistant to the President to the chairman of this subcommittee in January 1962 it was stated:

"After the conclusion of the permanent (cotton) textile agreement the problem of the wool and manmade fiber industries will certainly be attacked."

Sixteen months have passed and as yet no action has been taken. In testimony before this subcommittee last year, on January 16, the Assistant Secretary of State for Economic Affairs testified regarding a possible international arrangement to control wool textile imports and apparel. On page 86 he said:

"I think it is a matter of implementation of the President's seven points that was put in the hands of the interdepartmental textile committee at the cabinet level. The appropriate answer is that they have not taken the decision to proceed in the wool field."

One paragraph beyond, the Assistant Secretary added:

"What we have learned here will be of great help to us if and when we decide to tackle the problem of wool."

Unlike the President's letter to Mr. Vinson and the special assistant to the President's letter to the chairman of this subcommittee, the Assistant Secretary of State left considerable doubt as to what, if any, action would be taken with respect to wool.

The international cotton textile arrangements, both short and long term, have been implemented. I repeat, the situation with regard to wool is deteriorating rapidly—action is needed. It is needed now. Commit-

ments with regard to this problem have been made and, respectfully, I submit that these commitments of the President of the United States were made in good faith and I am convinced that he intends to carry them out.

Having had some experience in the service of our country, an order by the President of the United States, to my way of thinking, should be sufficient to move mountains. It seems strange to me, therefore, that somewhere, somehow, and for some reason within our Government, there is a reluctance—and an unwillingness—to implement the President's seven-point textile program. Why? I do not know.

According to stories appearing in the trade press, the State Department feels that it would be difficult to obtain an international arrangement on wool textile and apparel imports similar to the international cotton arrangement. Apparently, no reasons for this have been made public. I personally do not understand why such an agreement could not be obtained, particularly so if there were a concerted effort and a deeply felt conviction that such an arrangement is both desirable and necessary.

Almost 1 year ago, on July 3, 1962, the National Governors' Conference took a strong position regarding textile imports. I shall read only one paragraph from the resolution but the entire text is a part of my statement:

"RESOLUTION ADOPTED BY THE NATIONAL GOVERNORS' CONFERENCE, HERSHEY, PA., JULY 3, 1962.

"World trade

"Whereas encouragement of world trade and commerce is essential to friendly relations with the people of other nations and to the economy of our own country, and this should be continued with due regard to the ultimate effect on our domestic economy and national security; and

"Whereas employment security and job opportunities of millions of American citizens in major segments of our economy have already been seriously affected by excessive imports: Now, therefore, be it

"Resolved, That the Governors urge further development and complete implementation of international arrangements on trade in cotton, wool, synthetic and silk fiber textile products with due regard for the impact on American industry and agriculture; and be it further

"Resolved, That this 54th annual meeting of the Governors' Conference hereby urges and requests the executive and legislative branches of the Federal Government to give full effect not only to the provisions of our trade acts which are designed to promote increased trade with other nations, but also those provisions which are designed to prevent excessive imports of any goods or commodities which would endanger the national security or the domestic economy of the United States."

Members of the subcommittee, I am the great-grandson of the founder of the Stevens Co. Throughout its 150-year history, many Stevenses and literally hundreds of dedicated men have gradually built the company to its present size and diversification within the textile industry and within the American economy.

We in Stevens are builders. We always have been. Our policy is to build, not destroy. We are interested in progress, not stagnation. We feel that our 35,000 employees are our most valuable asset and our greatest responsibility. We want to provide more employment opportunities, not take them away. Parenthetically, I would like respectfully to commend Senator Corron of this subcommittee for a statement he made in the Senate 1 week ago yesterday. He said:

"Personally, I am a little tired hearing the constant reference to industries and manufacturers. I think the time has come when we should begin to refer to them as jobmakers, because they are the ones who produce the jobs in this country."

Yet, what can we do? How can we plan for future expansion when cheap imports reduce the potential so drastically. Imports have forced us to close an important Massachusetts woolen mill such as Marland. Are woolen jobs more important for Japanese workers than for American workers?

On January 16 last year, in testifying before this subcommittee, I mentioned the liquidation of A. D. Ellis Mills, Inc., of Monson, Mass. In announcing the liquidation of this fine 99-year-old company, Mr. Ellis laid the blame squarely and solely on unrestrained wool textile imports. He said that these imports, produced under conditions prohibited by law in the United States, rendered continuance of his business enterprise "economically infeasible." Thus, another important producer of wool fabric for the military fell by the wayside, but, if the demise of the Ellis mill pained our Government as it should have, the sympathy outside of this committee was barely audible.

Since then, many additional wool mills, as I mentioned earlier, have been lost to the American economy and the mobilization base. One such mill, the Cyril Johnson Woolen Co. of Stafford Springs, Conn., announced its closing on April 26 to take effect in the next few months. The president of the company, Mr. Ronald A. Mitchell, said that in spite of the efforts by its 250 employees to continue in business, "the tremendous and uncontrolled increase in imports from low-wage countries has disrupted the markets for the high-quality fabrics produced by Cyril Johnson."

During World War II, this woolen company produced 3 million yards of woolen goods primarily for the Navy. This was enough fabric to manufacture about 1 million garments. During the Korean war, Cyril Johnson produced 650,000 yards of woolen goods—again for the Navy.

During these two national emergencies, practically every woolen plant was manufacturing essential fabrics for the military. Should a similar international crisis arise, to which woolen manufacturer will the military turn? Will these goods have to come from Japan or from Europe?

The announced liquidation of the Cyril Johnson Woolen Co. came as a surprise to many persons in and out of the industry. However, Mr. Mitchell, who made the announcement, appeared before this distinguished subcommittee on September 22, 1958 during hearings in Hartford, Conn.

He cited nearly 5 years ago the difficulties his company was having in meeting competition from the Japanese based upon Japan's cheap wages. The question was asked, "In which . . . categories do you find the keenest competition from Japan?" Mr. Mitchell's answer was straightforward. He said, "There is no competition, they have just taken the business away." His answer is one which we in Stevens recognize as an absolutely true statement because similarly the Japs took away most of our fine quality flannel business. The warnings and danger signals to the wool industry have been posted a long time but thus far to no avail.

By any calculation, by any stretch of the imagination, by any lopsided logic—no reason—no good reason exists for denying the American wool industry fair treatment against unrestrained wool imports. Fair treatment would be in keeping with the spirit and intent of the President's seven-point program. Is it unreasonable to ask that the American wool industry and the American workers be given some consideration as the deluge of imports increases?

There is a challenging article in the June issue of the Reader's Digest which reached the news stands yesterday. It deals primarily with the raw cotton and cotton textile industries under the title "Costly Chaos in Cotton—Time To End It."

The final paragraph of this article seems just as pertinent to the woolen industry as it does to the cotton. It reads as follows:

"The people of the United States, in the hope of promoting prosperity and peace, have assumed enormous burdens, both economic and military, around the globe. Our commitments have been based on confidence in the Nation's unprecedented economic strength. To allow that strength to be undermined by carelessness or lack of foresight—as it has been in dealing with the cotton problem—is to invite disaster. We cannot improve the world's economy by weakening our own."

Words used to describe the present state of the American wool industry import problem have been strong, forceful, and frank. The problem is not new. It has been the bane of this essential defense industry for several years. Two important questions confronting the industry and its employees need prompt answers. When will the facts of this situation be recognized? When will the remedial action be taken?

Surely, responsible officials realize that should an all-out international emergency occur, the total production of the industry as presently constituted would not be sufficient to satisfy military and essential civilian requirements. This being the case, the elementary conclusion to be reached is that hindsight won't solve the problem and surely it is no substitute for the wool fabrics which will be needed.

Mr. Chairman, in a letter to you dated January 30, 1959, from the OCDM (now Office of Emergency Planning) the Assistant Director submitted a lengthy statement regarding the American textile industry and its relationship to national security. It said, in part:

"The subcommittee indicated particular interest in receiving an expression as to the OCDM's position on the essentiality of the domestic textile industry. On this point there need be no equivocation. The OCDM regards the textile industry as an essential industry and considers it an essential part of the Nation's mobilization base."

The statement just quoted has remained in the record of this subcommittee during the past 4 years and 4 months. It has not been rescinded by the OEP or its Director. For more than 2 years, the Office of Emergency Planning under the Executive Office of the President has been studying the question of the textile and apparel industries' essentiality to national security. In my opinion, the facts warranted a favorable finding long ago. With a favorable finding, the industry—more particularly the wool manufacturing segment of it—would have looked forward to a halt in the erosion process which has taken place in the last few years. The continued loss of these jobs would have ceased. Our mobilization base in wool manufactures would have been strengthened. America's military posture would have been enhanced.

The petition with supplemental information seeks the recommendation of the OEP Director and approval by the President to establish quotas on textile imports under the national security provisions of our foreign trade law. In view of the clear-cut finding by the OCDM, predecessor agency of the OEP, that textiles constitute an essential industry, and in view of the crisis confronting the American textile industry, particularly the wool segment thereof, I do not think it inappropriate for me to urge this subcommittee to request a status report from the Director of the OEP regarding the in-

vestigation being conducted. Two years seems to me to be a very long time to determine the outcome of an investigation of conditions in an essential industry.

If there is any doubt—even now—as to the outcome, surely it is far wiser to err on the side of import controls rather than on the side of no restrictions. Considerations of America's national security should be controlling at all times.

I think the American people expect our national security to be protected in simple things like food and clothing just as much as in the complicated field of modern weapons systems.

I thank you.

On May 28, 1963, the Southern States Industrial Council which calls itself "the voice of the conservative South," made a significant statement on the cotton subsidies, and I include that statement at this time in the RECORD:

STATEMENT ON COTTON SUBSIDY

The Southern States Industrial Council at its annual meeting held at Hot Springs, Va., on May 21-22, 1963, unanimously approved the following statement on the plight of the cotton textile industry:

"This industry is deeply ailing. Beset by the large and growing competition of foreign imports and synthetic fibers, both employment and profits continue to decline. New investment and modernization are inhibited due to artificial conditions created by Government and which the present administration has solemnly promised to remove.

"The most serious of these is the 8½ cents per pound (\$42.50 per bale) differential in the price of raw cotton. This differential operates against domestic manufacturers and in favor of their foreign competitors. This has been recognized by the administration and the Department of Agriculture as an indefensible inequity which should be speedily corrected.

"On the grounds that this 8½ cents per pound (\$42.50 per bale) subsidy on export cotton is highly discriminatory against the textile industry in our Nation, we urge its speedy removal.

"We believe that such action will benefit the cotton farmers by increasing consumption, stimulating employment, and profit not only the cotton textile manufacturers but their customers as well through more attractive prices for a very important part of the family budget."

I am mindful of the fact that certain people of the textile industry have made statements that Senator TALMADGE's bill with some features of the Cooley bill would solve the cotton problems. Perhaps, then, this offers an avenue to solution. Perhaps if the Cooley bill were passed, and I again urge and beg my Republican friends for their support if they are sincerely interested in helping, that when it gets to the Senate to be amended there would be amendments from Senator TALMADGE's bill and then everybody could vote for the legislation when it came out of conference, and others would note that we have really been the congressional architect of a legislative monument heralding and assuring the future of cotton textiles. To give the benefit of some of the thinking, I insert in the RECORD at this point an editorial on "Cotton Comments," of Robert Moore and Co. I may not agree with all of it but I think the Congress is entitled to have the benefit of all the thinking we can collect.

SENATOR TALMADGE'S BILL, WITH SOME FEATURES OF REPRESENTATIVE COOLEY'S BILL, WILL SOLVE THE COTTON PROBLEM

On May 23, Senator TALMADGE addressed the Senate as follows:

"Mr. President, the existing Federal cotton program—when studied in the cold light of present-day economics and commonsense—is so utterly foolish and financially disastrous as to defy the imagination. Any reasonable appraisal of the program can lead to only one conclusion: The program is an abject failure. Its injustice to the cotton grower is incredible. Its effect on the textile manufacturing industry is devastating. Its cost to the American people is such that—if the facts were fully known and understood—it would cause a great public outcry. I submit, Mr. President, that unless this ill-conceived program is abandoned, we will see the end of cotton in the United States.

"Although cottongrowers and the textile industry, with its hundreds of thousands of employees, already are staggering under this ruinous program, there is still time to save cotton. If the facts are faced and if bold and positive action is taken by the Congress, this vitally important segment of the national economy can be revitalized and put back on the road to recovery. Mr. President, the American public is entitled to know the truth about the miserable plight of cotton. The people should know the facts about a cotton program which costs them approximately \$1 billion a year—including some \$600 million in price-support payments, over and above the world price. And this is not including almost \$2 billion in tax funds tied up in the more than 10 million bales of cotton in Government storage. What we have, Mr. President, is a costly and unsound cotton program which benefits only a few, at the expense of a great many. It is a program which doles out pittances to the needy and makes gifts of millions of dollars to those who do not need Government aid. It is a program which is driving the small and the medium-sized cottongrower off his farm. It is a program which is closing hundreds of textile mills and is throwing hundreds of thousands of workers into the ranks of the unemployed. It is a program which is causing cotton acreage in the United States to shrink while encouraging foreign production. The purpose of any farm program is to help the farmer, to guarantee him a profitable position in the competitive, free enterprise economy of this country.

"Let us see, Mr. President, what the Federal cotton program accomplishes to achieve this desired aim. Let us see how it helps the farmer. According to the latest figures available, in 1961 more than \$600 million in public subsidies were distributed among cottongrowers. How was this public money distributed? Three hundred and twenty-two growers averaged \$113,000 in support payments, while 650,000 small farmers received \$63 on the average. To break the figures down even further: Approximately 280,000 small farmers received an average subsidy of \$142, while 13 large growers received an average of \$649,753 for their cotton. This can be expressed another way: Only 3 percent of our cotton farmers produce 56 percent of the national crop and receive 56 percent of the support payments. Thus, hundreds of thousands of small farmers, struggling for a bare existence, are given little, if any, incentive to grow cotton. Conversely, a few hundred growers, receiving handsome subsidies, whether they need it or not, find cotton farming profitable indeed.

"The existing cotton program is highly popular with large growers. In 1961, 99 percent with 200 or more acre allotments, planted their acreage. On the other hand, more than 50 percent of the farmers with allotments under 10 acres planted no cotton. Mr. President, if the aim of the Government

is to help small farmers, the cotton program is failing miserably. It is likewise a failure if the cotton program is meant to aid the textile industry. It is ironic that the Government would spend \$450 million for public works to stimulate the economy, and at the same time force the country to pay out \$600 million in a cotton subsidy program which is wrecking cotton production and the textile industry, the Nation's second largest employer.

"The cotton situation has become so critical that it demands a fresh and sensible approach. My proposal for cotton legislation, the Cotton Domestic Allotment Act, in which the distinguished majority whip joined in sponsoring, is the least expensive, the most workable, and the simplest solution of this complex problem. My bill is designed to meet the needs of the small and medium cottongrowers, to insure them their fair share of the national income and to put cotton back on a free enterprise basis. It would eliminate the inequitable two-price cotton system and allow our mills to once again buy cotton at the same prices foreign mills pay. The Federal Government would be taken out of the business of buying, storing, transporting, selling, and giving away cotton which is done at great cost to the taxpayers. Farmers would be free to farm as they please. Small growers would be insured a decent income while the large farmers could produce as much cotton as they wished for the world market without Government restrictions. Under my compensatory direct-payment plan, the largest supports would go to the small farmers, who need it the most, with lower price supports paid large growers.

"Mr. President, the present situation must be corrected without further delay. The existing cotton program is in such a shambles that it cannot be built upon, added to, or even slightly modified. It must be relegated to the scrap heap. Any approach to cotton legislation which fails to fill the needs of the farmer and textile employees and manufacturers will serve only to perpetuate what we all know to be a mess and will result in a dismal end for cotton."

The large producers and cooperative associations oppose the Talmadge bill because of fear of a lower loan, liquidation of surplus stocks—which could cause lower world prices during the adjustment period—and possible problems in financing cotton production for the world market. While the United States produces one-third of the world supply, the producers acknowledge that under present laws the United States is a residual seller. In other words, our producers "eat at the second table."

Stable world prices, so lauded by the growers, have been promoted by CCC's holdings of large stocks of cotton financed by U.S. taxpayers. This has caused our producers to lose cotton markets to foreign growers and to manufacturers of synthetics.

The Cooley bill, H.R. 6196 (S. 1151), will be workable only if the payment goes to either the producers or when cotton enters trade channels. The producers keep on insisting that the payments should go to the last seller or the mills. If they are successful in this attempt, the law will not solve, but will add, to the cotton problem. All cotton not in immediate demand will go into the loan, where the cream of it will be siphoned off, leaving the CCC to carry the culls. Merchant trade cannot carry cotton in competition with the CCC. The futures market cannot function if the last seller provision is enacted. Thus, the private enterprise system and free market approach will be stifled and the unsuspecting taxpayers will again be taken to the cleaners. They have only anted up over \$21.5 billion for unworkable farm programs, or about one-fifteenth of our towering national debt. Cotton losses comprised 20 percent of the \$21.5 billion.

At this point I enclose an article from the State newspaper, Columbia, S.C., of Tuesday, May 21, 1963, entitled "USDA Official Backs Talmadge Cotton Bill."

USDA OFFICIAL BACKS TALMADGE COTTON BILL—WOULD END RESTRICTIONS ON PLANTING

WASHINGTON.—An Agriculture Department spokesman expressed preference Monday for a cotton bill which would provide direct, graduated payments to cotton farmers.

Charles S. Murphy, Under Secretary of Agriculture, testifying before the Senate Agriculture Committee, said he believed that of all the bills before the group, the one by Senator HERMAN TALMADGE, Democrat of Georgia, would make the greatest contribution.

TALMADGE's proposals would end all Government restrictions on planting and growing of cotton.

It would, however, provide price support payments to farmers on their share of the domestic market.

In his prepared statement to the Committee, presided over by Chairman ALLEN J. ELLENDER, Democrat of Louisiana, Murphy said the Talmadge proposal would permit cotton to move freely through private trade channels at world prices, would be the lowest cost way of achieving a one-price system for cotton and would be simpler to administer than the present program.

Murphy estimated the Talmadge approach would cost \$667 million the first year, compared with an estimate of \$461.5 million for the present program. But he said the cost should decline to \$486 million in 2 or 3 years.

TALMADGE challenged the Department's estimates of the cost of his bill as being too high.

ELLENDER told Murphy he did not see how the committee could present the Senate with a cotton proposal which would be more costly than present law and at the same time ask for decreases in costs of other farm programs.

TALMADGE's bill would permit a farmer to grow all the cotton he chose for sale on the world market at world prices, which are substantially below domestic prices.

Each farmer would be given a share of the domestic market—in bales rather than in acres—on which he would receive a payment in the form of a loan or in cash.

This payment, TALMADGE said, would be 32 to 36 cents a pound on the first 15 bales of production, 30 to 34 cents on the next 15 bales and 28 to 32 cents a pound on all over 30 bales.

He figured the cost of the bill would be a maximum of \$650 million yearly and might be as low as \$300 million. And, he added, a return to a one-price system for cotton should save consumers from \$400 million to \$600 million yearly.

The Joanna Cotton Mills Co. of Joanna, S.C., is not in my district, but I have the highest regard for the officials and the people who work there, and I have been the grateful recipient from time to time of their magazine entitled, "The Joanna Way." In the June 1963 issue of that publication is an excellent article on the two-price cotton system and I insert that article in the RECORD at this point:

TWO-PRICE COTTON IS YOUR PROBLEM DIRECTLY OR INDIRECTLY WHOEVER YOU ARE—DO YOU OWN OR OPERATE A BUSINESS? DO YOU USE TEXTILE GOODS? DO YOU PAY TAXES?

If so, the sad plight of the textile industry as a result of the two-price system of cotton costs is important to you.

Of course it is to us at Joanna Cotton

Mills—every one of us—because it affects our jobs, our benefits, our profits.

We are concerned enough about the need for prompt removal of this "unique burden," as President Kennedy calls it, that we postponed for a month all copy prepared for the June Joanna Way. This issue of the magazine is devoted solely to a thorough presentation of the cotton and textile situation with the hope that every person who sees it will realize that he or she is affected by the problem.

In addition to our regular mailing list, thousands of our customers and friends throughout the Nation will receive this June issue. The problem is vital to every one of them. It can be solved only by their active aid and support.

The support needed is for the Cooley bill, H.R. 6196, expected to be introduced in the Congress this month.

This bill, sponsored by Representative HAROLD D. COOLEY, Democrat, of North Carolina, chairman of the House Agriculture Committee, was evolved on the basis of conferences with various elements of the cotton industry—producers, the trade, and the mills. It is designed to fill a need described by Mr. COOLEY thus:

"Cotton is losing its markets. This is hurting everyone concerned with cotton, and the general economy as well. The situation is serious. It commands the serious consideration and cooperation of cotton producers, cotton millers, and the cotton trade."

If, as Mr. COOLEY said, the situation is hurting the general economy, it is hurting every resident of the United States.

When a segment of the agricultural economy and a segment of the industrial economy lose, the Nation suffers. And the textile industry is second highest in the United States in employment. The effect of less income affects otherwise unrelated businesses, whether goods or services. The loss of corporate taxes and personal income taxes reduces Uncle Sam's tax take proportionately.

All this affects you, whoever you are. Please read the facts and then put on the pressure for passage of the bill. And please encourage relatives, business associates, neighbors, and other friends to do the same.

THE UNIQUE BURDEN

"The inequity of the two-price system of cotton costs remains as a unique burden upon the American textile industry, for which a solution must be found in the near future" (President John F. Kennedy).

THE PROBLEM

1. U.S. mills must pay about one-third more for U.S. cotton than do foreign mills.
2. U.S. mills use U.S. cotton almost exclusively, and only a trickle of foreign cotton is allowed to enter this market.
3. Cotton constitutes more than 50 percent of the cost of manufacturing a typical cotton textile fabric, and an even higher percentage of yarn costs.

THE RESULTS

1. Spectacular increases in imports of foreign textiles into the United States.
2. Substantial losses of domestic cotton textile markets to paper, plastics, man-made fibers, jute, and other materials.
3. A shrinking market for the output of U.S. cotton farms.

THE REMEDY

1. Each citizen informs himself on the problem.
2. Each citizen, thus becoming concerned about the problem, informs his Senators and his Representatives that the Cooley bill is the best solution presently feasible.

Also in that issue of the Joanna Way, was an article entitled "Cotton—To Go at Two Prices," and I enclose that article:

COTTON—TO GO AT TWO PRICES

COTTON: A NATIONAL PROBLEM

Cotton is in a crisis situation. And the situation poses a major problem not only for the cotton industry, but also for the Nation.

The trouble results from Government actions and policies. Only Government action can remove it. And the key to successful Government action lies in widespread public understanding.

Necessarily U.S. textile manufactures have a vital interest in any changes in the Government's cotton programs.

This is because they are dependent upon, and the principal consumers of, American cotton.

Most interested groups, including producers, acknowledge that U.S. cotton has been and is now priced too high—not in terms of farm income, but in terms of meeting competition.

U.S. cotton moves abroad only under the stimulus of an export subsidy. Even so, exports are lagging.

U.S. consumption of cotton is pursuing a sharp downward trend. Markets once held by cotton are being taken over by man-made fibers, paper, plastics, jute, and a variety of other competing materials. Price is responsible chiefly.

American textile manufacturers find themselves bearing an unfair burden. It is imposed by the Government's two-price cotton-marketing system.

Upland-type cotton accounts for 98 percent of all cotton used in the United States. Barred by law from using more than about 30,000 bales of such foreign-grown cotton a year, American mills must rely on American cotton. And they are required to pay about one-third more than foreign mills pay for any cotton, including American-grown cotton.

Naturally, the U.S. textile industry seeks an end to the two-price cotton-marketing system. It seeks an elimination of the inequity. It seeks only the privilege of buying American cotton at the same price at which it is made available for sale to foreign mills.

HOW THE TWO-PRICE SYSTEM WORKS

Recently, a cotton merchant in one of the Nation's major marketing centers found buyers for two bales of cotton. The bales, for all practical purposes, were identical. Both went to textile mills, one in the United States and the other in a foreign country.

The American mill paid \$162.50 for its bale reflecting a Government-supported price of 32.5 cents per pound. The foreign mill paid only \$120 for its bale of cotton, but the seller got the same price for it as he did for the bale sold to the American company.

The difference—\$42.50—was paid by the U.S. Government as a subsidy to bridge the difference between cotton prices in the Government-supported American market and the so-called free market in the rest of the world. The \$42.50 subsidy is paid on every bale of American-grown cotton sold for export.

This means, of course, that American cotton textile manufacturers must pay about one-third more for American cotton than do foreign mills.

By any judgment, the system is unfair and inequitable.

ORIGIN OF TWO-PRICE COTTON

Two-price cotton—one price for American mills, and a lower price for foreign mills—as a practical reality has existed since the middle 1950's, but the system's roots are laid deeply in the agricultural commodity price support programs adopted in the 1930's.

Through the years, because of support prices, American cotton has been pegged at artificially high price levels at home and abroad. This has resulted not only in re-

curing surpluses of American cotton, but also in stimulated production and consumption of foreign-grown cotton. Under the U.S. price support "umbrella," the production of cotton in the foreign free world has risen from 16.3 million bales in 1955-56 to approximately 21.1 million bales in 1962. The U.S. share of total world production during this period has fallen.

This foreign-grown cotton, although available to mills in other nations, is kept out of this country by a very strict import quota, established in 1939, which limits imports of upland-type cotton to less than one day's supply.

As a result of the Government's cotton-price policy, the United States all but lost its export market when, in 1955, exports fell to the lowest peacetime level since 1871.

Thus, to counter the twin problems of American surpluses and increased foreign movement into traditional American export markets, the United States, in 1956, set up a special export subsidy program. The subsidy represents the difference between the price of U.S. cotton and the so-called world price for cotton. It may vary from year to year, but since August 1, 1961, it has remained at 8½ cents a pound, or \$42.50 for a 500-pound bale. And beginning August 1, 1963, in compliance with a recent official announcement, American cotton will be offered for sale for export on a bid basis and move at a possibly lower price.

(The variation in bale prices—\$172.50 against \$130, \$182.50 against \$140, \$162.50 against \$120—is not inaccuracy in facts. Price depends on the quality, staple length, and the current market. In all examples the differential in the cost paid by American mills and by foreign mills is \$42.50.)

At inception it was recognized that such an export subsidy would create two disastrous impacts on the domestic textile-producing industry, both of which would require immediate corrective action: (1) it would kill off the textile export market, and (2) it would invite unfair-priced textile imports.

To prevent the first of these, provision was made for the payment of an equalization fee on cotton textile exports on the same per pound basis as the raw cotton subsidy. However, efforts made at the time, and repeated since, have failed to provide an offset for the far more important element of the problem—imports.

IMPACT ON IMPORTS

U.S. cotton textile imports made from lower priced cotton have increased spectacularly since 1956 while the export subsidy has lowered the price of American cotton to foreign textile mills.

In 1955, immediately prior to the inception of the cotton-export subsidy, imports of cotton products amounted to a 363,487,000-square-yard equivalent. The current level is even higher. In the succeeding year the volume rose to a 451,350,000-square-yard equivalent. By 1960 this figure had risen to 1,033,610,000 and in 1962 such imports amounted to a 1,165,878,000-square yard equivalent, more than triple the imports of 1955.

Most of these increases in cotton textile imports have been in categories of products in which the raw cotton cost is the predominant one in manufacturing costs, such as in yarns and gray goods. For example, imports of carded and combed yarn, produced with a minimum of labor, have increased from 142,000 pounds in 1955 to 28,453,000 pounds in 1962.

Cotton textile imports have taken over markets that otherwise would have been supplied by American-grown cotton processed by the American industry.

COTTON'S COMPETITIVENESS

The U.S. textile industry's success or failure hinges upon its ability to obtain raw materials at a reasonable price, manufacture

goods at the lowest possible production cost, and offer finished products to potential consumers at competitive prices.

This ability shapes the textile industry's role as a customer for the American cotton farmer and manmade fiber products.

Over the past 2 or 3 years cotton prices by Government action have been trending upward. Prices for manmade fibers and other competing materials have been dropping.

In December 1961, the price of a key grade of cotton was 31.60 cents a pound. By mid-August the price had moved to 34.90 cents, an increase of 3.3 cents a pound.

Following an increase in the cotton price-support level in 1961, the price advantage rayon held over cotton at the initial processing level increased from approximately 6½ cents a pound to about 14 cents.

Other manmade fibers, which also can be handled on cotton textile manufacturing equipment, have scored price reductions in recent years, too. And a range of nonfiber products, such as paper and plastics, have taken over markets once held exclusively by cotton—chiefly because of price.

Cotton now accounts for less than two-thirds of all fibers consumed, having experienced during 1961-62 a competitive loss of 1,150,000 bales.

Clearly, one conclusion is inescapable. The competitive character of cotton is coloring the future of the vast American cotton industry—from the growers through the manufacturers.

MEANINGFUL MEASUREMENTS

U.S. cotton consumption for the current crop year is expected to total 8.3 million bales, as compared with 9 million in 1961-62, and trending downward sharply.

Cotton exports are expected to amount to less than 4 million bales, as compared with 4.9 million last year.

U.S. cotton allotments have been reduced by the Government from 18.5 million acres in 1962 to 16.3 million acres in 1963.

Production from the 16.3 million acres is expected to exceed the current level of U.S. consumption and exports, unless a new price policy emerges.

Foreign free world cotton production is expected to total 21.1 million bales as compared with an estimated 19.3 million in the 1961-62 crop year and 19 million in 1960-61.

Foreign free world cotton consumption is expected to fall to 22.8 million bales from an estimated 23.5 million bales in 1961-62 and 23.4 million in 1960-61.

U.S. cotton stocks are expected to amount to 10.6 million bales as compared with 7.2 million bales last August 1.

As of March 15, 1963, the Commodity Credit Corporation owned or held as collateral against price-support loans a total of 10.2 million bales as compared with 5.4 million bales a year before, and it is anticipated will own 8½ million bales on August 1 as compared to 1½ million bales on the same date 2 years ago.

Of the 10.2 million bales, CCC held 5.5 million as collateral against loans as compared with 3.9 million a year ago.

CCC investment in cotton has risen from \$300 million to \$1,750 million.

A revision of the Government's cotton program appears to be in the broad public interest.

The program is of vital importance to the economic future of millions of men and women whose livelihoods are linked to the production, handling, and manufacturing of cotton.

It is of considerable concern to the economies of countless communities and cities from Maine to California.

It has a direct bearing on the fiscal situation of the U.S. Government—tax receipt, Federal expenditures, international payments.

And it merits the attention of other ag-

ricultural interests for the simple reason that acreage no longer used for cotton can be planted to other crops. Present policies have reduced planted cotton acreage from 16.3 million acres in 1962 to an indicated 14.8 million for 1963. Further reductions are in prospect. Cotton cannot be produced in other areas of the Nation but wheat, corn, soybeans, cattle, etc., can be produced in the Cotton Belt. Cotton-acreage reductions pose a threat to the already burdensome surpluses experienced by other important agricultural commodities.

A need for a solution to the problem has been voiced by President Kennedy, Cabinet officers, Member of Congress, spokesmen for cotton-producing organizations and other segments of the cotton industry, and editors of trade and general newspapers and magazines.

A DESIGN FOR A SOLUTION

An end to the unfair results of the two-price cotton system conceivably could be achieved in several ways:

1. The Government could impose an import fee on the cotton content of textile-product imports to equalize or offset the difference in cotton costs between foreign and U.S. mills. Such action would remove the inequity imposed regarding cotton textile imports, though it would leave untouched the domestic market impact.

The U.S. Tariff Commission, however, has twice rejected requests for such a remedy in recent years. This route has been shut off.

2. The support price for cotton could be eliminated so American cotton would sell at the free-world price.

No segment of the cotton industry, including textile makers, has advocated such a move, which would bring disaster to cotton farmers and severe economic repercussions to the national economy.

But this question is academic because the Government already has announced a continuation of the present support price of 32.5 cents a pound for the new cotton crop, August 1, 1963-64.

3. The Government could adopt a program under which some kind of payment could be made into the marketing structure of the cotton industry so cotton for domestic consumption could sell at the same price as cotton for export.

The textile industry historically has opposed any sort of payments program; reluctantly it has agreed to support such a program now only because there seems to be no other way to achieve a one-price system in the foreseeable future, and, at the same time, maintain a price to domestic growers in excess of the world price.

However, the decision to support a payments program is made easier by the fact that a payment-in-kind approach can be used—that is, payments in Government-held cotton rather than in cash from the Federal Treasury.

THE PAYMENTS-IN-KIND APPROACH

As of today CCC owns 4.689 million bales of upland cotton; it has loans outstanding on 5.511 million bales, making a total of 10.2 million bales.

Because there is not enough free cotton in the normal channels of trade to satisfy domestic and export requirements, a portion of the loan cotton will be redeemed prior to the beginning of the new crop year, August 1, 1963. It is estimated that on August 1, after CCC takes title to the remaining portion of these loan stocks, it will own outright 8½ million or more bales of cotton, representing an investment of approximately \$1.4 billion.

By law, none of this cotton is available for domestic consumption except at 115 percent of the support price, plus carrying charges. Under the export program, however, it may be sold at 8½ cents a pound be-

low the domestic market price. Thus the disparity to the domestic industry will be substantially greater than the 8½ cents differential.

Except in the event of a national emergency or highly unusual crop circumstances, virtually none of this cotton is likely to be withdrawn for domestic consumption. The price, under the 115-percent withdrawal feature of the law, is completely prohibitive.

Thus, CCC will never realize more than the world price for practically all these burdensome stocks. This being true, the question immediately arises as to how the stocks, on which CCC will take heavy losses anyway, can be utilized to achieve the objective of a one-price system for American cotton, and, at the same time, create maximum dollar returns to CCC's treasury.

A very broad cross section of the entire American cotton economy strongly recommends the immediate utilization of these CCC stocks for a payment-in-kind program to make cotton available to domestic mills at the same price it is sold for export.

A NEED: CONFIDENCE

Because of the terrible uncertainty and lack of confidence that has prevailed throughout the raw cotton and textile industries, normal pipeline inventories have been drained to the absolute minimum—among merchants, handlers, and consuming establishments. In addition, domestic consumption is down approximately 3,000 bales daily below the level of the same period last year.

However, in the event of a one-price system, the uncertainty would be removed and a completely new range of confidence established throughout the whole structure. Merchants would substantially increase their inventories, textile mills would increase their working stocks to normal levels, and domestic consumption and exports would be sharply stimulated. The combination of these factors would result in very substantial withdrawals from Government-held stocks.

The net of these transactions would increase Treasury receipts somewhere in the range of \$350 to \$400 million in addition to about \$200 million which would be realized from the sale of cotton between now and August 1, in the absence of a program.

The payment required to bring the domestic price down to the export price could be made with cotton that has already been acquired by the Government, and cotton that is not likely to be disposed of at more than the world price anyway.

With a competitive one-price system and restored confidence, domestic consumption and exports for the year beginning August 1, 1963, almost certainly would exceed substantially the prospective 1963 crop.

The quantity of CCC cotton used as payments to equalize the domestic price would be needed by merchants and mills to satisfy requirements for the increased domestic consumption and exports.

Accordingly, the domestic program could be financed during the 1963-64 season with CCC's assets—cotton—rather than cash from the Treasury.

This reduction in CCC's cotton inventory would reduce substantially storage and interest costs.

Adoption of a cotton program ending the two-price marketing system could reasonably be expected to produce these results:

1. Restore confidence of all segments of the American cotton economy, which will lead to increased cotton consumption, increased investment and employment in cotton production, textile manufacturing, and apparel manufacturing.

2. Encourage normal trade channels to retain cotton that otherwise would go into Government stocks thereby increasing CCC funds immediately by several hundred million dollars.

3. Reduce drastically CCC expenditures for storage and interest on Government-held cotton.

4. Assist in the U.S. administration of the International Cotton Textile Trade Arrangement.

5. Initiate a movement toward reducing the cost of the Government's overall cotton farm program.

In short, a revitalization of the whole American cotton industry would occur with the elimination of the two-price system.

It would restore confidence in cotton and open the way for increased textile manufacturing and apparel manufacturing.

It would enable the cotton industry to get out of the doldrums and make an important contribution to the Nation's economy.

I. PROFILE OF THE AMERICAN COTTON ECONOMY

Textile employment

The textile industry is one of the largest manufacturing industries in the Nation. It, with the apparel industry, provides jobs for more than 2 million men and women. Since 1955 and despite a population increase of about 20 million, there has been a loss of nearly 200,000 jobs in these combined industries.

Cotton farms

The U.S. cotton farm population is about 3.3 million. In 1961 there were about 762,000 farms with effective cotton allotments covering 18 million acres which produced 14 million bales of cotton valued at about \$2.5 billion. Cotton farm land, itself, is valued at more than \$10 billion.

Cotton handlers

An estimated 90,000 to 100,000 persons are employed by cotton gins, cottonseed oil mills, warehouses, and cotton merchants in the United States.

Plant investment

The investment in textile-manufacturing establishments amounts to about \$8 billion, and an additional \$5 billion is currently invested in apparel-manufacturing plants.

Textile sales

Mill sales of textile products made from all fibers total about \$13 billion annually. Cotton accounts for about 60 percent of U.S. fiber consumption.

These facts indicate the significance of the textile-apparel industry, not only to the agricultural sector of the economy, but also to the manufacturing industries and in turn to the strength of the U.S. industrial economy as a whole.

Textile profits

The textile industry in recent years has not kept pace with other manufacturing industries in the United States. While increases in productivity have occurred in the textile industry since 1947, the squeeze on textile prices and textile profits has forced profits far below the all-industry average. Textile industry profits on sales averaged only 2.5 percent in 1962 while the all-manufacturing average was 4.8 percent.

Textile prices

The wholesale price index of cotton products shows a substantial down-trend since 1947 when it stood at 103 percent of the 1947-49 index base. At the year-end 1962, the index had declined to 92—a decline from 1947 of 11 percent. On the other hand, the wholesale price index for all industrial commodities increased from 96 in 1947 to 120 in 1962 or about 24 percent.

Cotton costs and cloth prices

An examination of the relationship of raw cotton costs to unfinished cotton cloth prices over the last 37 years reveals an extraordinarily close correlation. Invariably as cotton costs rise and fall, cotton cloth prices rise and fall. The explanation lies in the fact that raw cotton costs account for about 55 percent of the manufacturing cost

of unfinished cotton cloth. A return to a one-price cotton system that would reduce cotton costs would bring a reduction in cloth prices and be reflected at the consumer level. A Department of Commerce official recently estimated that a one-price cotton system would result in savings to American consumers of more than \$700 million.

Spindle activity

Raw cotton is spun into yarn on cotton-system spindles in U.S. textile mills. A measure of fiber use in the amount of time such spindles are used for cotton alone or other fibers or blends.

In 1958 about 92 percent of the spindle-hours were for the production of all-cotton yarn. By early 1962 this percentage had fallen to 86. In other words, more and more spindle-hours were spent in producing yarn from blends of cotton and man-made fibers or man-made fibers alone.

And by March 1963 there were 16 million cotton-system spindles assigned to cotton alone and 2.5 million used for other fibers. Comparative figures for 1958 were 17.6 million and 1.6 million.

II. GOVERNMENT POLICIES

There are three Government policies which, in combination, are responsible for the American cotton textile industry's finding itself in difficulties which can be removed only by Government action.

1. Since the 1930's the Government has supported the price of American cotton generally at an artificial level.

2. Since 1939 U.S. mills have been required to limit their purchases of foreign-grown upland-type cotton to less than 30,000 bales annually—a volume which would not equal 1 day's mill consumption.

3. Since 1956 the United States has exported cotton under a subsidy to bridge the gap between the U.S. price of cotton and the world price. This has amounted to 8½ cents a pound or \$42.50 a bale since August 1, 1961. This means that U.S. mills are required to pay about one-third more for cotton than foreign mills pay for any cotton, including U.S. growths.

III. CONSEQUENCES

Costs: Cotton up, competing materials down

In 1961 the Government raised the support price on Middling 1-inch cotton for the 1962 crop to 32.47 cents a pound. As a result, the market price rose about 3½ cents a pound from January to October. For the 1963 crop the same support level and higher market price remained in effect.

Prices of man-made fibers and other competing materials have been dropping. For example, the price of rayon staple—a synthetic fiber that can be handled on cotton manufacturing equipment—fell to 26 cents a pound from 34 cents in 1955.

U.S. consumption of cotton declining sharply

U.S. textile mills currently are consuming cotton at a rate of 8 million bales a year—an 11 percent decline from 9 million bales consumed in 1961-62. At the beginning of the current cotton year, the Government estimated domestic mill consumption would total 8.8 million bales for the year. Since then, the Government has revised the estimate; in April the Government estimated mill consumption would reach 8.3 million this year.

Cotton surplus rising

The Government-owned Commodity Credit Corporation on March 15, 1963, owned or held, as collateral against price support loans, 10.2 million bales of cotton. This amount was 5.4 million above a year earlier.

The Government expects cotton stocks to amount to 10.6 million bales on August 1, 1963, reflecting an increase of 2.8 million over the 1962 date.

Cotton exports shrinking

Despite the \$42.50 a bale export subsidy, U.S. cotton exports during the present crop year are expected to amount to less than 4 million bales, a reduction of 900,000 bales from last year. Foreign cotton production and synthetic fiber output expanded in 1961 and again in 1962.

Cotton textile imports continue upward

During 1955, the year before the advent of the two-price system, cotton textile imports into the United States were equal to 363 million square yards of fabric. In 1962, they exceeded 1 billion yards, and were more than three times as large as the 1955 total.

Cotton textile exports continue downward

In 1955, the United States sent into foreign markets cotton textile goods equal to 1,095 million square yards. In 1962, such exports amounted to an equivalent 921,800,000 square yards.

Always in the shadows are the threats posed by imports—the threat to jobs, the threat to the textile industry, the threat to the cotton producers, and the economic threat which hangs over the head of every business and professional man either living in textile communities or dependent upon textiles directly or indirectly for the production of a consumer market in the particular area. To emphasize this I insert in the Record at this point an excellent editorial from the Gaffney, S.C., Ledger of June 20, 1963:

THE PRICE OF A SHIRT

A recent newspaper advertisement for a large department store told of a coming sale of "special purchase" merchandise, including a group of men's white dress shirts.

The shirts were priced at \$1.99 each. They were, as advertised, strictly first quality.

The labels pointed out that they had been made in the British Crown Colony of Hong Kong.

Less than 20 feet away from them in the store's men's department was a line of first-quality American-made shirts. They were priced at \$5.95 each.

The real difference in the two lines of shirts—measured by almost \$4 in the retail price—could be traced to two factors: the price of the raw material in them and the cost of the labor which produced them.

Hong Kong textile manufacturers, like all foreign textile producers, can buy raw material, including American-grown cotton, for \$42.50 per bale less than American manufacturers. Since the cost of raw material accounts for more than half the total cost of a textile product, the \$42.50 per bale difference is a major competitive factor.

In terms of wage costs, however, there is an even more striking difference between Hong Kong and the United States. In November 1961 (the latest month for which official reports are available), Hong Kong manufacturers paid their male spinners and weavers an average of 15 cents an hour. During 1961, American spinners and weavers were paid approximately 11 times this amount.

This amazing difference in wage costs was pointed out recently in testimony offered to a committee of the U.S. Senate, as part of a presentation showing how foreign-made textiles can undersell American goods in American stores.

The testimony also showed that in May 1962, when U.S. textile production personnel were receiving an average of \$1.69 per hour, Japanese plants employing more than 30 production workers were paying an average of 19 cents per hour.

Belgium, an important producer of textile products, including carpets, paid its textile people an average of only 54 cents per hour in October 1961. This is less than a third of the average American rate at that

time. France, in April 1962, paid only 57 cents on the average, while Italy's average in April 1962 was 40 cents. West Germany, which has had a miraculous economic recovery since the end of World War II, had an average textile wage of 68 cents per hour in May of last year, while the United Kingdom (Great Britain) paid its woolen and worsted workers 69 cents an hour in October 1962.

All of the foreign wage rates were converted from local currencies at the official exchange rates. Information for the report to the Senate committee came from the U.S. Department of Labor.

Everybody has recognized that something must be done and I am beginning to get a lot of letters urging me to support H.R. 6196. Frankly, I would prefer the complete abolition of the two-price cotton system, but lacking that, however, I intend to support H.R. 6196.

But the point is, let us do something now.

Mr. WHITENER. Mr. Speaker, will the gentleman yield?

Mr. HEMPHILL. I yield to the gentleman from North Carolina.

Mr. WHITENER. I commend my neighbor and colleague, the gentleman from South Carolina [Mr. HEMPHILL], on his very splendid statement on this technical problem, and say to him that I know that his diligence in this matter is bearing fruit. I hope that the message he has brought will fall on receptive ears on the Congress.

Mr. HEMPHILL. I thank the gentleman for his inspiring support of my efforts. I will try to cooperate with him in his efforts. Our districts are predominantly textile and our economies are predominantly textile. Our hope for a progressive and healthy economy in the future lies in our success in solving some of these problems, including the two-price cotton system.

Again I think the gentleman.

THE MICA-PRODUCING INDUSTRY

The SPEAKER pro tempore. Under previous order of the House, the gentleman from North Carolina [Mr. WHITENER] is recognized for 60 minutes.

Mr. WHITENER. Mr. Speaker, the Government program of purchasing mica for the national defense stockpile terminated in July of 1962. The value of the production of mica in 1962 was \$1,200,000. Following the termination of the stockpiling program, production became negligible throughout the mica-producing areas in the Nation.

Of the mica-producing areas in the country North Carolina supplied 65 percent of the mineral. The remaining 35 percent of mica came from New Hampshire and seven other States. At the time thousands of North Carolinians were engaged in the production of this critical mineral.

Two counties in my congressional district were particularly hard hit by the termination of the mica stockpiling program. The Counties of Avery and Mitchell, N.C., located in the heart of the North Carolina producing area, suffered a great loss of job opportunities. The counties have been classified as a depressed labor area, and efforts are

being made by the Federal Government through various programs to rehabilitate their economies.

In order to relieve the critical economic situation existing in the mica industry of North Carolina and in other mica-producing areas in the Nation, I introduced legislation in the 87th Congress to set up a Government mica purchase and auction program. No action was taken on my bill in the 87th Congress. I reintroduced the measure in the 88th Congress.

The Interior and Insular Affairs Committee, to which the bill was referred for action, requested reports on the measure from the Department of the Interior and the General Services Administration. On June 4, 1963, the Department of the Interior rendered an adverse report on my bill, and on June 6, 1963, the General Services Administration also made an adverse report.

I regret very much the action that these two agencies have taken on my bill. The reasons advanced by both agencies for rendering adverse reports on the legislation were practically the same. It was contended that there is no longer a need to purchase mica for defense or mobilization purposes and that our inventories of mica presently exceed the current maximum stockpile.

The General Services Administration was fearful that additional purchases of mica which could not be sold would add to the excesses of the mineral. The Department of the Interior advised the Interior and Insular Affairs Committee that my bill would place the Government in the position of a mineral broker and in competition with private industry.

In view of the position taken by the Department of the Interior and the General Services Administration on my bill to provide some relief for our domestic mica industry I was astounded, Mr. Speaker, to learn recently that the U.S. Department of Agriculture, under the barter and stockpiling provisions of the CCC Charter Act and Public Law 480 of the 83d Congress, intended to furnish Brazil with about 200,000 tons of CCC-owned wheat in exchange for Brazilian metallurgical grade manganese ore, ferro manganese produced in the United States from manganese ore from Brazil, and muscovite block mica and beryl ore also from Brazil.

Mr. Speaker, I find it difficult to understand how we can barter for approximately 240,000 pounds of muscovite block mica from Brazil at a time when the Department of the Interior and the General Services Administration state that we have no further need for mica and during a period when our domestic mica mines are fighting a battle for survival.

The Minerals and Metals Commodity Data Summaries, publication of the Bureau of Mines for February 1963 advises that we now have 124.5 percent of our maximum muscovite block mica stockpiling objective.

During 1962 the total value of U.S. production of mica was only \$1,200,000. The average import price of mica has ranged from \$1.50 to \$25 per pound. At a price of \$5 per pound, and its value could conceivably be more, the

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF
BUDGET AND FINANCE

(For information only;
should not be quoted
or cited)

Issued July 18, 1963
For actions of July 17, 1963
88th-1st, No. 108

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HIGHLIGHTS: House agreed to conference report on Interior appropriation bill. House committee agreed to accept price support amendment to cotton bill, referred potato marketing quota bill to subcommittee, and voted to report rice allotment transfer bill. Senate committee voted to report bills to extend Mexican farm labor program, extend time for filing tobacco allotment transfers, and permit transfer of rice allotment history. Senate committee agreed to take action on dairy legislation Aug. 7. House passed bill to continue exemption of peanuts for boiling from allotments. Rep. Roudebush urged enactment of new wheat-feed grains legislation.

HOUSE

1. INTERIOR AND RELATED AGENCIES APPROPRIATION BILL, 1964. By a vote of 331 to 50, agreed to the conference report on this bill, H. R. 5279, and acted on amendments in disagreement (pp. 12076-82). By a vote of 144 to 245, rejected a motion by Rep. Hall to recommit the bill to conference with instructions to insist on disagreement with a Senate amendment relating to the National Air Museum Building (pp. 12079-80). See Digest 105 for a summary of Forest Service items. This bill also includes items for the Bureau of Outdoor Recreation, saline water research, and Virgin Islands Corporation.
2. PEANUTS. Passed without amendment S. 582, to continue for two additional years (1964 and 1965) the exemption of peanuts used for boiling from allotments and quotas. A similar bill, H. R. 101, was tabled (pp. 12082-9). A point of order was sustained against an amendment by Rep. Findley which would have extended the exemption to all types of peanuts (pp. 12087-8). A point of order was sustained against an amendment by Rep. Dole which would have extended the exemption to any agricultural commodity which prior to being marketed as a

President.

foodstuff is boiled and dried (p. 12088). This bill will now be sent to the

3. RICE. The Agriculture Committee voted to report (but did not actually report) H. J. Res. 192, to make valid any producer rice acreage allotment found by the ASC county committee or the ASC State committee to have been properly apportioned from the State rice acreage allotment and the acreage allotment for any farm to which such producer allotment has been allocated and approved by the ASC county committee in good faith for any crop year 1956 to 1962. p. D537
4. POTATOES. The Agriculture Committee referred H. R. 3928, to provide for marketing quotas on Irish potatoes, to the Domestic Marketing Subcommittee for further consideration. p. D537
5. COTTON. The "Daily Digest" states that the Agriculture Committee discussed H. R. 6196, the cotton bill, now pending before the Rules Committee and agreed "to accept a floor amendment which would set the 1964 support on the balance of the crop at 30 cents (middling 1-inch), for 1965 at 29½ cents, and for 1966 at 29 cents." p. D537
6. WATERSHEDS. The Agriculture Committee approved the following watershed projects: Bear-Pierce-Cedar Creek, Nebr., Bellwood, Nebr., Buckhorn-Mesa, Ariz., Caney Creek, Okla., Istokpoga Marsh, Fla., Middle Fork of Hood River, Oreg., Mulberry Creek, Tenn., Nealahu, Hawaii, Tupelo Bayou, Ark., Upper Deckers Creek, W. Va., Upper Little Minnesota River, S. Dak., Upper Tampa Bay, Fla., Johns Creek, Va., and Jumper Creek, Fla. p. D537
7. INFORMATION. The Government Operations Committee voted to report (but did not actually report) with amendment H. R. 6237, to authorize grants for the collection, reproduction, and publication of documentary source material significant to the history of the U. S. p. D537
8. TERRITORIES. The Interior and Insular Affairs Committee voted to report (but did not actually report) with amendment H. R. 3198, to promote the economic and social development of the Trust Territory of the Pacific Islands. p. D537
9. VETERINARY MEDICINE. Passed without amendment H. J. Res. 513, to authorize the President to proclaim the week beginning July 28, 1963, as Veterinary Medicine Week. p. 12082
10. WHEAT; FEED GRAINS. Rep. Roudebush urged the enactment of new wheat-feed grains legislation this session of Congress and outlined certain provisions he proposed should be included in such legislation. pp. 12090-1
11. FARM LABOR. Reps. Martin (Calif.), Talcott, and Gonzalez debated the merits of extending the Mexican farm labor program. pp. 12094-5, 12095-6, 12100
12. COMMITTEE STAFFS. Received from the various committees reports on committee staffs titles, and salaries for the period Jan. 1 to June 30, 1963. pp. 12102-10

of automatic data processing equipment by Federal departments and agencies (1 hour of debate).

Committee Meetings

WATERSHED—RICE—COTTON

Committee on Agriculture: Met in executive session and ordered reported favorably to the House H.J. Res. 192, regarding rice acreage allotment transfers.

Approved the following watershed projects: Bear-Pierce-Cedar Creek, Nebr.; Bellwood, Nebr.; Buckhorn-Mesa, Ariz.; Caney Creek, Okla.; Istokpoga Marsh, Fla.; Middle Fork of Hood River, Oreg.; Mulberry Creek, Tenn.; Nealahu, Hawaii; Tupelo Bayou, Ark.; Upper Deckers Creek, W. Va.; Upper Little Minnesota River, S. Dak.; Upper Tampa Bay, Fla.; Johns Creek, Va.; and Jumper Creek, Fla.

Referred H.R. 3928, the potato marketing quota bill, to Domestic Marketing Subcommittee for further consideration.

Discussed H.R. 6196, the cotton bill, which is pending before the Rules Committee. Agreed to accept a floor amendment which would set the 1964 support on the balance of the crop at 30 cents (middling 1-inch); for 1965 at 29½ cents, and for 1966 at 29 cents.

FOOD STAMP PROGRAM

Committee on Agriculture: Special Subcommittee on Food Stamp Program held an informal meeting to discuss pending legislation.

FALLOUT SHELTERS

Committee on Armed Services: Subcommittee No. 3 continued in executive session on H.R. 3516, the Civil Defense fallout shelter bill. Heard testimony from Stuart L. Pittman, Assistant Secretary of Defense (Civil Defense), and another Civil Defense official, and Lawson B. Knott, Jr., Deputy Administrator, General Services Administration. Recessed until Thursday, July 18.

D.C. BUSINESS

Committee on the District of Columbia: Met in executive session and ordered reported favorably to the House the following bills:

H.R. 7525 (amended), relating to crime and criminal procedure in the District of Columbia;

H.R. 6353, to amend the D.C. Unemployment Compensation Act to allow confidential information concerning benefit rights to be disclosed to the D.C. Department of Public Welfare;

H.R. 6350, to waive the theoretical examination and issue a dentistry license to any applicant who holds a certificate from the National Board of Dental Examiners, provided he passes a practical examination;

S. 490, to eliminate requirement that an alphabetical file on motor vehicle and trailer liens be kept by D.C.;

S. 489, to allow hearing time to be set by controlling statutes in the D.C. small claims court; and

H.R. 6128 (amended), to require stock life insurance companies in D.C. to maintain records of stockholders at its principal place of business in D.C.

EDUCATION

Committee on Education and Labor: General Subcommittee on Education continued hearings on title IV-a of H.R. 3000, the National Educational Improvement Act (regarding elementary and secondary education). Heard testimony from departmental witnesses.

NATIONAL SERVICE CORPS

Committee on Education and Labor: Special Subcommittee on Labor held a hearing on H.R. 5625, the National Service Corps bill and heard testimony from Representatives Hansen, Ryan of New York, Halpern, Pepper, and Vanik.

FOREIGN AID

Committee on Foreign Affairs: Continued in executive session to mark up H.R. 5490, the Foreign Assistance Act of 1963. Recessed until Thursday, July 18.

U.S. HISTORICAL DOCUMENTS

Committee on Government Operations: Met in executive session and ordered reported favorably to the House H.R. 6237 (amended), to authorize \$500,000 for Federal grants for the collection, reproduction, and publication of documentary source material significant to U.S. history.

Approved a report entitled "Military Air Transportation."

HOUSE BUSINESS

Committee on House Administration: Met in executive session and ordered reported favorably to the House the following measures:

H.R. 7043, to provide that certain proceedings of the Veterans of World War I of the United States, Inc., shall be printed as a House document;

H. Con. Res. 194, to authorize the printing of 322,500 additional copies of the "Pledge of Allegiance to the Flag";

H. Res. 428, to authorize the printing of additional copies of the study entitled "The Federal Government and Education"; and

S. Con. Res. 47, to authorize the printing for the use of the Senate Committee on the Judiciary of additional copies of its hearings on "Effects on Young People of Violence and Crime Portrayed on Television."

TRUST TERRITORY OF PACIFIC ISLANDS

Committee on Interior and Insular Affairs: Ordered reported favorably to the House H.R. 3198 (amended), to promote the economic and social development of the Trust Territory of the Pacific Islands.

BROADCAST EDITORIALIZING

Committee on Interstate and Foreign Commerce: Subcommittee on Communications and Power continued hearings on broadcast editorializing and heard testimony from public witnesses.

MENTAL HEALTH

Committee on Interstate and Foreign Commerce: Subcommittee on Public Health and Safety met in executive session and ordered reported favorably to the full committee S. 1576, the Mental Retardation Facilities and Community Mental Health Centers Construction Act.

CIVIL RIGHTS

Committee on the Judiciary: Subcommittee No. 5 continued hearings on civil rights legislation, and heard testimony from Representatives Rivers of South Carolina and Huddleston; and public witnesses. Hearings continue Thursday, July 18.

REINDICTMENT—PRIVATE CLAIMS

Committee on the Judiciary: Subcommittee No. 2, in executive session, ordered reported favorably to the full committee H.R. 7219, relating to reindictment after dismissal of a defective indictment.

MAIL TRANSPORTATION

Committee on Post Office and Civil Service: Legislative Subcommittee held a hearing on H.R. 5179, regarding the transportation of mail by passenger common carriers by motor vehicle. Heard testimony from Post Office Department officials; and public witnesses.

TAXES

Committee on Ways and Means: Met in executive session on the President's tax recommendations. No announcements were made. Recessed until Thursday, July 18.

Joint Committee Meetings

AEC OMNIBUS BILL

Joint Committee on Atomic Energy: Subcommittee on Legislation held hearings on S. 1795 and H.R. 7300, amending the Atomic Energy Act and the EURATOM Cooperation Act, receiving testimony from James T. Ramey, member, who was accompanied by other officials of the Atomic Energy Commission; and H. Glasser, president, Radiological Services Co., Inc., of New York.

Subcommittee recessed subject to call.

COMMITTEE MEETINGS FOR THURSDAY, JULY 18

(All meetings are open unless otherwise designated)

Senate

Committee on Aeronautical and Space Sciences, executive, to hear further testimony from NASA Administrator Webb on S. 1245, NASA authorizations for fiscal 1964, 10 a.m., 235 Old Senate Office Building.

Committee on Armed Services, special subcommittee, to continue its hearings on H.R. 5555, military pay increase bill, 10 a.m., 212 Old Senate Office Building.

Committee on Commerce, to continue its hearings on S. 1732, eliminating discrimination in public accommodations affecting interstate commerce, to hear Senators Case and Williams of New Jersey, and Secretary of Labor Wirtz, 9:15 a.m., 318 Old Senate Office Building.

Committee on Foreign Relations, executive, to resume markup on S. 1276, foreign assistance authorizations bill, 10:30 a.m., room S-1116, Capitol.

Canadian Affairs Subcommittee, executive, to receiving a briefing from Delmar Carlson, Canadian Desk, State Department, 4 p.m., room S-1116, Capitol.

Committee on Government Operations, Subcommittee on Intergovernmental Relations, executive, on S. 815, legislative jurisdiction bill, and S. 855 and 915, metropolitan planning bills, 9:30 a.m., 3302 New Senate Office Building.

Subcommittee on Reorganization and International Organizations, to continue its hearings on the effects of pesticides on human health and safety, to hear medical experts, 10 a.m., 4200 New Senate Office Building.

Permanent Subcommittee on Investigations, executive hearings, on the awarding of the TFX-type aircraft contract to the General Dynamics Corp., 10:30 a.m., 3302 New Senate Office Building.

Committee on the Judiciary, on S. 1731 and S. 1750, civil rights, to hear Attorney General Kennedy, 10:30 a.m., G-308 (auditorium) New Senate Office Building.

Committee on Labor and Public Welfare, Subcommittee on Employment and Manpower, on S. 1691, 1716, 1725, and 1831, manpower retraining bills, 10 a.m., 4232 New Senate Office Building.

Committee on Post Office and Civil Service, to hold hearings on the work measurement system used by the Post Office Department, 10 a.m., 6202 New Senate Office Building.

House

Committee on Appropriations, Subcommittee on Military Construction, executive, 10 a.m., 228 Cannon House Office Building.

Subcommittee on Foreign Operations, executive, 1 p.m., H-309 U.S. Capitol Building.

Committee on Armed Services, Subcommittee for Special Investigations, executive, on subcommittee business, 10 a.m., 304 Cannon House Office Building.

Subcommittee No. 3, executive, on H.R. 3516, Civil Defense fallout shelter bill, 10 a.m., 313-A Cannon House Office Building.

Committee on the District of Columbia, Subcommittee No. 6, on H.R. 6633 and 7249, re transit development program, 10 a.m., 445-A Cannon House Office Building.

Committee on Education and Labor, Select Subcommittee on Labor, on Manpower Development and Training Act, 10 a.m., 362 Cannon House Office Building.

Special Subcommittee on Labor, on H.R. 5625, re National Service Corps, 10 a.m., 356 Cannon House Office Building.

Ad Hoc Subcommittee on National Research Data Processing and Information Retrieval Center, 10 a.m., 429 Cannon House Office Building.

July 24, 1963

HOUSE

12. COTTON. The Rules Committee cleared a resolution for consideration of H. R. 6196, the cotton bill. p. D564
13. POTATOES. The Agriculture Committee voted to report (but did not actually report) H. R. 904, to prohibit trading in Irish potato futures on commodity exchanges. p. D563
14. FEED GRAINS; MEATS. Rep. Smith (Iowa) urged shifting feed grain acreage to livestock and poultry grazing areas. p. 12613
15. FOREIGN TRADE. Conferees were appointed on H. R. 2513, to amend the Tariff Act of 1930 to require containers of imported articles to be marked to indicate the country of origin so as to provide that when articles are repackaged in the U. S. and offered for sale the new packages must be thus marked (p. 12553). Senate conferees have not been appointed.
16. HIGHWAYS. Passed without amendment H. R. 7195, to amend and extend provisions of law relating to the Federal-aid highway program. The bill includes provisions changing the formula for the apportionment of interstate funds, requiring that interstate design be based on 20-year traffic projections, and advancing the date for the submission of Interstate System costs to Congress from Jan. 1966 to Jan. 1965. pp. 12554-61
17. BUILDINGS. The Rules Committee reported a resolution for consideration of H. R. 5207, to authorize appropriations for the construction of housing for Federal personnel abroad, including housing for Agricultural Attaches. pp. 12561, 12614
18. BUDGET. Rep. Cannon inserted a tabulation and comparison of the net budget receipts and expenditures in the fiscal year 1963. pp. 12582-3
19. FARM LABOR. Rep. Talcott deplored the living condition of migrant workers and urged elimination of the conditions by eliminating the "migrant family way of life." pp. 12587-8
Rep. Gonzalez stated that the Mexican farm labor program effects only 2% of the farmers and not the whole farm economy. p. 12592
20. AIR POLLUTION. By a vote of 272 to 102, passed with amendments H. R. 6518, the proposed Clean Air Act, to provide basic authority for appropriations for air pollution programs to be conducted by Health, Education and Welfare. This bill authorizes a 4-year program of Federal grants to State, regional, and local air pollution control agencies, and a program of limited Federal assistance and participation in actions directed toward abatement of particular air pollution problems. pp. 12561-82

Agreed to the following amendments:

A committee amendment, as amended by an amendment by Rep. Bow., to authorize appropriations for this Act not to exceed \$20 million in 1965, not to exceed \$30 million in 1966 and not to exceed \$35 million for 1967. p. 12579

A committee amendment to include a representative from Interior whenever a hearing board is formed to consider remedial action for the elimination of an air pollution. p. 12579

An amendment by Rep. Taft, to authorize HEW to issue procedural regulations pertaining to this bill within his own Department only. p. 12580

Rejected by a vote of 29 to 41, a motion by Rep. Harvey (Ind.) to recommit the bill. p. 12581

21. LANDS. Received from Interior a proposed bill to consolidate and simplify laws relating to easements and permits upon certain federally-owned lands under the jurisdiction of Interior and Agriculture; to Interior and Insular Affairs Committee. p. 12614
22. PERSONNEL; INSURANCE. Received a letter from the Civil Service Commission transmitting a proposed bill "to amend the Federal Employees' Group Life Insurance Act, as amended, with regard to filing designation of beneficiary": to the Post Office and Civil Service Committee. p. 12614
23. FORESTRY. The Agriculture Committee voted to report (but did not actually report) with amendment S. 1388, to extend the boundaries of the Cache National Forest, Utah. p. D563
24. LIBRARIES. The Education Subcommittee of the Education and Labor Committee voted to report to the full committee H. R. 4879, to increase Federal Assistance for the improvement of public libraries. p. D563
25. EXPORT-IMPORT BANK. The "Daily Digest" states that the Conferees agreed to file a conference report on the disagreement between the Senate and House conferees on a Senate amendment to H. R. 3872, to increase the lending authority of the Export-Import Bank. p. D564
26. SHIPPING. Rep. Halpern urged enactment of the President's balance-of-payments proposal as a step in the right direction and mentioning the lack of our foreign waterborne imports and exports being carried in American bottoms. pp. 12611-2

ITEMS IN APPENDIX

27. FARM LABOR. Extension of remarks of Rep. Talcott claiming to show the dependence of several industries on continuation of the Mexican farm labor program. p. A4686
28. ELECTRIC POWER. Extension of remarks of Rep. Saylor criticizing "the expansion of the Federal electric power empire" and inserting an editorial critical of the extension of the Bonneville Power Administration into southern Idaho. p. A4691
29. FOREIGN AID. Rep. Gross inserted an article, "Report on Failure of Foreign Aid to India," calling for an accounting of the U. S. foreign aid program and especially critical of the lack of agricultural growth in India. pp. A4658-9

BILLS INTRODUCED

30. CONTAINERS. H. R. 7735, by Rep. Patten, to amend the act of May 21, 1928, relating to standards of containers for fruits and vegetables, to permit the use of additional standard containers; to Science and Astronautics Committee.

Friday a report on H.R. 7500, the National Aeronautics and Space Administration authorization bill for 1964.

Page 12553

California Flood Control: Pursuant to a unanimous-consent request the bill, H.R. 7638, authorizing additional appropriations for prosecution of the comprehensive plan in the Los Angeles-San Gabriel River Basin, Calif., was brought up and passed.

Page 12553

Federal-Aid Highways: By a voice vote the House passed without amendment H.R. 7195, to amend various sections of title 23 of the U.S. Code relating to the Federal-aid highway systems. H. Res. 441, the open rule under which the bill was considered, had been adopted earlier by a voice vote.

Pages 12554-12561

Air Pollution Control: By a record vote of 272 yeas to 103 nays the House passed H.R. 6518, to improve, strengthen, and accelerate programs for the prevention and abatement of air pollution, after adopting several committee and perfecting amendments. A motion to recommit the bill had been rejected by a division vote of 29 yeas to 41 nays.

H. Res. 440, the open rule providing for the consideration of the legislation, had been adopted earlier by a voice vote.

Pages 12561-12582

Record Vote: During the proceedings of the House today one record vote developed and it appears on pages 12581-12582.

Program for Thursday: Adjourned at 6:12 p.m. until Thursday, July 25, at 12 o'clock noon, when the House will consider H.R. 4638, proposed Presidential Transition Act of 1963 (1 hour of debate).

Committee Meetings

POTATOES—CACHE NATIONAL FOREST

Committee on Agriculture: Met in executive session and ordered reported favorably to the House the following bills:

H.R. 904, to prohibit trading in Irish potato futures on commodity exchanges; and

S. 1388 (amended), to extend the boundaries of Cache National Forest, Utah.

CENTRAL INTELLIGENCE AGENCY

Committee on Armed Services: Subcommittee No. 1 met in executive session on H.R. 7216, the Central Intelligence Agency Act amendments of 1963. Testimony was given by John A. McCone, Director, and other Central Intelligence Agency representatives.

BALANCE OF PAYMENTS

Committee on Banking and Currency: Continued hearings on recent changes in monetary policy for the pur-

pose of aiding in balance-of-payments problem, and heard testimony from public witnesses. Hearings continue Thursday, July 25.

D.C. TRANSIT PROGRAM

Committee on the District of Columbia: Subcommittee No. 6 continued hearings on H.R. 6633 and H.R. 7249, the D.C. transit development program. Heard testimony from Representative Sickles; J. George Stewart, Architect of the Capitol; Lawson B. Knott, Jr., Deputy Administrator, General Services Administration; John C. Kohl, Assistant Administrator (Transportation), Housing and Home Finance Agency; T. Sutton Jett, Vice Chairman, Motor Vehicle Parking Agency; and public witnesses.

EDUCATION

Committee on Education and Labor: General Subcommittee on Education continued hearings on H.R. 5344, relating to title IV-a (elementary and secondary education) of H.R. 3000, the National Education Improvement Act. Heard testimony from public witnesses.

MANPOWER DEVELOPMENT

Committee on Education and Labor: Select Subcommittee on Labor continued hearings on the Manpower Development and Training Act of 1963. Heard testimony from public witnesses.

PUBLIC LIBRARIES

Committee on Education and Labor: Select Subcommittee on Education met in executive session and ordered reported favorably to the full committee H.R. 4879, to extend the Federal program of aid to public libraries to nonrural areas; and approved a committee print regarding Federal assistance for the improvement of public libraries.

FOREIGN AID

Committee on Foreign Affairs: Met in executive session to continue markup of H.R. 5490, the Foreign Assistance Act of 1963. Recessed until Thursday, July 25.

LAND-WATER CONSERVATION

Committee on Interior and Insular Affairs: Subcommittee on National Parks met in executive session on H.R. 3846, and related bills, to establish a land and water conservation fund for future outdoor recreation needs.

RAILROAD LABOR DISPUTE

Committee on Interstate and Foreign Commerce: Heard testimony from W. Willard Wirtz, Secretary of Labor, on H.J. Res. 565, regarding settlement of railroad labor disputes.

IMMIGRATION

Committee on the Judiciary: Subcommittee No. 1 took testimony and acted on several private immigration bills.

CLAIMS

Committee on the Judiciary: Subcommittee No. 2 ordered favorably reported to the full committee H.R. 4786, for the relief of the State of New Mexico; also several private claim bills.

In an open hearing heard testimony from Representative Montoya on H.R. 4786 (title above). Testimony was also taken on private claim bills.

CIVIL RIGHTS

Committee on the Judiciary: Subcommittee No. 5 continued hearings on legislation relating to civil rights, and heard testimony from Representative Gallagher; and public witnesses.

PRESIDENTIAL TRANSITION ACT

Committee on Rules: Granted an open rule with 1 hour of debate on H.R. 4638, the Presidential Transition Act of 1963.

Representatives Dawson and Fascell were heard on the request for a rule.

COTTON

Committee on Rules: Met in executive session and granted an open rule, with 4 hours of debate, on H.R. 6196, the cotton bill.

FOREIGN SERVICE BUILDINGS

Committee on Rules: Met in executive session and granted a rule, waiving points of order, against the conference report on H.R. 5207, the Foreign Service Buildings Act.

COMMUNIST PROPAGANDA

Committee on Post Office and Civil Service: Legislative Subcommittee resumed hearings on H.R. 319, and related bills, to protect postal patrons from obscene mail

COMMITTEE MEETINGS FOR THURSDAY, JULY 25

(All meetings are open unless otherwise designated)

Senate

Committee on Aeronautical and Space Sciences, executive, to continue markup on S. 1245, NASA authorizations bill, 10 a.m., 235 Old Senate Office Building.

Committee on Commerce, to continue its hearings on S. 1732, to eliminate discrimination in public accommodations affecting interstate commerce, 9:15 a.m., 1202 New Senate Office Building.

To continue its hearings on S.J. Res. 102, re settlement of the railroad dispute, time undetermined, 318 Old Senate Office Building.

matter and Communist propaganda. Heard testimony from public witnesses.

CHICAGO SKYWAY

Committee on Public Works: The committee, in executive session, ordered reported favorably to the House H.R. 7638, regarding the Los Angeles-San Gabriel River Basin.

In an open hearing, heard testimony from Rex M. Whitton, Federal Highway Administrator, on H.R. 6289, and related bills, to provide that the Chicago Skyway (Calumet Skyway Toll Bridge) shall be operated as a freeway.

NASA AUTHORIZATION

Committee on Science and Astronautics: Met in executive session on H.R. 7500, National Aeronautics and Space Administration authorization bill. No announcements were made.

TAXES

Committee on Ways and Means: Met in executive session on the President's tax recommendations. No announcements were made. Recessed until Thursday, July 25.

Joint Committee Meetings

NUCLEAR TEST BAN TREATY

Joint Committee on Atomic Energy: Committee met in executive session to discuss current negotiations for a nuclear test ban treaty with Secretary of State Dean Rusk and William C. Foster, Director, Arms Control and Disarmament Agency.

EXPORT-IMPORT BANK

Conferees, in executive session, agreed to file a conference report on the disagreement between the Senate and House conferees on Senate amendment to S. 3872, to increase the lending authority of the Export-Import Bank of Washington.

Committee on Government Operations, Permanent Subcommittee on Investigations, to continue its executive hearings on the awarding of the TFX-type aircraft contract to the General Dynamics Corp., to hear Air Force Secretary Zuckert, 10:30 a.m., 3302 New Senate Office Building.

Committee on the Judiciary, to continue its hearings on S. 1731 and 1750, civil rights bills, to hear Attorney General Kennedy, 10:30 a.m., G-308 (auditorium) New Senate Office Building.

Committee on Labor and Public Welfare, Subcommittee on Employment and Manpower, on bills relating to discrimination in employment (S. 773, 1210 and 1211), 10 a.m., 4232 New Senate Office Building.

Committee on Public Works, Special Subcommittee on Air and Water Pollution, executive, on S. 649, establishing a Federal

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF
BUDGET AND FINANCE

(For information only;
should not be quoted
or cited)

Issued July 31, 1963
For actions of July 30, 1963
88th-1st; No. 115

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HIGHLIGHTS: House Rules Committee cleared cotton bill. Sen. Mundt urged consideration of new farm legislation. Sens. McCarthy and Williams (N. J.) inserted items opposing extension of Mexican farm labor program. Sen. Fulbright commended World Food Congress meeting. Sen. McCarthy introduced and discussed dairy bill.

HOUSE

1. COTTON. The Rules Committee reported a resolution for the consideration of H. R. 6196, the cotton bill. pp. 12864, 12886
2. SUGAR. Rep. Sullivan commended the reduction in sugar prices and discussed some of the reasons for the original increase. p. 12874
3. PUBLIC DEBT. The Ways and Means Committee voted to report (but did not actually report) H. R. 7824, to continue until Nov. 30, 1963, the existing temporary increase in the public debt limit. p. D581
4. EXPORT-IMPORT BANK. By a vote of 379 to 11, voted to insist on disagreement to the Senate amendment to H. R. 3872, to increase the lending authority of the Export-Import Bank, and to request a further conference. House and Senate conferees were then appointed. pp. 12864-8, 12938.

5. FARM LABOR. Rep. Teague (Calif.) criticized a Washington Post editorial referring to Mexican farm laborers as "Wetbacks." pp. 12871-2
Rep. Talcott criticized a Congressional Record insertion claiming that Mexican farm laborers have exceptionally low pay. p. 12876
Rep. Gonzalez expressed his opinion that importation of Mexican farm laborers is similar to the importation of the indentured servants. p. 12883
6. FOREIGN AID. Rep. Gonzalez inserted an article complimenting the work of the Alliance for Progress program. pp. 12874-5
7. FORESTRY. Rep. May inserted an editorial commending a speech by Mr. Cliff, Forest Service, urging full consideration to the needs and desires of the individual tree farmer. p. 12876
8. FARM PROGRAM. Rep. May inserted a speech by the Director of the food-for-peace program urging that America's agricultural abundance be used to help new countries. pp. 12877-8
9. CUBAN RANSOM. Rep. Cramer inserted an editorial stating that American pharmaceutical houses and food firms gave voluntary contributions for Cuban ransom because of the vast powers of the Federal Government. p. 12880
10. ELECTRIFICATION. Received from the Federal Power Commission the annual supplement to their publication, "Hydroelectric Plant Construction Cost and Annual Production Expenses, 1961." p. 12886
11. PACIFIC ISLANDS. The Interior and Insular Affairs Committee reported with amendment H. R. 3198, to promote the economic and social development of the Trust Territory of the Pacific Islands (H. Rept. 605). p. 12886
12. PATENTS. The "Daily Digest" states that the Judiciary Committee rereferred to its Subcommittee No. 3 for further consideration H. R. 7370, to fix the fees payable to the Patent Office. p. D581.

SENATE

13. RIVER BASINS. Passed with amendments H. R. 6016, to authorize additional appropriations for prosecution of flood control and multiple-purpose projects in the following river basins: Cape Fear River Basin, Savannah River Basin, central and southern Florida, Apalachicola River Basin, Brazos River Basin, Arkansas River Basin, White River Basin, Red River Basin, Missouri River Basin, Ohio River Basin, Los Angeles-San Gabriel River Basin, and Columbia River Basin (pp. 12926-49). Senate conferees were appointed (p. 12948). By a vote of 28 to 60, rejected an amendment by Sen. Simpson to strike out the authorization for the Burns Creek Dam and Reservoir, Snake River, Idaho (pp. 12928-32). By a vote of 25 to 64, rejected a motion by Sen. Dirksen to recommit the bill to the Public Works Committee (pp. 12932-41).
14. FARM PROGRAM. Sen. Mundt stated that farm income was below a year ago and urged prompt consideration of new farm legislation to increase farm income, particularly legislation to deal with the soil bank, cotton and wheat (pp. 12941-3). Sen. Young (N. Dak.) commended Sen. Mundt's remarks and expressed concern over the "increasing cost of everything" the farmer must buy (p. 12942).
15. FARM LABOR. S. 1703, to extend the Mexican farm labor program for one year, was made the unfinished business. p. 12968
Sen. Mansfield disputed reports that this bill, S. 1703, is "being unduly

CONSIDERATION OF H.R. 6196

JULY 30, 1963.—Referred to the House Calendar and ordered to be printed

Mr. COLMER, from the Committee on Rules, submitted the following

R E P O R T

[To accompany H. Res. 464]

The Committee on Rules, having had under consideration House Resolution 464, reports the same to the House with the recommendation that the resolution do pass.

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CONSTITUTION OF THE HOUSE

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REB B O P m

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in any manner, and the House is not

in any manner



House Calendar No. 113

88TH CONGRESS
1ST SESSION

H. RES. 464

[Report No. 602]

IN THE HOUSE OF REPRESENTATIVES

JULY 30, 1963

Mr. COLMER, from the Committee on Rules, reported the following resolution;
which was referred to the House Calendar and ordered to be printed

RESOLUTION

1 *Resolved*, That upon the adoption of this resolution it
2 shall be in order to move that the House resolve itself into
3 the Committee of the Whole House on the State of the
4 Union for the consideration of the bill (H.R. 6196) to en-
5 courage increased consumption of cotton, to maintain the
6 income of cotton producers, to provide a special research
7 program designed to lower costs of production, and for other
8 purposes. After general debate, which shall be confined to
9 the bill and shall continue not to exceed four hours, to be
10 equally divided and controlled by the chairman and ranking
11 minority member of the Committee on Agriculture, the bill
12 shall be read for amendment under the five-minute rule.

- 1 At the conclusion of the consideration of the bill for amend-
2 ment, the Committee shall rise and report the bill to the
3 House with such amendments as may have been adopted,
4 and the previous question shall be considered as ordered on
5 the bill and amendments thereto to final passage without
6 intervening motion except one motion to recommit.

House Calendar No. 113

88TH CONGRESS
1ST SESSION

H. RES. 464

[Report No. 602]

RESOLUTION

Providing for consideration of H.R. 6196, a bill to encourage increased consumption of cotton, to maintain the income of cotton producers, to provide a special research program designed to lower costs of production, and for other purposes.

By Mr. COLMER

JULY 30, 1963

Referred to the House Calendar and ordered to be
printed

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF
BUDGET AND FINANCE

(For information only;
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or cited)

Issued Dec. 3, 1963
For actions of Dec. 2, 1963
88th-1st No. 195

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HIGHLIGHTS: Rep. Findley contended that lower cotton prices do not result in lower prices for cotton products. Rep. Jones (Mo) stated he would offer amendments to cotton bill.

HOUSE

1. PERSONNEL. By a vote of 301 to 18, passed under suspension of the rules H.R. 10, to extend the apportionment requirement in the Civil Service Act to temporary summer employment and to require that appointments to temporary summer positions be made after nationwide open competitive examinations. pp. 21886-900
2. COTTON. Rep. Findley contended that lower prices for raw cotton does not necessarily mean lower prices for cotton products, inserted statistics to support his position, and stated that no one "can accurately predict the effect on consumer prices" of a bill like H. R. 6196, the Cooley cotton bill. pp. 21903-4
Rep. Jones (Mo.) announced his opposition to the Cooley cotton bill as reported by the Agriculture Committee and stated he would offer amendments to the bill when it is considered in the House. pp. 21860-1 21859-60
3. RECLAMATION. Passed as reported H. R. 130, to provide for the payment of compensation, including severance damages, for rights-of-way acquired by the United States for canals and ditches constructed in connection with Federal reclamation projects. pp. 21864-5
4. CIVIL RIGHTS. The Judiciary Committee reported Part 2, additional views on H. R. 7152, the proposed Civil Rights Act of 1963 (H. Rept. 914). p. 21919
5. WILDLIFE. The Subcommittee on Irrigation and Reclamation of the Interior and

Insular Affairs Committee voted to report to the full committee with amendment S. 793, to promote the conservation of wildlife resources on the Pacific flyway in the Tule Lake, Lower Klamath, Upper Klamath, and Clear Lake National Wildlife Refuges in Ore. and Calif. p. D943

6. WATER RESOURCES. At the request of Rep. Pelly, passed over without prejudice S. J. Res. 17, to designate the lake to be formed by the waters impounded by the Flaming Gorge Dam. Utah, as "Lake O'Mahoney." p. 21861
7. COMMITTEE ASSIGNMENTS Rep. Schweiker resigned from, and Rep. Johnson, (Calif.) was elected to, the Government Operations Committee. p. 21876

ITEMS IN APPENDIX

8. COTTON. Extension of remarks of Rep. Jones (Mo.) inserting a Mo. Delta Farmer article urging "reasoned judgment" on amendments to the Cooley cotton bill. pp. A7334-5
9. ELECTRIFICATION. Extension of remarks of Rep. Teague (Calif.) inserting an editorial critical of some REA cooperatives for "drawing money from the Federal Treasury at 2 percent, and lending it back on Government-guaranteed securities at 3.5 percent." p. A7339
10. TAXATION. Extension of remarks of Rep. Multer inserting an address which states that "the truly serious flaw in the present tax structure is...that it stifles any honest-to-goodness revival and thus prevents us from making full use of our resources and from realizing our potential for growth." pp. A7347-8

BILLS INTRODUCED

11. ASSAULT STATUTE. H. R. 9809, by Rep. Friedel, to amend title 18, United States Code, to provide that the penalties for homicide prescribed in such title shall apply to any person who kills the President of the United States, the Vice President of the United States, or the head of any executive department; to Judiciary Committee.
12. WAREHOUSES. H. R. 9314, by Rep. Cooley, to amend the U. S. Warehouse Act, as amended; to Agriculture Committee.

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COMMITTEE HEARINGS DEC. 3:

Uniform policies relative to benefits and costs of multiple-purpose water resource projects, H. Interior (BB, Interior, and Army to testify).
Foreign aid authorization bill, conferees (exec).
Public works acceleration bill, H. Public Works (exec).
Proposed Materials and Stockpile Act, S. Armed Services (OEP to testify).
Vocational education bill, conferees (exec).
Standard containers for fruits and vegetables, H. Science and Astronautics.

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of America

Congressional Record

PROCEEDINGS AND DEBATES OF THE 88th CONGRESS, FIRST SESSION

Vol. 109

WASHINGTON, MONDAY, DECEMBER 2, 1963

No. 195

Senate

The Senate was not in session today. Its next meeting will be held on Tuesday, December 3, 1963, at 12 o'clock meridian.

House of Representatives

MONDAY, DECEMBER 2, 1963

The House met at 12 o'clock noon.

The Chaplain, Rev. Bernard Braskamp, D.D., offered the following prayer:

Matthew 6: 35: *Seek ye first the kingdom of God and His righteousness.*

Most merciful and gracious God, may this new week be blessed with a deeper experience and a keener awareness of the guidance of Thy divine spirit.

We penitently acknowledge that we so frequently seek to order our character and conduct, on terms of our own selfish desires and wishes, our own personal aspirations and ambitions.

Inspire us with the joyous conviction that we are living and laboring for the kingdom of God and His righteousness, which the Master declared must always be our first concern.

Give us the certainty that there is a spiritual power in the universe which is working for righteousness and justice, however seemingly feeble and frail our own human efforts.

Hear us in His name, who is the King of kings and the Lord of lords. Amen.

THE JOURNAL

The Journal of the proceedings of Friday, November 29, 1963, was read and approved.

ESTABLISHMENT OF THE GUADALUPE MOUNTAINS NATIONAL PARK

(Mr. POOL asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. POOL. Mr. Speaker, through the Guadalupe Mountains of Texas have passed the Apache of Geronimo, the conquistadores of Spain, the stages of the Butterfield Overland Mail, the pack-horses of gold miners, and the fearless feet of cliff-climbing boys. None of them

has disturbed the peace. Ten months ago, I introduced a bill in this body to investigate the possibility of a park in the Guadalupe. The Interior Department's subsequent report enumerates 12,000 years of history, a spectacular geological treasure, archeological delights, tales of lost gold mines, and the exultation of one of America's great natural surprises—an 8,751-foot mountain lifting the sky over Texas. Based on the recommendations made by the National Park Service and the National Parks Advisory Board, I am proud to introduce a bill today to authorize establishment of the Guadalupe Mountains National Park.

THE PRESIDENT JOHN FITZGERALD KENNEDY MEMORIAL COMMISSION

(Mr. BOLAND asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. BOLAND. Mr. Speaker, I have today filed a bill calling upon President Johnson to establish a President John Fitzgerald Kennedy Memorial Commission. This legislation is similar to the bill introduced in the Senate by Senator HUMPHREY, of Minnesota.

The duty of the Commission would be to make a full and complete study and evaluation with respect to any plan or plans which have been proposed with a view toward memorializing the late President Kennedy. During the course of the study and evaluation, it would be the duty of the Commission to consult with members of the immediate family of the late President, in order to determine their sentiments concerning all such plans.

Mr. Speaker, I think that this is the appropriate and sensible approach to the establishment or designation of a memo-

rial to our late beloved President, John Fitzgerald Kennedy. Many, many proposals have been made to memorialize President Kennedy since his untimely death at the hands of an assassin on November 22. I personally favor the renaming of the Cape Cod National Seashore to memorialize President Kennedy, and so provided in a bill, H.R. 9256, which I introduced last Wednesday, November 27. However, I think it does make sense to have a commission established to make a complete study and evaluation of all such proposals to memorialize the late President, and that is why I introduced this bill today.

COMMITTEE ON THE JUDICIARY

Mr. ALBERT. Mr. Speaker, I ask unanimous consent that the Committee on the Judiciary may be permitted to sit during general debate on Tuesday, December 3.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma?

There was no objection.

NO CAUSE FOR COTTON PANIC

(Mr. JONES of Missouri asked and was given permission to address the House for 1 minute.)

Mr. JONES of Missouri. Mr. Speaker, this House will be considering the Cooley cotton bill (H.R. 6196) Tuesday and Wednesday of this week. I believe most of us recognize that there is a need for some changes in the present cotton legislation, but as one who has spent his entire life in the Cotton Belt and therefore more familiar with some of the problems than the average person, I can truthfully say that the Cooley bill is not the answer or the solution to the problem.

As a member of the House Committee on Agriculture, I voted to report H.R. 6196 out of the committee, not with my endorsement, as I stated at the time that I felt this was not a sound bill, and the only reason I was willing to agree that the bill be brought to the floor was for it to act as the vehicle which could be used in securing some of the changes which are needed to strengthen the cotton economy, and to provide changes which in my opinion are necessary if we are to continue the cotton industry in this country.

It is my intention to offer amendments to this bill which I believe will accomplish the changes which are necessary if the cotton industry is to survive; amendments which will greatly reduce the cost of the program; which will tend to make cotton really competitive; amendments which will provide for removing the inequity without going beyond to the point of providing a windfall to the domestic mills.

I also want to take this opportunity to call attention to an article which appeared in the November issue of the *Missouri Delta Farmer*, which I am today inserting in the Appendix of the *RECORD*. It will be entitled "No Cause for Cotton Panic."

STATUE OF FREEDOM—THE CAPITOL DOME

(Mr. MATHIAS asked and was given permission to address the House for 1 minute.)

Mr. MATHIAS. Mr. Speaker, "Freedom" merits a minute of our time today. One century ago to this very hour she was the cynosure of all eyes including those of President Abraham Lincoln, and she was honored by a 35-gun salute. She is, of course, the bronze figure which surmounts the great cast iron dome of the Capitol.

The statue was modeled in Rome by the American sculptor, Thomas Crawford, and was cast by Clark Mills in his foundry near Bladensburg, Md. While this country was engaged in a Civil War which was extending the rights of freedom to all Americans, this statue was placed atop the lantern of the dome on December 2, 1863, as a symbol of the principle of universal freedom to which our society is dedicated.

Freedom has implications for 20th century America that were unknown during the Civil War or the Revolutionary era. The mechanics of living in freedom alter with the course of history, but the disciplines of freedom remain basically the same in every age. Freedom's habiliment may change, but we must always recognize her face. Unless we know freedom well, and observe her disciplines, as well as appreciate her gifts, we may pass her by and lose her light forever.

PERSONAL ANNOUNCEMENT

Mr. CHAMBERLAIN. Mr. Speaker, I was away from the Chamber for several days on official business as a member of the U.S. delegation to the recent NATO Parliamentarians' Conference. I necessarily missed several rollcall

votes. Had I been present I would have voted as follows:

Rollcall No. 191, "aye."
Rollcall No. 192, "aye."
Rollcall No. 194, "nay."
Rollcall No. 195, "aye."
Rollcall No. 196, "nay."

I have also noted that the *RECORD* has me undecleared on two other rollcalls.

On rollcall No. 48, May 14, had I been present I would have noted "nay."

On rollcall No. 38, May 6, had I been present I would have voted "aye."

"ON THE SILVER STRAND"—BY TIBOR TOLLAS

(Mrs. FRANCIS P. BOLTON asked and was given permission to address the House for 1 minute and to revise and extend her remarks.)

Mrs. FRANCES P. BOLTON. Mr. Speaker, it is my pleasure to bring to the attention of my colleagues a poem about Africa by a Hungarian poet and refugee from the 1956 revolution, Tibor Tollas. He suffered many years in Communist prisons for no other crime than his belief in freedom. When Soviet tanks finally suppressed the heroic uprising of the Hungarian people, Tibor Tollas decided to dedicate his life to continuing the fight for freedom by pen and word of mouth. As a believer for freedom for all mankind he hoped that, by recounting his experiences of Soviet communism, he might help the African people preserve their newly won independence. His poem, "On the Silver Strand," follows:

ON THE SILVER STRAND

(By Tibor Tollas)

(Translated by Jascha Kessler)

After working hours a line of dusty heaps
Strings out and heads down to the shimmering shore

Away from the dinning, hot and narrow streets,

With their choked shops, of Dar es Salaam,
And escapes the burden of daily cares.

Then they emerge with grace from the steaming cars,

As solemn as princes of the East—

Eight or ten halfnaked brown pages to escort them—

Strangers in black Africa forever.

Moving with that pantherish sway,

The wife goes on ahead, her crown of ebon hair

Shawled with seven-colored lucid silk,

And the man follows, stately slow,

Fullbearded black beneath his high white turban.

In the cool shadow of a palm

They lay their matting, seat themselves and gaze,

Motionlessly, at the moving waves, at the surf

That shouts against the sloping shore.

Somewhere, far beyond many horizons,

In the East, in the endlessness of waves,
Lies their native land, India.

A few wisps of trailing smoke announce

The ship arriving

With greetings from their parents.

It is good to wait for news to come,

To hear of the things they have longed for,
longed for.

And it is good to sit on the shore every day

In the tepid breeze beneath the palms

And listen to the familiar sound of these waves.

And it is good to dream, amid suffocating streets,

In the crowded dinning of the shops, among the piled goods,

To dream that sometime

One of those silver-gray ships will take us home.

BROADCASTING INDUSTRY MAKES GREAT CONTRIBUTION TO THE NATION

(Mr. RHODES of Pennsylvania asked and was given permission to extend his remarks at this point and to include extraneous matter.)

Mr. RHODES of Pennsylvania. Mr. Speaker, in the 9 days following the time of President Kennedy's assassination the people of the United States have been given the opportunity to see and to hear events of great historic importance.

It took the death of our young President to reveal to the Nation his strength of character, his vision, his dedication, and his courage. It focused public attention on the programs he sponsored and for which he worked in order to meet the needs of our people and our country and to promote the cause of world understanding and peace.

The Nation owes a debt of gratitude to the broadcasting industry, both radio and television, for the part members of that industry played in permitting the American people to witness the events of those tragic days and to learn about their Government, their President, and the Presidency as never before.

By its performance during those 9 historic days the radio and television industry has made a tremendous contribution to the Nation and its people.

The decision of the broadcasting companies to cancel commercial programs and advertising is to their everlasting credit and is deserving of the highest commendation of the American people.

There is much to be said for the broadcasting industry for more than any other media it provides the opportunity for the public not only to receive important information but also to hear various points of view on all important questions.

We all owe to the broadcasting industry our deep thanks for the preservation and protection of free speech and the people's right to know. It is an example which the publishing industry would do well to follow.

CONSENT CALENDAR

The SPEAKER. This is Consent Calendar day. The Clerk will call the first bill on the Consent Calendar.

PROVIDING FOR ACQUISITION OF CERTAIN PROPERTY IN SQUARE 758 IN THE DISTRICT OF COLUMBIA, AS AN ADDITION TO THE GROUNDS OF THE U.S. SUPREME COURT BUILDING

The Clerk called the bill (S. 254) to provide for the acquisition of certain property in square 758 in the District of Columbia, as an addition to the grounds of the U.S. Supreme Court Building.

The SPEAKER. Is there objection to the present consideration of the bill?

was in his inaugural address. Nor has a more imaginative token of it been created than the Peace Corps. So it was that one Peace Corps volunteer said last Friday, "I myself am a part of the legacy he left to the world." Young Americans, in particular, seemed to catch what this man symbolized.

Moreover, he invited and encouraged a new human dignity—a freedom for man now. If this was to have meaning, through Americans, throughout the world, it had to have substance now within our own borders. Therefore, the Negro citizens, patient for a hundred years, were encouraged by President Kennedy to become a new people. That is to say, they have decided to be the free people our Constitution and the Gospel of Jesus Christ say they are. When men determine to be free, there is an unanswerable quality about their determination.

From the Hebrew-Christian perspective, all of this is the work of God. For God is a God who acts in history; indeed, who makes history and gives meaning to human events. The President saw precisely this when he declared, "Here on earth God's work must truly be our own."

We have assuredly been given much in our day, but some factors in our national life have said "No" to it all. They have said "No" to a brandnew world; "No" to national involvement in the whole process of civilization; "No" to the fulfillment now of human dignity. For all this, the high price of martyrdom has been paid. A martyr is, literally, a witness, and this is the witness we have been given.

Great gifts demand great responsibility. "For every one to whom much is given, of him will much be required." What, in the light of this sacrifice, does the Lord require of us? All humankind will be watching what we do in response, for when a people takes its own history seriously, every man's history is involved.

First of all, we, who have been forgetful are called to recollection and return. We have come to take God for granted, have tried to encase Him in the past and to capture Him in our creeds. Meanwhile, He is at work, as always, in the present orders of society.

Let us recall that we are a people by heritage dedicated to law and order and to equality under law. This was by specific intent. For 343 years ago this very week the Pilgrims landed on Cape Cod. Their navigation had been faulty, and they had missed the territory for which they had been granted authority. Some of the colonists considered that they were, therefore, under no law. Then, by deliberate act, they made themselves equal under law, by creating the Mayflower Compact. In this they promised to "covenant and combine ourselves together into a civil body politic, for our better ordering and preservation and furtherance of the ends aforesaid; and by virtue hereof to enact, constitute, and frame such just and equal laws, ordinances, acts, constitutions, and offices, from time to time, as shall be thought most meet and convenient for the general good of the colony, unto which we promise all due submission and obedience."

They were, therefore, a covenanted community: in acknowledging God, they acknowledged one another. By self-conscious promises, each held himself before God as responsible to his neighbor in a common endeavor. We are summoned by the martyrdom of our President to renew such a covenant of equity, under law, which is basic to any true community.

Secondly, in the light of this sacrifice, we are called to receive the very realities which it symbolizes. Therefore, we must embrace this new world of radical change and possibility. For it is offered to us as the gift of God.

Moreover, if this is to be a meaningful sacrifice, we are called as a people deliberately to involve ourselves in the whole enterprise of humanity. For, in a degree unparalleled in earlier centuries, we owe ourselves to the world. Merely to preserve ourselves as a nation is to lose our identity. But to give our lives in the service of total civilization is to find ourselves. For it is only in our mission together that we are a nation.

Again, in view of this martyrdom, we are called to a deepened fulfillment of the dignity of every person. There can no longer be any second-class people of any kind, anywhere. Only through acknowledging this dignity for all—without any exception—can any one of us possess dignity himself. So it is that integrity may return to us and we can be the nation we have pretended to be.

What I have said is that we have been present at a new crucifixion and that we all have, in fact, contributed to it. Our crucified Lord enables us to understand the cruciform nature of all human existence, and He endows even the most senseless event with cosmic meaning. But the Christian is not allowed to speak of crucifixion without speaking also of resurrection. This can only be realized by our embodying, as living sacrifices, that which was embodied by the one who was slain. That is to say, we are to confront life and the world with a new openness, a new awareness of our true identity and responsibility as a nation, and a new readiness to acknowledge the validity of every human being.

Finally, let us receive the torch that has been passed to a new generation of Americans. For this generation, as John Fitzgerald Kennedy himself so clearly expressed it, "would not exchange places with any other people or any other generation. The energy, the faith, the devotion which we bring to this endeavor will light our country and all who serve it—and the glow from that fire can truly light the world." That never-dying torch has now been lighted by a martyr for his people. For this man not only uttered words but lived by them. "Every one to whom much is given, of him will much be required." Amen.

KENNEDY AND THE WORLD'S FAIR

(Mr. MULTER (at the request of Mr. ALBERT) was given permission to extend his remarks at this point in the Record.)

Mr. MULTER. Mr. Speaker, I have introduced a bill which will authorize the Secretary of Commerce, under the authority delegated to him by the President's Executive Order No. 11014, to provide an appropriate exhibit of the life and career of our late President at the New York World's Fair, which opens in April 1964.

Participation by the United States in the fair is authorized by the provisions of the Mutual Educational and Cultural Exchange Act of 1961. Last year we appropriated—as part of the public welfare amendments of 1962—\$17 million to finance our participation. My bill provides that the Secretary, in carrying out these functions, include an appropriate memorial exhibit in honor of the late President Kennedy.

I hope that the Congress will enact this bill so that the many millions of visitors to the fair from other countries will come to know John F. Kennedy better and come to realize that he was, as President Johnson has characterized him, "a great and good man."

THE COTTON BILL: HOW IT AFFECTS CONSUMERS

(Mr. FINDLEY (at the request of Mr. MORSE) was given permission to extend his remarks at this point in the Record and to include extraneous matter.)

Mr. FINDLEY. Mr. Speaker, on November 13, the Honorable HAROLD D. COOLEY, of North Carolina, chairman of the Committee on Agriculture and author of the Cooley cotton bill, H.R. 6196, extended his remarks in the Appendix of the Record, pages A7052-A7053.

He responded to a statement I had made concerning the bill on November 8.

It was clear that the gentleman from North Carolina [Mr. COOLEY] contends the bill will benefit American consumers. In fact, his remarks were captioned, "The Cotton Bill: A \$500 Million-Plus Gain for American Consumers."

In his remarks he declared:

Mr. Speaker, the greatest benefactor under this legislation will be the American consumer. Americans will enjoy lower prices for American-made cotton goods, at savings amounting to more than \$500 million a year—it was shown to our committee that a rise or fall in the cost of cotton is almost invariably and completely accompanied by a rise or fall of the same degree in cotton cost prices. The Department of Commerce established this as a fact in the hearings of our committee.

Perhaps the gentleman was led to this conclusion by comparisons between the price of raw cotton and "gray cloth," a nonconsumer item which emerges only a short distance from raw cotton in the manufacturing process. Due to this proximity, it is not surprising that gray cloth prices follow raw cotton closely. A chart showing this comparison appears on page 10 of the committee report accompanying H.R. 6196.

A reader who mistakenly thinks of gray cloth as a typical cotton product for consumers might assume that consumer prices go up and down together with remarkable precision.

Perhaps this was the case with the gentleman from North Carolina [Mr. COOLEY].

In any event, the chart does not tell the whole story. Indeed, its incompleteness is misleading.

The price history of retail cotton products is readily available from the Agricultural Marketing Service, USDA, the same office from which the gray cloth-raw cotton comparison came.

At my request, the AMS supplied me with average composite retail cost of 25 products—expressed in terms of 1 pound of cotton—for the period 1935-63. Most of this information appeared in the USDA's Marketing Research Report No. 277, published in 1958. The selection of the 25 typical products, of course, was made by the USDA, not by myself.

The period covered by this information does not reach back quite as far as the chart on page 10 of the committee report, but it goes far enough to refute the generalization repeated by the gentleman from North Carolina [Mr. COOLEY]:

That a rise or fall in the cost of cotton is almost invariably and completely accom-

panied by a rise or fall of the same degree in cotton cost prices.

I present below this information, listing first the retail cost in dollars of the composite cotton products, and second the average farm value of raw cotton. Farm value is based on average prices of cotton in central markets less one-half cent per pound estimated to be the difference between central-market price and price received by farmers.

It is clear at a glance that retail prices do not rise and fall precisely with raw cotton. You will even observe periods in which raw cotton went down while retail prices rose, and vice versa.

Cotton products: Average composite retail cost of 25 products (expressed in terms of 1 pound of cotton), and average farm value

Year	Retail cost	Average farm value
1935.....	\$0.91	\$0.12
1936.....	.91	.12
1937.....	.95	.11
1938.....	.89	.08
1939.....	.88	.09
1940.....	.89	.10
1941.....	.98	.13
1942.....	1.22	.18
1943.....	1.29	.19
1944.....	1.37	.20
1945.....	1.50	.22
1946.....	1.84	.29
1947.....	2.17	.33
1948.....	2.20	.33
1949.....	1.98	.30
1950.....	2.03	.35
1951.....	2.24	.41
1952.....	2.14	.38
1953.....	2.13	.32
1954.....	2.08	.33
1955.....	2.07	.34
1956.....	2.10	.33
1957.....	2.12	.32
1958.....	2.11	.32
1959.....	2.12	.31
1960.....	2.17	.30
1961.....	2.19	.31
1962.....	2.15	.33
1963 ¹	2.17	.33

¹ 1st half of year.

This morning I distributed to each Member a duplicated sheet showing this data graphically. Unfortunately graphs cannot be published in these remarks, so I present the table instead.

In a brief search of legislative history, I find some expert testimony which denies that retail prices necessarily respond to changes in raw material costs.

For example, in the 84th Congress, consideration was given to H.R. 12, a proposal to restore 90 percent of parity price supports on basic farm commodities, including cotton. The committee report, emerging from the committee chaired then, as now, by the gentleman from North Carolina [Mr. COOLEY] called attention to the fact that "a \$4 dress shirt contains less than 30 cents worth of cotton."

On October 4, 1962, the gentleman from North Carolina [Mr. COOLEY] inserted a statement in the RECORD in which he said:

From 1950 to 1960 the price of a pound loaf of bread rose by nearly 7 cents—the price the farmer received for the wheat in that loaf of bread actually dropped.

In a speech printed in the RECORD on September 1, 1960, my chairman made this report:

As one illustration of how the farmer and the middleman have fared, I refer to an official Department of Agriculture report which

shows that from 1948 to 1958 the cost of wheat and other ingredients in a loaf of bread declined 12 percent at the farm, while processing and marketing margins for the loaf increased 55 percent. Thus, in the 10-year period, the cost of the loaf of white bread increased from 13.9 to 19.3 cents, on a national average, while the price received by the farmer for a bushel of wheat declined from \$1.98 to \$1.72.

On March 24, 1958, the gentleman from North Carolina [Mr. COOLEY] inserted a statement in the RECORD, as follows:

Now let us look specifically at the relationship of farm price to consumer price in these two commodities.

In 1952 milk prices were supported at 90 percent of parity and the average price of a quart of fresh milk in grocery stores throughout the country was 22.8 cents. In 1957 the support had been reduced to 83 percent of parity (actually 76 percent of parity as computed in 1952), and the retail price of milk had risen to 24.3 cents a quart.

Now look at wheat. Department of Agriculture figures show that in January 1948, the farm price of wheat reached a peak of \$2.81 a bushel, and the average price of a one pound loaf of bread at that time was 13.8 cents. In 1955, the farm price of wheat had dropped to \$2.14 a bushel, and the average price of a loaf of bread had increased to 17½ cents. Thus while the price of wheat declined 24 percent, the price of bread advanced 27 percent. In 1952, wheat was supported at 90 percent of parity of \$2.20 a bushel and the average price of a loaf of bread was 16 cents. In 1957, with wheat at \$2 a bushel, the average price of a loaf of bread was 18.8 cents. For the wheat in an 18.8 cents loaf of bread, the farmer gets somewhere between 2.6 and 3.2 cents.

These figures substantiate completely that another cut in the farm prices of milk and wheat will mean simply that \$250 million will be taken away from dairymen in 1958, and more than \$200 million from wheat producers, and all these millions will be absorbed by middlemen between the farmers and the consumers. Consumers will derive no price benefit whatsoever.

It would be ridiculous to argue, on the basis of what the gentleman from North Carolina has presented, that lower raw material prices mean higher consumer prices. He does not make such a contention, and neither do I.

However, it is equally unrealistic to argue, as the gentleman has been arguing recently on the cotton bill that lower raw material costs will yield an equal drop in consumer prices.

It is fantastic to predict that an increased tax outlay of \$250 million for the cotton program will yield a \$500 million-plus gain for the consumer. That is picking up more than a \$2 gain for each \$1 outlay.

Such conclusions certainly fly in the face of the gentleman from North Carolina's statements in 1958, 1960, and 1962 on consumer-raw material prices. They also fly in the face of the official figures reported by the Department of Agriculture.

Another distinguished member of the Committee on Agriculture recently commented on the relationship between raw commodity prices and consumer prices. The gentleman from Texas [Mr. POAGE], during the 86th Congress, issued a statement on farm problems in the form of a committee print. In it he declared:

The tremendous loss which farmers have sustained in the way of low prices for their

products in recent years has not been passed on to consumers.

Here is the gentleman from Texas' [Mr. POAGE] comment on this subject:

Let us see just what effect the price of wheat has had on the cost of bread. Just 12 years ago wheat sold as high as \$2.81 a bushel. At that time bread sold for a little less than 14 cents a pound. The price of wheat has continued to drop until today the average market price is about \$1.80—a drop of approximately one-third in what the farmer received for wheat. During that same period of time, the price of bread has not gone down at all but has gone up to 20 cents a pound—an increase of nearly 50 percent. Certainly, there is no justification for blaming the farmer with the high cost of bread.

The same sort of situation exists in regard to milk. Twelve years ago farmers were receiving 11.3 cents for a quart of milk, which was retailing for 21.1 cents. Today farmers get just 11.1 cents for that quart of milk, but consumers are paying 25.1 cents. Certainly, I don't mean to say that the lower farm prices go, the higher consumers' costs will be, but I do mean to say that the record shows rather clearly that the tremendous loss which farmers have sustained in the way of low prices for their products in recent years has not been passed on to consumers—and if low farm prices don't help consumers, why should Government try to lower them?

No one can accurately predict the effect on consumer prices of a bill like H.R. 6196.

THE STATUE OF FREEDOM ON THE CAPITOL DOME

(Mr. SCHADEBERG (at the request of Mr. MORSE) was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. SCHADEBERG. Mr. Speaker, today is the 100th anniversary of one of America's most important symbols—the symbol of man's highest aspiration—freedom. Down through the centuries, men have braved the unknown and uncharted seas; have faced the trials of the wilderness; have given up their earthly possessions; have set aside material security; have laid their own lives on the sacrificial block; that this precious right derived as a gift from the eternal Creator would not be corrupted by the self-seeking, power-mad opportunists whose passion it is to wield the scepter of power over the lives of individuals and nations.

Exactly 100 years ago today, December 2, 1863, at precisely the hour this House convened today—12 o'clock noon—the final segment of Freedom Statue which tops the dome of this great Capitol building and dominates the entire area was lifted off the ground by means of the steam hoisting apparatus which had been successfully used for construction of the entire dome. Twenty minutes later the head and crown was moved to its place and firmly attached to the body of the figure, 300 feet in the air. It was adjusted. The American flag was unfurled over its head and the national salute of 35 guns was fired from a field battery on Capitol Hill. The last gun from this salute was answered by a similar salute from the 12 forts which at that time of Civil War constituted a line of fortifications surrounding the city of Washington.

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF
BUDGET AND FINANCE

(For information only;
should not be quoted
or cited)

Issued Dec. 4, 1963
For actions of Dec. 3, 1963
88th-1st; No. 196

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HIGHLIGHTS: House debated Cooley cotton bill. House committee voted to report public works acceleration bill. Rep. Vanik expressed concern over increase in coffee prices. Senate debated accepting House version of Mexican farm labor bill. Sen. Williams (Del.) charged swindle in forged warehouse receipts for vegetable oils. Sens. McGovern and Burdick and Rep. Berry expressed concern over beef imports. Sen. McGovern supported voluntary wheat certificate plan. Senate subcommittee approved State-Justice-Commerce appropriation bill.

HOUSE

1. COTTON. Began debate on H. R. 6196, the Cooley cotton bill, to encourage increased consumption of cotton, to maintain the income of cotton producers, and to provide a special research program designed to lower costs of cotton production. pp. 21923-55, 21967-70
2. PUBLIC WORKS. The Public Works Committee voted to report (but did not actually report) H. R. 7351, to increase the authorization for appropriations under the Public Works Acceleration Act. p. D950
3. COFFEE. Rep. Vanik voiced concern with the increase in coffee prices which he stated is caused by adoption of the International Coffee Agreement. p. 21922
4. FOREIGN TRADE. Rep. Berry voiced concern over the possible effects on the domestic livestock industry of the forthcoming GATT trade negotiations and inserted a statement by the Chairman of the Nationwide Committee on Import-

Export Policy which states that the Trade Expansion Act of 1962 "has left American industry, agriculture, and labor defenseless against the market ravages of rampant import competition", and inserted a resolution condemning the holding of "existing export markets for surplus agricultural products." pp. 21959-60

5. APPROPRIATIONS. Conferees were appointed on H. R. 8747, the independent offices appropriations bill, 1964. Senate conferees have already been appointed. p. 21921
6. AIR POLLUTION. Conferees were appointed on H. R. 6518, to improve, strengthen, and accelerate programs for the prevention and abatement of air pollution. Senate conferees have already been appointed. p. 21921
7. PERSONNEL; EMPLOYMENT. Rep. Hechler voiced approval of the Bechworth bill to extend civil service apportionment requirements to summer employment which he said would put the summer employment of students "on a merit basis so the average American in all parts of our great land can have an equal chance to compete." pp. 21964-5
8. FORESTRY; PARKS. The Interior and Insular Affairs Committee reported with amendment H. R. 1096, to authorize Interior to cooperate with Wisc. in the designation and administration of the Ice Age National Scientific Reserve (H. Rept. 941). p. 21970
9. PATENTS. The Judiciary Committee voted to report (but did not actually report) with amendment H. R. 8190, to fix the fees payable to the Patent Office. p. D950
10. FRUITS AND VEGETABLES. The Science and Astronautics Committee voted to report (but did not actually report) H. R. 5792, relating to standard containers for fruits and vegetables, to permit the use of additional standard containers. p. D950

SENATE

11. FARM LABOR. Debated a motion by Sen. Ellender to concur in the House amendment to S. 1703, extending the Mexican farm labor program for one year without change (pp. 22046-56, 22060-1, 22061-9). Agreed to a unanimous-consent agreement to vote on the Ellender motion at 1 p.m., Wed. (pp. 22060-1).
12. WATER RESOURCES. Passed, 59 to 19, with amendments, H. R. 8667, authorizing additional appropriations for comprehensive plans for certain river basins. Conferees were appointed. pp. 22013, 22022-41
S. 1111, to provide for the optimum development of the Nation's natural resources through the coordinated planning of water and related land resources, through the establishment of a water resources council and river basin commissions, and by providing financial assistance to the States in order to increase State participation in such planning, was made the pending business. pp. 22042-6
13. APPROPRIATIONS. A subcommittee of the Appropriations Committee voted to report to the full committee H. R. 7063, the State, Justice, Commerce, Judiciary, and related agencies appropriation bill for 1964. p. D948
Sen. Morse expressed concern over a report that the President "is urging upon House leaders a compromise appropriation on foreign aid in the amount of \$3.4 billion," and contended that an appropriation in this amount "cannot be

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

JOHN F. MACPHAIL

The Clerk called the bill (H.R. 5145) for the relief of John F. MacPhail, lieutenant, U.S. Navy.

Mr. GROSS. Mr. Speaker, I ask unanimous consent that this bill be passed over without prejudice.

The SPEAKER. Is there objection to the request of the gentleman from Iowa?

There was no objection.

BRYCE A. SMITH

The Clerk called the bill (H.R. 6182) for the relief of Bryce A. Smith.

Mr. HEMPHILL. Mr. Speaker, I ask unanimous consent that this bill be passed over without prejudice.

The SPEAKER. Is there objection to the request of the gentleman from South Carolina?

There was no objection.

The SPEAKER. This concludes the call of the Private Calendar.

REVITALIZE THE AMERICAN COTTON INDUSTRY

Mr. SISK. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 464 and ask for its immediate consideration.

The Clerk read the resolution, as follows:

Resolved, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 6196) to encourage increased consumption of cotton, to maintain the income of cotton producers, to provide a special research program designed to lower costs of production, and for other purposes. After general debate, which shall be confined to the bill and shall continue not to exceed four hours, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Agriculture, the bill shall be read for amendment under the five-minute rule. At the conclusion of the consideration of the bill for amendment, the Committee shall rise and report the bill to the House with such amendments as may have been adopted, and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit.

Mr. SISK. Mr. Speaker, I yield 30 minutes to the gentleman from Ohio [Mr. BROWN], and, pending that, I yield myself 5 minutes.

Mr. Speaker, House Resolution 464 provides for consideration of H.R. 6196, a bill to encourage increased consumption of cotton, to maintain the income of cotton producers, to provide a special research program designed to lower costs of production, and for other purposes. The resolution provides an open rule with 4 hours of general debate.

The purpose of H.R. 6196 is to forestall the ruin of the American cotton industry and to revitalize the industry on which millions of our citizens depend for their livelihood.

The bill will end the two-price system for cotton. Domestic mills will be able to buy cotton at the world price. They now must pay approximately 8½ cents a pound more than the world price for the cotton that goes into goods sold in the United States. Cotton again will compete fairly with synthetic fibers.

Americans will enjoy lower prices for American-made cotton goods, at savings amounting to more than \$500 million a year, according to competent estimates.

Farm prices will remain stabilized and protected. The legislation will protect the livelihood of millions of workers associated with cotton.

It will encourage a healthy cotton trade and merchandising system. It will assist and promote an efficient, growing, and prosperous cotton textile industry, and the United States will enjoy a fair share of the world cotton market.

Mr. Speaker, the bill under consideration here today, H.R. 6196, has had a rather lengthy history in this the 1st session of the 88th Congress. This specific bill was introduced originally by the gentleman from North Carolina, Mr. HAROLD COOLEY, the distinguished chairman of the House Committee on Agriculture, back on May 9 of this year. The bill was reported with amendments by the Committee on Agriculture to the House on June 6 of this year.

On July 30 of this year a rule was granted and reported to the House. Of course, here today on the 3d of December we have the bill before the House for discussion.

There have been a great many charges and countercharges made with reference to this particular piece of legislation. What we are seeking to do here today by House Resolution 464 is to adopt the resolution, permit the House to go into the Committee of the Whole where they will have 4 hours to discuss the merits or demerits of this particular piece of legislation.

At the conclusion of the 4 hours, of course, the bill will be open to amendment since it is a completely open rule and the House will be able to work its will to amend or to change this in any way in the wisdom of the House that it should be changed.

Let me say, Mr. Speaker, as a Member of the Congress representing a district which produces possibly as much or more cotton than almost any district in America, I am very much concerned about the future of the American cotton industry.

This bill has been branded by various opponents with a variety of names, but I think basically that those of us who are close to the cotton industry whether it be producing cotton or processing it, and those people involved in the textile industry in sales or in the other peripheral industries which affect the cotton industry as a whole are all concerned over the welfare of this great industry which has throughout the history of the United States been considered to be one of our most basic industries having to do with one of the most basic commodities in the country and which has been considered to be the money crop for a large portion of American

farmers since the very foundation of our Republic.

There is no question in the minds of anyone but what the cotton industry as a whole is in dire straits. I believe it cannot be successfully contested that there is a need for changes in our cotton program if we are to continue to sustain and to maintain a successful cotton industry in this country.

I do not have any of the textile industry in my district. I think we all know pretty well where the textile industry is centered. But, certainly, it is a very vital and integral part of the cotton industry in America. The maintenance of a healthy condition of the textile industry is just as important to the overall industry of the Nation as is the healthy condition of the farmers who produce this fiber and this commodity upon which America has so long depended.

We know when we look at the figures that we have lost a substantial portion of the fiber market in this country. We have lost it to imports of various types and kinds. We have lost it to synthetics.

Today we come here on this occasion to debate the merits of the bill, H.R. 6196, and to discuss the approach which we hope we will be able to carry forward in the immediate future to improve the cotton industry and to improve the lot of the people who have over the years depended upon this industry and to increase the employment possibilities in the industry and to improve the lot of those who produce cotton in this country.

So, Mr. Speaker, for these reasons I urge the adoption of the resolution, House Resolution 464.

Mr. JONAS. Mr. Speaker, will the gentleman yield?

Mr. SISK. I yield to the gentleman.

Mr. JONAS. I think the record of the Committee on Agriculture shows that at least 10 million American citizens derive their livelihood from the cotton textile industry in the production, ginning, processing, transporting, manufacturing of the cotton, and in the merchandising of cotton goods. That is a substantial segment of the people in the United States who have a direct interest in a healthy and progressive textile industry.

Mr. SISK. I agree with the gentleman. I appreciate his comments. They are certainly timely.

Mr. JONES of Missouri. Mr. Speaker, will the gentleman yield to me for a question?

Mr. SISK. I will be glad to yield to the gentleman from Missouri.

Mr. JONES of Missouri. In your opening remarks you stated one of the purposes of this bill was to end the two-price system. Does not this bill actually create a three-price system for the producers of cotton?

Mr. SISK. No. I would not agree with my good friend from Missouri that it does. I agree that the bill has certain provisions pertaining to some of the producers in this country, looking in the direction of maintaining a system of family-size farms in this country. There is a very definite desire, I think, on the part of Members of Congress to try to make it possible for many of the small farmers of this country to continue to

maintain as nearly as possible a decent income.

So there are some provisions with reference to the 15 bale or less producers to enable them to enjoy a little higher price support than would be available to growers growing larger amounts of cotton.

Mr. JONES of Missouri. If the gentleman will yield further, I think you missed my point. I said, would this bill not permit a three-price system for even one producer of cotton? Under this bill would it not be possible for a person who produces more than 15 bales of cotton to be supported at one price for the first 15 bales he produces and to be supported at another price for the remainder of this crop? Then under one section of the bill he would be permitted to plant additional cotton for which he would pay an amount equal to the subsidy. So that in effect one producer could actually be selling cotton at three different prices if this bill is adopted.

Mr. SISK. Let me say this to my good friend from Missouri.

Mr. JONES of Missouri. Can you answer that?

Mr. SISK. Let me say this to the gentleman, because the question he asks I think does require some little elaboration. I agree with the gentleman that this bill does provide for the situation which the gentleman recites, but it still eliminates the two-price system so far as the mills are concerned, so far as the processing is concerned, and so far as the consumer of American cotton is going to be concerned. It makes it possible for our own domestic textile mills to buy cotton in competition on an even basis with what the world price is and what the textile industries in other parts of the world buy it at. I am referring to the elimination of what today, as the gentleman knows, is an 8.5 cent differential between what a local textile company has to pay as against what the cotton is sold for in the world markets.

I agree under the price support system to the farmer, to the grower, that the situation which the gentleman recites can exist.

The SPEAKER pro tempore. The time of the gentleman has again expired.

Mr. JONES of Missouri. Will the gentleman take some more time, please, and let me ask one other question?

Mr. SISK. Mr. Speaker, I yield myself 2 additional minutes.

The SPEAKER pro tempore. The gentleman is recognized for 2 additional minutes.

Mr. JONES of Missouri. If the gentleman will yield further, you mentioned the fact that it would make a one-price system, but as I read the bill, do you agree with me that the subsidy to the domestic mills or the subsidy that the domestic mill would profit by might not be the same as the 8.5 cents which we are now paying on the export cotton?

Mr. SISK. Of course, let me say to my friend it depends in the final analysis on what kind of a bill we write.

Mr. JONES of Missouri. I am talking about the bill we have before us.

Mr. SISK. I appreciate what the gentleman is discussing, but I do not necessarily say that that would be the results of the bill which we have under discus-

sion. As the gentleman very well knows, there is an amendment which will be offered on the floor here and which I am supporting and which I understand basically the committee of which he is a member adopted, the McIntire amendment, the amendment of the gentleman from Maine, to bring about a reduction in these price supports which will certainly change that picture, as the gentleman knows.

Mr. JONES of Missouri. That was going to be my next question. Was it not understood by the Committee on Rules that the McIntire amendment would be offered to this bill and it would have the support of the House Committee on Agriculture and presumably was going to be accepted in the House? Was that the understanding of the Committee on Rules?

Mr. SISK. Let me say, as one member of the Committee on Rules, that it was my understanding that the McIntire amendment would be offered. As one who happens to believe that it is a good amendment and is supporting it, I hope it will be adopted.

Mr. JONES of Missouri. If the gentleman will yield further, I have one other question. In the title of the bill the committee says: "to maintain the income of cotton producers." If we reduce the support price and the producer is not permitted to expand or to increase his acreage, how is that going to maintain his income? It would, would it not, in fact, reduce the income of the cotton producer?

Mr. SISK. Mr. Speaker, my good friend from Missouri knows as well as I do that unless we do something here to increase the domestic consumption of cotton, there must be a continued decrease in acreage. Even if we are going to maintain a level of 16,200,000 acres, at which it is set today, it is absolutely essential that we do something to increase the consumption of cotton. Otherwise that figure is going to be substantially reduced. Therefore, his income certainly is going to be reduced. We will try to maintain this acreage. I would hope that we would be able to do something to increase consumption, to the extent that acreage might be increased but I think we would be foolish to go out and offer any substantial amount of immediate increase; but certainly to me it is essential that we try to maintain what we have now and increase it as soon as possible. This is imperative to the income of the farmer, just as imperative and just as necessary, I think, as the so-called high priced support which I think today has become unrealistic, because there is an ever increasing surplus piling up.

Mr. JONES of Missouri. I was only pointing out that the title of the bill contains the language "to maintain the income of cotton producers" and that the income will not be maintained under the provisions of this bill. I thank the gentleman for yielding and hope I will be able to get some time later.

Mr. SISK. I appreciate the comments of my good friend from Missouri. He knows that I love him, but I have to disagree with him on this bill.

Mr. HALEY. Mr. Speaker, will the gentleman yield?

Mr. SISK. I yield to the gentleman from Florida.

Mr. HALEY. Mr. Speaker, would the gentleman from California agree with me that this is one of the side effects of the foreign aid program, under which we give and equip plants to various countries, that cost them nothing. Even if the House passed this bill, unless we stop that practice we are going to destroy not only this industry, as we already practically have destroyed it, but many other industries in this country.

Mr. SISK. Let me say to my good friend from Florida that I would have to agree with him that one of the side effects has been as he has noted here; there is no question about that, however, we believe that by improving their economy we will make it possible for them to become better cash customers for our products.

Mr. DENT. Mr. Speaker, will the gentleman yield?

Mr. SISK. I yield to the gentleman.

Mr. DENT. Mr. Speaker, I noted the answer of the gentleman from California to the gentleman from Missouri [Mr. JONES], with reference to the three-price system. Is it not true that the incentive of a 10-percent additional price on the first 15 bales of cotton is not in fact a sale, but a certificated purchase on the part of the Government, under which the cotton never changes place or position; the Government, in other words, pays to each and every farmer for 15 bales of cotton a price 10 percent above the support price and immediately takes back from that same farmer a certificate for the cotton at the support price, which is an added bonus to every producer in the United States that produces cotton, of which there are some 800,000? Am I right or wrong?

Mr. SISK. As I followed my good friend in that rather involved question I think possibly he may be right. I would like him to direct that question to some member of the Committee on Agriculture who is far better qualified technically to answer it. It is my understanding that the intent here is to try to help basically the small farmers of the country, try to maintain them until at least such time as we are able to do something better for them. I think we appreciate that.

(Mr. SISK asked and was given permission to revise and extend his remarks, to include a telegram from the Governor of California, the Honorable Edmund G. Brown, and to include extraneous matter.)

SACRAMENTO, CALIF.,
December 2, 1963.

The Honorable B. F. SISK,
House Office Building,
Washington, D.C.:

I am asking all members of the California congressional delegation to support H.R. 6196, the cotton bill authored by Congressman HAROLD COOLEY and scheduled for debate on the floor on Tuesday, December 3. Both the California Department of Agriculture and the State board of agriculture have carefully studied this measure and join in support of it. The California cotton industry produces nearly \$350 million at the producer level and generates approximately

a billion dollars of total wealth for our State. This bill is of vital importance, not only to cotton but to our entire agricultural economy. I respectfully request your favorable consideration of this bill.

Sincerely,

EDMUND G. BROWN,
Governor of California.

WHAT COTTON MEANS TO CALIFORNIA

In the State of California, 412,000 people live wholly or in very substantial part upon incomes earned directly from cotton. These include 56,000 people living on cotton farms and 49,000 others whose breadwinners are seasonal domestic workers on cotton farms. The remaining 307,000 consist of people whose income earners work in gins, oil mills, cotton mills, etc., plus cotton's pro rata share of those living on incomes from apparel manufacturing, farm supply stores, merchandising operations, etc.

This by no means tells the whole story because no way was found to compute the number of employees concerned with cotton in banks, insurance agencies, department stores, transportation services and many other fields.

The average annual cash receipts from cotton and cottonseed by California farmers during calendar years 1960 through 1962 was \$328.5 million. This makes cotton the leading crop in the leading agricultural State, far surpassing its nearest rivals, grapes (\$149.4 million) and tomatoes (\$122.8 million). It provides a fifth as much cash income as all other crops combined and a fourth as much as all meat animals, dairy products, poultry and eggs combined.

The total value of petroleum and all other mineral production in 1961, the latest year reported, was \$1,421 million. Cotton production alone yielded 23 percent as much as this.

Thus the inevitable conclusion: If the cotton economy is crushed, California will lose one of its big income producers, which will have a depressing effect on the State's whole economic structure. If cotton survives and goes forward, it will provide a stimulant to the industry and commerce of the State as a whole.

Mr. SISK. Mr. Speaker, I urge adoption of this House Resolution 464 so that the committee may proceed to discuss this bill on its merits.

Mr. BROWN of Ohio. Mr. Speaker, I yield myself 10 minutes.

(Mr. BROWN of Ohio asked and was given permission to revise and extend his remarks.)

Mr. BROWN of Ohio. Mr. Speaker, as the gentleman from California [Mr. SISK] has so well explained, this resolution makes in order the consideration of H.R. 6196 with 4 hours of general debate and an open rule, subject to amendment in the Committee of the Whole, and final actions, of course, in the House.

Mr. Speaker, I believe that this is the time to look at facts and to look at the record, as Al Smith used to say, and find out just why we are here and where we are at the present moment and why we have this legislation before us.

Now, Mr. Speaker, the brutal truth is that this legislation is designed to pay a subsidy to cotton cloth manufacturers of the United States because we have had a rather peculiar and, in my opinion, a very foolish foreign trade policy in this country whereby we have sold our products, our cotton for instance, to foreign countries cheaper than we have sold such products to American manufacturers. Cotton cloth manufacturers in other parts of the world can buy American cot-

ton produced on American farms and subsidized by the American Government—the U.S. Government—at 8½ cents a pound less than American cotton textile manufacturers can buy it right here at home. Then, with cheap labor overseas they can manufacture cotton cloth and make it into garments in many instances, and under our so-called foreign trade policy, our Reciprocal Trade Agreements Act, and so forth, ship these goods to the United States and undersell the products of American factories and American labor.

Mr. Speaker, as a result of the foolish and I believe sinister program that we have had in connection with foreign trade, the cotton textile mills of this country face disaster and American workmen are out of jobs.

Also, Mr. Speaker, we see that cotton is shipped to this country from foreign lands, where under just as foolish a program of so-called aid we have shipped our cottonseed, our know-how, our ability to produce, our technical skills, to other countries such as Brazil, for instance, and to some of the Mediterranean countries, so that they can produce cotton there cheaper than we can produce it in the United States.

That has been done also at the expense of the American taxpayers.

What you see here today is just more chickens coming home to roost. What is the answer? The only answer that these planners have, and if I wanted to be abrupt and rough I might say the social climbers have, is to spend more money, to wring more money out of the American taxpayers, to spend more money to pay for the mistakes of judgment, the failure to use good, common-sense in the past in setting up some of these programs. So the proposal is here now that we pay subsidies to the cotton textile manufacturers of this country and perhaps—I do not know how under this bill, I cannot understand it myself—perhaps maintain cotton prices to the American farmer. Seemingly that will not be accomplished, if I read the measure correctly. Instead of doing the simple and sensible thing; that is, to put an old-fashioned tariff on the importation of cotton goods from abroad to protect American labor and American industry from unfair foreign competition, we have the proposal to pay subsidies to the cotton mill manufacturers.

Mr. COOLEY. Mr. Speaker, will the gentleman yield?

Mr. BROWN of Ohio. I yield to the gentleman from North Carolina.

Mr. COOLEY. During the previous administration, the textile industry of America made a very diligent and a very expensive effort to do just what the gentleman has suggested. That is, they went before the Tariff Commission.

Mr. BROWN of Ohio. I understand that.

Mr. COOLEY. And they lost.

Mr. BROWN of Ohio. And then again after a little trip through a rose garden recently. I know that also.

Mr. COOLEY. And they were rejected again. They went before the Office of Emergency Planning, and they were turned down. This legislation is the only avenue left.

Mr. BROWN of Ohio. Except the gentleman voted for the Reciprocal Trade Agreements Act and I did not.

Mr. COOLEY. The gentleman has the right to vote as he pleases.

Mr. BROWN of Ohio. But I thought I saw the danger at the time, and the gentleman wakes up at the last minute and sees the danger now. At this time he has another cure for it. The cure should have been a preventative one not to make a mistake.

Mr. COOLEY. It was your President who signed that bill in 1956.

Mr. BROWN of Ohio. I do not agree with my President all the time, and I would have a much higher respect for the gentleman if he did not agree with his President all the time. If you want to talk politics we can talk politics. I will take care of myself.

Mr. DENT. Mr. Speaker, will the gentleman yield?

Mr. BROWN of Ohio. I yield to the gentleman from Pennsylvania.

Mr. DENT. It has been suggested by the previous speaker that the Tariff Commission had rejected an appeal for a tariff regulation which would equalize costs. Is it not just as much the prerogative of this Congress to pass a bill today establishing a tariff rate equitable to American producers as it is to pass this bill?

Mr. BROWN of Ohio. Certainly, because we did the wrong thing in connection with the Reciprocal Trade Agreements Act, that is no reason why we should go further afield.

Mr. DENT. I object to the gentleman's counting me in on that.

Mr. BROWN of Ohio. The gentleman and I will stay out.

Mr. BELCHER. Mr. Speaker, will the gentleman yield?

Mr. BROWN of Ohio. I yield to the gentleman from Oklahoma.

Mr. BELCHER. There will be one difference, and that would be that the Japanese manufacturers would pay the tariff instead of the American taxpayers paying the subsidy. That would be the difference.

Mr. BROWN of Ohio. We must not do that because they would not like it. We have got to be sure that we keep a bright and shiny image abroad.

Let me refer to the bill for a minute, if I may. This bill is presumed—and I use the word "presumed" advisedly—to encourage the increased consumption of cotton, hence the income of cotton producers—I do not know about that—to provide a special research program designed to lower costs of production, and for other purposes. If we find any way of lowering the cost of production, we will export that immediately so that our neighbors to the south and to the east of us will get the benefit. Do not worry about that.

Here are the principal provisions of the bill, as I have tried to diagnose it or analyze it.

First, beginning with its enactment and running to July 31, 1967, the Secretary of Agriculture would make payments in kind to persons other than producers; that is, to the cotton textile mills, in an attempt to eliminate the

inequity of the cotton cost differential between domestic and foreign mills. That is the kernel, that is the nut right there, that is the whole question.

Until August 1, 1964, the payment rate would be at a level determined by the Secretary of Agriculture up to 8.5 cents, but presumably 5 cents a pound. From August 1, 1964, to July 31, 1967, the payment rate presumably would be about 6 cents a pound.

Second, the Secretary would be directed to conduct a special cotton research program to reduce production costs as soon as practicable. For this purpose, up to \$10 million annually would be authorized subject to the regular appropriations process.

Third, beginning with the 1965 crop of upland cotton, the Secretary would be directed to reduce the level of price support to reflect reductions, if any, in the cost of growing cotton. That would not increase the income of the farmer. It might maintain it, it is true, if it works out.

Fourth, for the 1964, 1965, and 1966 crops, the Secretary would be authorized to provide up to 10 percent additional price support on not over 15 bales of each farmer's production. That is the matter the gentleman from Missouri [Mr. JONES] mentioned a while ago. But the level of price support could not exceed that for the 1963 crop, presumably about 32.5 cents per pound for 15 bales and minimum of about 29.5 cents per pound for the balance of the crop in the year 1964.

In an effort to keep cotton supported at the higher level in normal channels of trade, the bill provides producer payments through the legal device of "simultaneous purchase and sale." You understand that one, I am sure. The Government sells with one hand and buys with one hand, and so forth. It must not let either hand know what the other is doing, of course.

Fifth, beginning August 1, 1964, the minimum Commodity Credit Corporation resale price would drop to 105 percent of the current loan, plus reasonable carrying charges. Present law restricts such sales at 115 percent of current support price plus reasonable carrying charges.

Sixth, at such time when the national acreage allotment reaches 17 million acres, one-half of the acreage in excess of 17 million acres would be allocated to increases in the regular acreage allotments of farmers. The other one-half would be earmarked for cotton farmers willing to produce additional cotton at world prices. We have to take care of the rest of the people, you know. This extra or overplant acreage would be up to 20 percent in addition to the regular farm allotment. There are your three stages at different prices for cotton. In order to produce this extra acreage for export, farmers would have to pay an extra "export marketing fee" equal to the current export subsidy. These collections would then be earmarked for paying export subsidies.

In spite of the remarks I have made, I have no objection to the adoption of this rule. Unless I change my mind

greatly in the next 4 hours, and I am sure the very distinguished linguist from North Carolina may be able to make me change my mind, but I doubt it, I do not expect to vote for the bill. I would be very happy to support a substitute measure that might be called old fashioned and also might be very realistic, and that would be to put a tariff on all foreign manufactured cotton textiles. This would bring in revenue to the Federal Treasury, would protect American industry, and would protect American labor from this unfair foreign competition that has been wrecking the cotton textile business in the United States and has been putting a great many thousands of people out of work. It would correct an inequity for which this Congress is just as responsible for as any President, regardless of what his politics or political affiliation might or might not have been in the past.

Mr. GROSS. Mr. Speaker, will the gentleman yield?

Mr. BROWN of Ohio. I yield to the gentleman.

Mr. GROSS. I ask if my friend, the gentleman from Ohio, knows of anything in the bill that will be of help or benefit to the poultry producers of this country who are getting it in the neck from the Common Market in Europe?

Mr. BROWN of Ohio. That is an entirely different problem, but it is a wonderful example that the Common Market was not set up, as so many people in America believe, for the benefit of Americans, but rather for the benefit of the Europeans who believe in and who belong to the Common Market.

Mr. Speaker, I reserve the balance of my time.

Mr. SISK. Mr. Speaker, I yield 5 minutes to the gentleman from North Carolina [Mr. WHITENER].

Mr. WHITENER. Mr. Speaker and Members of the House, it has been my privilege to have spoken on this subject on numerous occasions under special orders of the House. I think I have said about all that can be said on the subject. But I would like to again point out to the Members of the House that I represent the largest textile producing district in the United States. I also have within my congressional district the second largest cotton-producing county in the State of North Carolina.

I am convinced that this legislation is in the best interest of both of these groups. All of us are aware of the facts that have been brought out in the earlier discussion of the legislation. None of us can do anything about the errors of the past. But it seems to me that we as Representatives of the American people have an opportunity today and tomorrow to look forward to the future and to do something for the economy of our country.

In the State of North Carolina 227,000 people who earn their livelihoods at the machines in the textile plants are looking to Washington today because they are aware of the gravity of the decision which we will make. These people are hoping that the Congress will eliminate the iniquitous two-price cotton system which has been permitted to develop, as

has been well stated, by executive and legislative error, and by about every other kind of error that can be conceived by political parties on both sides of the aisle.

Mr. Speaker, it is my hope that this bill will do what the committee envisions it will do. In all candor I think it is regrettable that we are in a position of having to legislate in this manner. Had the Tariff Commission done what I believe the evidence dictated they should have done under the section 22 petition filed by the Secretary of Agriculture, we would not be concerned today about this textile import problem. But, unfortunately, by a vote of 3 to 2 the people of America lost that decision in the Tariff Commission to the foreigners who sat there in the room during those days of the hearings presenting evidence adverse to the people of this country. Without getting into the details, I say we should approve this legislation for those who earn their livelihoods in the textile industry and for those who work on the farm. We know from the record that in the last few years the cotton textile industry has been going downhill, resulting in the American cotton farmer dropping from 94 percent of the raw material used by our textile plants to 67 percent. And this will continue.

If we today fail to take up the cause of the cotton farmer and to protect his domestic market, we will have failed to serve his interest. The people of the Nation generally have a great stake in what we do, because the textile industry is the second largest employer of people of any industry that we have in America. To permit it further to be injured by these inequitable programs will not be to the best interests of the people of the Nation because of the disastrous effects that further retrocession will have on the economy generally.

So, as we approach this legislation, I hope we can do it without partisan considerations and without selfish local considerations. We must realize that the vote which we cast will be one that may well be the most important economic step we will take in this Congress. I say this because the textile industry is not just something which affects the people I am privileged to represent. It affects all of the people of the United States.

I know that you ladies and gentlemen of the House realize how important it is that we, as we legislate on this subject, bear in mind the opportunities that we have to serve the cause of America.

Mr. BROWN of Ohio. Mr. Speaker, I yield 10 minutes to the gentleman from Kansas [Mr. AVERY].

Mr. AVERY. Mr. Speaker, and Members of the House, I do not believe it necessary to address myself further to what is in the bill because I think it has already been fully described and explained to the Members present here today. I feel there is a greater need to talk about what is not in the bill than what is in the bill.

First, Mr. Speaker, I would like to point out that the committee upon which I have the honor of serving, the Committee on Rules, has been maligned in most of the Nation's press the last few days

for not passing out rules fast enough to accommodate certain interests; that we are called obstructionists and all of the other descriptive words that are acceptable in the public press. However, I would like to point out that here is a bill upon which we granted a rule on July 30, and for some reason that has not yet been explained—why this bill should only now be debated in the closing days of the 1st session of the 88th Congress here in the month of December.

I wonder why we are taking up a cotton bill today, with the very obvious neglect of a bigger industry, namely, the wheat industry. I have not been able to get an explanation from the gentleman from North Carolina on this procedure.

I think the statistics will reveal, Mr. Speaker, that there are about 850,000 cotton farmers—but there are 1.8 million wheat farmers. Yet suddenly it has been decided—and for what reason we have not yet been told—that there is now an emergency on cotton. Even though the bill has been before the House since July, we are told that there is an emergency now and we must take direct and positive action this afternoon to bail out the cotton industry. But yet nobody seems to be concerned with what is going to be the fate of the almost 2 million wheat farmers throughout the Middle West. If you want to talk politics a little bit, there was some discussion of politics, I believe, when my distinguished senior minority member of the Committee on Rules [Mr. BROWN] was addressing the House; there was some reference to politics between him and the distinguished chairman of the Agriculture Committee, the gentleman from North Carolina. As to the politics of this I am just a little undecided. I cannot come to a clear decision. Actually, politically I think it is better for the majority party just to keep on ignoring the wheat industry. I think that would work out very well. I think we, the minority, would do very well in 1964 in the Middle West if they continue to look the other way as apparently they have done for the last year.

But from a position of responsibly representing one of the largest industries in America I feel that those of us from the Middle West have no other choice than to plead with you this afternoon to give us some assurance that at least you will consider our problems and attempt to take some action, probably not this year, but when we come back in the 2d session of the 88th Congress.

Mr. COOLEY. Mr. Speaker, will the gentleman yield?

Mr. AVERY. I am delighted to yield to the distinguished gentleman from North Carolina.

Mr. COOLEY. Mr. Speaker, first I want to commend the very distinguished gentleman from Kansas and congratulate him on the great interest he has shown in the wheat producers of the Nation in all the years that I have known him here in the Congress. But he must be mindful of the fact that at least our committee has labored and did bring out a bill and provide a program. It was submitted to a referendum and the wheat farmers rejected it.

Let me say to the gentleman that we have not abandoned the wheat farmers.

I have had the wheat subcommittee working constantly, headed by the distinguished gentleman from Texas [Mr. PURCELL]. They have been holding hearings. We are aware of the fact that something must be done to relieve the desperate situation of the wheat farmers. I should like to conclude by saying that the wheat farmers must be willing to help themselves, as the cotton producers and producers of other commodities have indicated their willingness to help themselves in these nationwide programs. And before I close I would like to say to the gentleman that any time he wants to be heard—he has been in our committee room many times—I will provide him a forum to be heard before an interested audience.

Mr. AVERY. Mr. Speaker, I appreciate that. But let me continue by saying this. The gentleman referred to hearings that were held. Hearings were not held day after day and week after week. I have a copy of the hearings. There were 3 days of hearings held. Nineteen Members on this side of the aisle introduced an identical bill and they could not even get a report on it from the Secretary of Agriculture, whether he was for it or against it or whether he has even had the time to read it.

Mr. COOLEY. Mr. Speaker, I would be glad to send him a message this afternoon and ask him for a report.

Mr. AVERY. I think the gentleman will find that he has already had that request made of him.

Mr. COOLEY. I will be glad to get in touch with him by telephone, if that will help.

Mr. AVERY. Well, I think we are making some progress at this point. This is the first tangible progress we have made, if we can expect a report from the Secretary of Agriculture on a bill that 19 Members have introduced.

The Secretary, in a speech to the Future Farmers of America at Kansas City, Mo., on October 17, made the statement that at least four out of five farmers favor a wheat program. It would seem to me that there is more agreement there than we have on this cotton bill that we have before us this afternoon. I think every Member who has spoken on the cotton bill has offered a different point of view. They are either for it or against it or for it with certain changes. I submit that those of us who attempt to speak for the Middle West have reached at least a larger area of agreement than has the cotton industry with reference to cotton.

Mr. Speaker, I thank the gentleman from North Carolina for his contribution and I thank the Members of the House for their indulgence. May I conclude, Mr. Speaker, by saying merely that we are relying upon assurances that we have had this afternoon that the Committee on Agriculture with the commitment of the chairman today, will take expeditious action on wheat legislation when we reconvene in January. And that that legislation may also be brought to the floor of the House for debate and final disposition.

Mr. Speaker, we will abide by the judgment of the House, but at least, I submit

we have the right to be heard, as well as the 850,000 cotton farmers and the related industries that are being heard this afternoon.

Mr. SISK. Mr. Speaker, the gentleman from Ohio [Mr. BROWN] indicates that he has no further request for time. I have no further requests for time.

Therefore, Mr. Speaker, I move the previous question.

The previous question was ordered.

The SPEAKER. The question is on the resolution.

The resolution was agreed to.

A motion to reconsider was laid on the table.

Mr. COOLEY. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 6196) to encourage increased consumption of cotton, to maintain the income of cotton producers, to provide a special research program designed to lower costs of production, and for other purposes.

The SPEAKER. The question is on the motion offered by the gentleman from North Carolina.

Mr. GROSS. Mr. Speaker, I desire to raise a point of order against the consideration of the bill.

The SPEAKER. The gentleman will state his point of order.

Mr. GROSS. Mr. Speaker, I make the point of order that House Report 366, accompanying H.R. 6196, "a bill to encourage increased consumption of cotton, to maintain the income of cotton growers, to provide a special research program designed to lower costs of production, and for other purposes" does not comply with the requirements of clause (3) of rule XIII of the House of Representatives.

Clause (3) of rule XIII, the so-called Ramseyer rule, provides as follows:

3. Whenever a committee reports a bill or a joint resolution repealing or amending any statute or part thereof it shall include in its report or an accompanying document—

(1) The text of the statute or part thereof which is proposed to be repealed; and

(2) A comparative print of the part of the bill or joint resolution making the amendment and of the statute or part thereof proposed to be amended, showing by stricken-through type and italics, parallel columns, or other appropriate typographical devices the omissions and insertions proposed to be made.

In other words, a committee report must faithfully set forth among other things, changes in laws as provided in the accompanying bill, to comply with the Ramseyer rule.

Mr. Speaker, the committee report accompanying H.R. 6196, shows clearly near the bottom of page 25 the repeal of existing provisions of law dealing with feed grain price supports and acreage allotments. Specifically does it show repeal of section 330 of the Agricultural Adjustment Act of 1938, and section 105 of the Agricultural Act of 1949.

Nowhere in H.R. 6196 is there the slightest reference to section 330 of the Agricultural Adjustment Act of 1938.

Nowhere in H.R. 6196 is there the slightest reference to section 105 of the Agricultural Act of 1949.

Under paragraph 2, clause 3, of rule XIII it is stated that "under the rule the committee report on a bill amending existing law by the addition of a proviso should quote in full the section immediately preceding the proposed amendment."

In this connection I call the attention of the Chair to the language in the bill, H.R. 6196, page 2, line 22, section 3, which states that "section 104 of the Agricultural Act of 1949, as amended, is amended to read as follows" and it then sets forth a new research authority for upland cotton.

This amendment is to be found in *italic* in the middle of page 26 of the report and is subsequent to and therefore dependent upon wholly unrelated provisions of law for which there are no provisions for repeal in H.R. 6196.

Mr. Speaker, I reiterate my contention that H.R. 6196 does not repeal and does not even seek to repeal section 330 of the Agricultural Adjustment Act of 1938, as amended, and section 105 of the Agricultural Act of 1949, as amended; that therefore House Report No. 366, showing repeal of these provisions, is not in compliance with clause 3 of rule XIII.

I respectfully ask that the point of order be sustained.

The SPEAKER. Does the gentleman from North Carolina [Mr. COOLEY] desire to be heard?

Mr. COOLEY. I do, Mr. Speaker.

The SPEAKER. The Chair will hear the gentleman.

Mr. COOLEY. Mr. Speaker, I call attention to page 22 of the report, and I read from that, as follows:

CHANGES IN EXISTING LAW

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill are shown as follows: existing law proposed to be omitted is enclosed in black brackets, new matter is printed in *italic*, and existing law in which no change is proposed is shown in roman.

If the gentleman from Iowa will read the report I think he will find that his objections are not meritorious. He referred to section 330 on one occasion in his speech. On page 25, near the bottom of the page, he will find this language:

SEC. 104. Not later than December 15, 1958, the Secretary shall conduct a referendum of producers of corn—

And so forth. That whole paragraph deals with section 104.

Mr. GROSS. Mr. Speaker, will the gentleman yield?

Mr. COOLEY. I yield to the gentleman from Iowa.

Mr. GROSS. Will the gentleman be kind enough to point out to the Chair that both sections 330 and 105 to be found on page 25 are bracketed as being repealed.

Mr. COOLEY. I just pointed out 330 is bracketed in black.

Mr. GROSS. Will the gentleman advise the Chair wherein in this bill, H.R. 6196, there is to be found any reference whatever to either of these two sections?

Mr. COOLEY. Section 104 embodies section 330 the gentleman has referred

to. He will note that section 330 is in quotations. This is because it was a part of section 104, which is rewritten in this bill.

Mr. GROSS. What the gentleman is saying is that H.R. 6196 does repeal the feed grain and acreage allotment provisions of existing law?

Mr. COOLEY. That was repealed by the referendum provided for in section 104.

I submit, Mr. Speaker, this does comply with the Ramseyer rule just as meticulously as it could apply. I am surprised the gentleman from Iowa has submitted a point of order, because the very sections that the gentleman named are referred to in this Ramseyer rewrite of existing law.

I submit that the point of order should not be sustained, but should be overruled.

Mr. FINDLEY. Mr. Speaker, may I be heard?

The SPEAKER. The Chair will hear the gentleman.

Mr. FINDLEY. Mr. Speaker, I desire to be heard on this because I consider it a very important piece of legislation and a very important point of order.

As the gentleman from Iowa has mentioned, the report on pages 25 and 26 purports to show the repeal of several provisions of law dealing with feed grain price supports and acreage allotments.

This apparently reflects the language on page 2, line 22, in section 3 of H.R. 6196 which states that "section 104 of Agricultural Act of 1949, as amended, is amended to read as follows." and then sets forth a new research authority for upland cotton.

Section 104 of the Agricultural Act of 1949, as amended, was added by section 201 of the Agricultural Act of 1958—Public Law 85-835, approved August 28, 1958. Section 201 of the Agricultural Act of 1958 provided as follows:

REFERENDUM

SEC. 201. Title I of the Agricultural Act of 1949, as amended, is further amended by adding at the end of such title the following:

"SEC. 104. (a) Not later than December 15, 1958, the Secretary shall conduct a referendum of producers of corn in 1958 in the commercial corn-producing area for 1958 to determine whether such producers favor a price support program as provided in subsection (b) of this section for the 1959 and subsequent crops in lieu of acreage allotments as provided in the Agricultural Adjustment Act of 1938, as amended, and price support as provided in section 101 of the Agricultural Act of 1949, as amended.

"(b) Notwithstanding any other provision of law, if less than a majority of the producers voting in the referendum conducted pursuant to subsection (a) hereof favor a price support program as provided in this subsection (b), the following provisions of law shall become inoperative:

"DISCONTINUANCE OF ACREAGE ALLOTMENTS ON CORN

"(1) The Agricultural Adjustment Act of 1938, as amended, is amended by adding the following new section:

"SEC. 330. Notwithstanding any other provision of law, acreage allotments and a commercial corn-producing area shall not be established for the 1959 and subsequent crops of corn."

"PRICE SUPPORT

"(2) The Agricultural Act of 1949, as amended, is amended by adding the following new section:

"SEC. 105. (a) Notwithstanding the provisions of section 101 of this Act, beginning with the 1959 crop, price support shall be made available to producers for each crop of corn at 90 per centum of the average price received, by farmers during the three calendar years immediately preceding the calendar year in which the marketing year for such crop begins, adjusted to offset the effect on such price of any abnormal quantities of low-grade corn marketed during any of such year: *Provided*, That the level of price support for any crop of corn shall not be less than 65 per centum of the parity price therefor.

"(b) Beginning with the 1959 crop, price support shall be made available to producers for each crop of oats, rye, barley, and grain sorghums at such level of the parity price therefor as the Secretary of Agriculture determines is fair and reasonable in relation to the level at which price support is made available for corn, taking into consideration the feeding value of such commodity in relation to corn, and the other factors set forth in section 401(b) hereof."

"(3) Section 101(d) (4) of the Agricultural Act of 1949, as amended, is repealed effective with the 1959 crop."

Please note that this section 104(b) stated that if a majority of corn farmers voting in a producer referendum did not favor the price program set out in subparagraphs (1) and (2) then these subparagraphs (1) and (2) would become inoperative.

In the fall of 1958 a corn referendum was conducted by the Department of Agriculture. In that referendum a majority of farmers did favor the program set out in subparagraphs (1) and (2). Therefore, these subparagraphs (1) and (2) did become operative beginning with the 1959 crop.

As you will note, subparagraph (1) contains an amendment to the Agricultural Adjustment Act of 1938 adding a new section 330 prohibiting the Secretary from establishing acreage allotments and a commercial corn-producing area for the 1959 and subsequent crops of corn. This provision is still in effect today.

As you will further note, subparagraph (2) set up a new price support formula for corn and other feed grains (related to market average). That section remained in effect for the 1959 and 1960 crops.

As further evidence of the fact that these provisions became operative in the original version of section 104, Congress on four subsequent occasions has amended section 105 of the 1949 act.

Public Law 87-5, approved March 22, 1961, established a special feed grain program for the 1961 crop. This statute added new subsections (c) (1) and (2) to section 105 of the Agricultural Act of 1949 dealing exclusively with price supports on the 1961 crop of feed grains.

Public Law 87-128, approved August 8, 1961, added new subsections (3) and (4) to section 105 of the Agricultural Act of 1949 dealing exclusively with price supports on the 1962 crop of feed grains.

Public Law 87-703, approved September 22, 1962, repealed section 105(a) of the Agricultural Act of 1949 as originally enacted and established a new and permanent price support authority—at 50 to 90 percent of parity—for corn beginning with the 1964 crop and at the same time added new subsections (c) (5) and

(6) to section 105 dealing exclusively with price supports on the 1963 crop of feed grains.

Public Law 88-26, approved May 20, 1963, added a proviso to section 105(a) of the Agricultural Act of 1949 applicable to the level of price support for feed grains if an acreage diversion program is in effect for the 1964 and 1965 crops of feed grains. This statute also added a new subsection (d) to section 105 dealing with price supports on the 1964 and 1965 crops of feed grains.

Public Law 88-26 does not contain statutory authority for the Secretary to require compliance by farmers with any acreage limitations as a condition of eligibility for price support beyond the 1965 crop. After the 1965 crop, section 330 of the Agricultural Adjustment Act of 1938 which specifically prohibits acreage allotments and a commercial corn-producing area will apply.

Mr. Speaker, I contend that the "Ramseyer" in House Report No. 366 is in error because it shows a repeal of both section 330 of the Agricultural Adjustment Act of 1938 and section 105 of the Agricultural Act of 1949.

Nowhere in H.R. 6196 is there any reference to section 330 of the Agricultural Adjustment Act of 1938.

Nowhere in this bill is there any reference to section 105 of the Agricultural Act of 1949.

Nowhere in this bill is there any reference to section 201 of the Agricultural Act of 1958.

The only way that the Ramseyer rule can be held to have been met is to sustain as a matter of law that the bill, H.R. 6196, repeals these two provisions which automatically became operative as the result of a farmer referendum in the fall of 1958.

To sustain the validity of the argument that section 3 of H.R. 6196 actually does repeal section 330 of the 1938 act and section 105 of the 1949 act would ignore the fact that Congress on four separate occasions since 1958 has specifically amended and changed section 105 of the 1949 act. In Public Laws 87-5, 87-128, 87-703, and 88-26.

To sustain the validity of this cotton bill report which shows the repeal of these important feed grain laws would be to also sustain as a matter of law that the repeal of an enabling statute enacting substantive law subject to a subsequent contingency which actually occurred repeals not only the enabling statute but also the substantive law which became operative as a result of that contingency. I know of no legal precedent for such a concept.

In conclusion, Mr. Speaker, let me state that I hesitate to raise a procedural point against a bill of this magnitude and importance, but I would be derelict in my duty to feed grain farmers if I do not. If it is ruled that the report is in compliance with rule XIII and H.R. 6196 actually repeals the prohibition against establishing acreage allotments on corn, feed grain farmers will be faced with these controls in 1966. If it is held that this bill also repeals section 105 of the Agricultural Act of 1949, price support

for the current crop of feed grains, as well as for the 1964 and 1965 crops, will be repealed.

Mr. COOLEY. Mr. Speaker—

The SPEAKER. Does the gentleman from North Carolina desire to be heard further on the point of order?

Mr. COOLEY. Yes, I do, Mr. Speaker.

I want to make just one additional observation. I think the Speaker of the House and the Parliamentarian will find that all changes in existing law have been shown in our report under the Ramseyer rule. The rule does not say that you cannot have something else in the report which might be surplus and which might not be needed. But if you will look at section 104 on page 25 that is a strict compliance with the Ramseyer rule insofar as this legislation is concerned.

The reference to section 330, I think, is irrelevant and immaterial and is not even needed, perhaps, in this report. But we believe this is a meticulous compliance with the Ramseyer rule and we ask that the point of order be overruled.

The SPEAKER. The Chair is prepared to rule.

The Chair has listened to the statements made by the gentleman from Iowa, the gentleman from Illinois and the gentleman from North Carolina on a very interesting point of order and question.

During the discussion the Chair has had the opportunity to study the report of the committee as well as the bill as comprehensively as was possible for the Chair to do so in light of the fact that the Chair had no advance knowledge that the point of order was going to be raised. The Chair does not make that observation, of course, to convey any impression that the Chair should have been advised in advance.

It is the opinion of the Chair that the report of the committee complies with the Ramseyer rule, the purpose of which is to give Members information in relation to any change in existing law.

If a report includes some other references to other laws which in a sense would be surplusage or unnecessary, it is the Chair's opinion that the committee was attempting to give to the Members of the House as full information as was possible.

The Chair rules that the report does comply with the Ramseyer rule, and the point of order is overruled.

PARLIAMENTARY INQUIRY

Mr. FINDLEY. Mr. Speaker—

The SPEAKER. For what purpose does the gentleman from Illinois rise?

Mr. FINDLEY. To propound a parliamentary inquiry, Mr. Speaker.

The SPEAKER. The gentleman will state the parliamentary inquiry.

Mr. FINDLEY. I am not clear about the substantive effect of the ruling of the Chair at this time. Does it mean that section 105 of the 1949 act and section 330 of the 1938 act are repealed by this bill?

The SPEAKER. The Chair did not pass on that. The Chair simply said that they were included in the report.

Mr. DOLE. Mr. Speaker—

The SPEAKER. For what purpose does the gentleman from Kansas rise?

Mr. DOLE. To propound a parliamentary inquiry, Mr. Speaker.

The SPEAKER. The gentleman will state the parliamentary inquiry.

Mr. DOLE. Based on the decision of the Chair, is it proper now or in order to offer amendments to section 330 and section 105?

The SPEAKER. Not at this time.

Mr. DOLE. But the amendment would be proper at the proper time?

The SPEAKER. At the proper time in the Committee of the Whole, if the gentleman desires to offer an amendment he may do so.

The question is on the motion offered by the gentleman from North Carolina [Mr. COOLEY].

The motion was agreed to.

IN THE COMMITTEE OF THE WHOLE

Accordingly, the House resolved itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 6196) to encourage increased consumption of cotton, to maintain the income of cotton producers, to provide a special research program designed to lower costs of production, and for other purposes, with Mr. ROONEY of New York in the chair.

The Clerk read the title of the bill.

By unanimous consent, the first reading of the bill was dispensed with.

The CHAIRMAN. Under the rule, the gentleman from North Carolina [Mr. COOLEY] will be recognized for 2 hours, and the gentleman from Iowa [Mr. HOEVEN] will be recognized for 2 hours.

The Chair recognizes the gentleman from North Carolina [Mr. COOLEY].

Mr. COOLEY. Mr. Chairman, I yield myself 5 minutes.

Mr. Chairman, I have served on the Committee on Agriculture for almost 30 years and have participated in the preparation and passage of many laws which have gone into the making of what we have considered to be a well rounded farm program.

I do not believe that at any time during the long period I have served on the committee has any bill received more consideration over a longer period of time than H.R. 6196, the cotton bill which we are now presenting for your consideration.

We actually started the work on this bill and the problems involved about 12 months ago, and this legislation has been constantly under consideration.

Mr. Chairman, H.R. 6196 is a bill to revitalize the American cotton textile industry. It is a bill national in its scope. It is a unique piece of farm legislation, in that perhaps no other farm bill ever considered by the Congress embraced more widely distributed benefits for American consumers, and for so many workers in factories, as well as for farmers and their families.

This bill came from our Committee on Agriculture with the support of our late beloved President, John F. Kennedy. It is recommended unreservedly by the administration of his able successor, President Lyndon B. Johnson.

CONSUMERS, WORKERS, FARMERS

Mr. Chairman, the greatest benefactor under this legislation will be the Amer-

ican consumer. Americans will enjoy lower prices for American-made cotton goods, at savings estimated at more than \$500 million a year.

This bill will forestall and prevent the ruin of the cotton industry in which more than 10 million Americans are associated in the production of cotton on the farms, in ginning, marketing, transporting, milling, and in the manufacture and merchandising of cotton goods.

This legislation will protect the livelihood of the millions of people who work with cotton.

COTTON ECONOMY IN JEOPARDY

The economic structure of the American cotton industry now is in jeopardy, due to the price that American mills must pay for cotton—a price that is one-third higher than the world price for cotton. American cotton is assailed, and is losing ground, on two fronts:

First. A flood of low-priced textiles is flowing in from abroad, displacing the goods produced by our own workers and demoralizing the domestic markets for our textile industry. Foreign mills enjoy a great advantage in our markets, in that under our export subsidy program they are able to buy American cotton much cheaper than the same cotton may be obtained by domestic mills. The Tariff Commission has denied a request for relief through an import fee that would equalize the price of raw cotton in foreign and domestically produced goods.

Second. Synthetic fibers—principally rayon—make devastating inroads into markets where cotton never before has been seriously challenged. Rayon imitates cotton and, because it is much cheaper, this synthetic is mixed with cotton or substituted for cotton in goods offered to consumers.

TO END TWO-PRICE SYSTEM

H.R. 6196 will end the two-price system for cotton. It will enable domestic mills to buy American cotton at the world price of cotton. The world price now is 8½ cents per pound below the current American price support level of 32.47 cents per pound.

This will enable American mills to compete more fairly with foreign mills, in the American cotton goods markets.

This will enable cotton to compete more fairly with synthetic fibers.

This will forestall the deterioration of the farmers' markets for cotton which now threatens severe reductions in our cotton acreage. It will enable our farmers to hold on to their markets for cotton, and to expand these markets.

Mr. Chairman, it is true that some additional expenditures in the cotton program are involved here. The Department of Agriculture estimates that the 3-year program embraced in this bill will cost in 1964 around \$118,200,000 more than expenditures if the present program continues, \$87,900,000 more than the present program in 1965 and \$44 million more than the present program in 1966.

But these are modest expenditures, indeed, when we consider that the expected savings to consumers and users of cotton goods will amount to over one-half billion dollars a year, that the live-

lihoods of many thousands of millworkers will be protected, and that cotton farmers may benefit from the revitalizing of their markets.

SUMMARY OF BILL

Mr. Chairman, I now will give the House a brief summary of this bill which holds so much promise for so many people:

First. Beginning with the date of enactment until July 31, 1967, the Secretary of Agriculture would be directed to make payments in kind to persons other than producers to eliminate the inequity of the cotton cost differential between domestic and foreign mills. Until August 1, 1964, payments would be at a level determined by the Secretary. From August 1, 1964, to July 31, 1967, the rate would be the amount necessary to make cotton available to domestic mills at a price not in excess of that for which it is made available for export. American mills would get American cotton at the world price for cotton.

Second. The Secretary is directed to conduct a special cotton research program to reduce production costs as soon as practicable. For this purpose, an appropriation of up to \$10 million annually is authorized.

Third. The bill as reported by the committee directs the Secretary, beginning with the 1965 crop, to make such reductions in the level of price support as will reflect reductions in the cost of producing cotton. An amendment subsequently approved by the committee establishes the general level of price support for 1964 at 30 cents per pound for Middling 1-inch cotton, a reduction of about 2½ cents per pound from the 1963 level. It further provides that the general level of support for 1965 would be 29½ cents per pound, and for 1966, 29 cents.

Fourth. For the 1964, 1965, and 1966 crops, the Secretary is authorized to provide price support at up to 10 percent above the basic loan level established for the remainder of the crop on not more than 15 bales of each farmer's production, but such higher level of support could not exceed 32.47 cents per pound, the same as that for the 1963 crop.

Fifth. Beginning August 1, 1964, CCC may sell upland cotton at not less than 105 percent of the basic loan rate plus reasonable carrying charges, instead of 115 percent of the loan, as presently required.

Sixth. For the 1964, 1965, and 1966 crops, if the acreage allotment exceeds 17 million acres, the amount of the excess would be equally divided: One-half to be distributed among base allotments, and one-half to farmers who want to overplant their allotments by up to 20 percent. The production from the overplanted acreage must be sold at world prices.

WHY THIS BILL IS NEEDED

Mr. Chairman, H.R. 6196, although it bears my name, represents the combined efforts of the administration of John F. Kennedy, the members of our Committee on Agriculture, and the cotton industry generally. I would like to review briefly

why this bill is needed and something of its history.

As an aftermath of the Korean conflict, when the price of cotton rose sharply, foreign production of cotton increased. As a result, U.S. exports began falling, and by 1955-56 were down to 2.2 million bales, the lowest level since 1871 except for the period during World War II, when cotton production was disrupted throughout the world. In order to save our export markets, Congress enacted the cotton export program in 1956.

While that program has been generally successful insofar as cotton exports are concerned, it has created a downward pressure on the use of cotton in this country. Under this program, cotton has been made available to foreign mills at world market prices substantially less than those which American users are required to pay. Knowing this would be the result, the American textile industry nevertheless supported this program. But it did so with the understanding that action would be taken to offset its cotton cost disadvantage. Unfortunately, this has not been done. Principally as a result of the cotton cost advantage enjoyed by foreign mills, imports have almost quadrupled since the export program started.

On three occasions, the industry has appealed for action through the Tariff Commission under section 22 of the Agricultural Adjustment Act of 1933, as amended. Each time, relief has been denied. An effort has been made to obtain action under the national security clause of the Trade Agreements Act without success. In short, the industry has exhausted administrative remedies available to it.

Under leave to extend my remarks, I will include at this point a statement setting forth in detail the industry's efforts to meet the problem of imports.

INDUSTRY EFFORTS TO OBTAIN RESTRAINTS ON COTTON TEXTILE IMPORTS

First. In 1955, the then American Cotton Manufacturers Institute petitioned the Secretary of Agriculture for action under section 22 of the Agricultural Adjustment Act to impose quotas on imports of cotton textiles at 150 percent of the 1953-54 average of such imports. The petition was turned down by the U.S. Department of Agriculture in February 1956.

Second. In 1956, an amendment, including import quotas on cotton textiles, was offered by Senator RUSSELL to the farm bill (H.R. 12), but was defeated by a vote of 33 to 57. During the same year, the Senate rejected two proposed import quota amendments to the foreign aid bill. An amendment offered by Senator Young to limit imports of surplus agricultural commodities and their products not covered by a section 22 quota was beaten 43 to 45. Another amendment applicable only to cotton textiles offered by Senator JOHNSTON was turned down 36 to 52. Included in the Agricultural Act of 1956 was section 204, authorizing the President to negotiate with foreign countries to limit imports.

Third. Negotiations, aimed at limiting imports from Japan, which at that time accounted for the largest volume of cot-

ton textile exports to the United States, began in 1956. In 1957, they culminated in a 5-year plan for voluntary control of Japanese exports of cotton textiles to the United States.

Fourth. In 1959, the industry asked the Secretary of Agriculture to seek a Tariff Commission hearing under section 22 to obtain relief from imports. The President asked that the case be limited to the effect of imports on the cotton export program. The Tariff Commission turned down the industry's request.

Fifth. In May 1961, the American Textile Manufacturers Institute, together with numerous other interested textile groups, initiated action with the Office of Emergency Planning under the national security clause of the Trade Agreements Act seeking a determination that the cotton textile industry is both essential to national defense and jeopardized by imports. Under the authority of the national security clause, the President may impose import controls to protect an industry if the above criteria are met. The record in the case was closed in October 1961. No decision has thus far been announced.

Sixth. The long-and short-term Geneva agreements were negotiated in 1961 and 1962. Enforcement of the agreements has been rendered virtually impossible because of the cotton cost advantage held by foreign mills.

Seventh. The Department of Agriculture sought Tariff Commission action to limit imports under section 22 again in November 1961. The President widened the scope of the investigation by extending it to cover the effect of imports on all U.S. cotton programs, but the Tariff Commission in September 1962, once more ruled against relief.

Eighth. Development of legislation to remove the inequity of the two-price cotton program began at President Kennedy's direction in late 1962, following the adverse decision of the Tariff Commission. The result is H.R. 6196.

PRESIDENT KENNEDY URGED ACTION

On February 16, 1961, less than a month after taking office, President Kennedy established a Cabinet Committee, headed by the Secretary of Commerce, to make a study of the problems facing the textile industry. On May 2, he announced a program of assistance to the textile industry consisting of 7 points. Point 4 is as follows:

I have directed the Department of Agriculture to explore and make recommendations to eliminate or offset the cost to U.S. mills of the adverse differential in raw cotton costs between domestic and foreign textile producers.

On November 13, 1961, the Secretary of Agriculture recommended that the President request the Tariff Commission to make an immediate investigation of the cotton textile import situation pursuant to section 22. On November 21, 1961, the President requested the Commission to conduct such an investigation. Although the Commission completed its hearings on February 23, 1962, it was not until September 6, 1962, that its recommendation against action under section 22 was announced.

On the same day the Tariff Commission made its recommendations, President Kennedy issued a statement on cotton in which he said that a solution must be found to the two-price system, which he described as an "inequity" and a "unique burden upon the American textile industry." The President stated that:

Early in the next session of Congress I shall recommend legislation designed to remove the inequity created by the present two-price cotton system.

In order to cope with the cotton problem, President Kennedy in his message to the Congress of January 31, 1963, stated:

I urge that the Congress give early consideration to cotton legislation that will make this important fiber more competitive and help it recapture its markets. Ideally it should be signed into law before the end of February and made applicable to the planting of the 1963 crop.

President Kennedy recommended that the new law include payments to reduce the cost of cotton to domestic mills so as to eliminate the inequity of the present two-price system and to strengthen cotton's competitive position. In addition, he asked that authority be granted for producers to exceed their allotments with the excess to be sold at the world price. The President also recognized the importance of research to reduce the cost of producing cotton in the United States as a means of strengthening the cotton industry.

BRIEF HISTORY OF BILL

In anticipation of this message, I introduced H.R. 2000 on January 17, 1963. This bill would have completely eliminated the cotton cost difference to the American mills to better enable cotton to meet its price competition by making it available to them at the same price it is made available for export. In an effort to get legislation as early as possible, hearings began in December 1962 and were concluded the first of February 1963. At the conclusion of the hearings, it was clear that disagreement existed among certain segments of the cotton industry, and with the administration, with respect to some very important parts of the proposed cotton program.

I then brought together a small group representing cotton farmers from across the Cotton Belt in an effort to obtain agreement on a bill. After almost 4 months of negotiation, agreement was reached and I introduced H.R. 6196. That bill had the support of virtually the entire cotton industry and the administration.

Then we began a series of conferences with our friends on the other side of the aisle in an effort to obtain their support. Agreement was reached on a change in the bill which will permit many of them to support it. So today, I am pleased to tell the House that we bring to you a bill which was developed during the administration of John F. Kennedy and which has the blessing of President Johnson, and which enjoys support on both sides of the aisle of the House.

WHAT HAS HAPPENED TO COTTON

That we urgently need to enact H.R. 6196 at the earliest possible moment is

clearly shown in the following thumbnail sketch of what has been happening to cotton.

In the 2 years ending July 31, 1963:

First. Cotton has suffered a direct competitive loss to competing fibers of about 1½ million bales.

Second. Exports have dropped from 6.6 to 3.3 million bales.

Third. Imports of cotton in the form of textiles are up from 414,000 to 645,000 bales.

Fourth. The national acreage allotment has been cut from 18.5 million to 16.2 million acres—the statutory minimum.

Fifth. Stocks of cotton on hand in the United States increased from 7.2 to 11.2 million bales—by August 1, 1964, stocks will likely be almost 13 million bales.

Sixth. CCC cotton stocks increased from 1.5 to 8.2 million bales—by August 1, 1964, CCC will likely own 10 million bales.

Seventh. Annual storage and handling charges on Government cotton have increased from about \$25 million to about \$75 million—by August 1, 1964, they will be about \$83 million.

Eighth. The Treasury spent about \$1 billion acquiring surplus cotton—during the year ending July 31, 1964, about \$¼ billion additional will be spent by Treasury acquiring surplus cotton.

Ninth. Government investments in cotton stocks have gone up from about \$300 million to about \$1¼ billion—by July 31, 1964, investment will likely be \$1½ billion.

What will H.R. 6196 do to correct this situation? It will make cotton available to American mills at the same price it is made available for export to foreign mills. It is beyond me to see how any fair-minded person could possibly object to giving the same treatment to an American industry which we accord its foreign counterpart. It is absolutely impossible for an American mill to meet the competition of foreign-made goods when it is forced by its Government to pay one-third more for its raw material on top of a substantially higher wage scale and it is absolutely impossible for U.S. farmers to produce cotton at world market prices. These are the two horns of the dilemma.

Laws, which the Congress of the United States passed, have created what President Kennedy so aptly called this "unique burden." He asked for the elimination of the grossly unfair cost disadvantage which has been legislated on this American industry. H.R. 6196 would do away with the cotton cost difference between United States and foreign textile producers.

SUBSIDY TALK IS NONSENSE

I have heard this described as a subsidy to the textile industry. This is utter nonsense. Such a charge is completely irresponsible. This is a bill that, while entailing great benefits to consumers and producers of cotton, will protect the hundreds of thousands of jobs which are in the textile industry and in those businesses dependent upon the textile industry for their raw material—cotton fabrics.

After fabric is made in a textile mill, it goes through a series of processes which involve dyeing, bleaching, finishing, cutting the cloth, and making the apparel. In addition, many people are involved in the merchandising and sale of those products to the consumers. These are the jobs that are in jeopardy. These people live in highly concentrated areas of our country, where fabrics are merchandised. Misleading statements have appeared in the CONGRESSIONAL RECORD purporting to show how much money some of the larger firms would receive. The term "windfall" has been used to describe the elimination of this cotton cost difference.

A PRIVATE STUDY

Mr. Chairman, a private research firm conducted a study of the relationship of the price of cotton to the price of cloth. Its findings are on pages 8, 9, and 10 of the committee report. I urge the Members of the House to read it all. Over a period of 38 years—including war and peace—depression and prosperity—cotton cloth prices have gone up and down with raw cotton prices. Let me read to you just two sentences from the report:

As compared with almost any other industry, the intimate relationship between the price of the principal raw material and the price of the finished product in the cotton textile industry, as demonstrated by the correlation above, is most unusual and remarkable. When consideration is given to the long span covered, the varying political and economic conditions during this time period, the great and minor depressions, the two wars and the two postwar periods, this record verges upon the unbelievable.

Certainly those of us who believe in the private, competitive, free enterprise system will agree that competition among the 5,000 companies which manufacture textiles in the United States will force an immediate and comparable reduction in cotton cloth prices when the price those companies pay for cotton is reduced.

Any person who says the textile industry will be subsidized or receive a "windfall" under H.R. 6196 either does not know the facts or refuses to accept them.

COTTON MORE COMPETITIVE—AT HOME AND ABROAD

When U.S. mills are able to obtain cotton at the price at which it is sold for export to foreign competitors you will see a reversal in the continued upward trend in imports of textiles. It will come in those types of textiles where the cotton cost represents a large part of the cost of the goods.

Another important effect will be to make cotton more competitive. This will expand the consumption of cotton here at home and bring about a reduction in Government cotton stocks. CCC will no longer have to spend money acquiring surplus cotton. Unless this happens, we will be forced to reduce the present minimum cotton acreage allotment. No one wants to see this done. Mr. Chairman, to my friends in the cities, let me say that a further cut in cotton acreage will mean that farmers will not buy as many tractors and other farm machinery, nor as much gas, oil, tires, batteries, et cetera. They will not need as much chemicals

for control of insects. In short, lower cotton acreage will mean fewer jobs and unemployment in the cities.

MIDWEST INTEREST

To my friends in the Midwest, let me say that you have a very direct interest in a healthy cotton economy. The acreage now devoted to cotton is much of the most highly productive land in the United States. Whereas your climate will not permit you to grow cotton, the climate in the cotton area is such that we can grow grain, soybeans, grass, and other things which you produce. If we let the cotton situation continue to deteriorate requiring a reduction in cotton acreage, certainly land taken out of cotton will go into other crops, most of which are already in surplus. I do not think I need to elaborate further on this point. But this is what will surely happen if we do not enact H.R. 6196.

RESEARCH

There is another very important provision in this bill. It directs the Secretary of Agriculture to conduct a special cotton research program designed to reduce the cost of producing cotton at the earliest practicable date and to lower the price support on cotton as production costs are lowered. As a cotton farmer, I can tell you from personal experience that production costs can be reduced very substantially if we had the know-how. It takes a great deal more research to find the answers to the problems of losses and costs attributed to insects, diseases, and weeds to cite examples of cost-cutting possibilities.

As these costs are reduced, an accompanying reduction in price supports is mandatory. This will further reduce the Government's cost. It is highly probable that in a reasonable time, we can reduce costs to the point where the cotton program will not cost the taxpayers a dime.

Mr. Chairman, as I have said, the problems have been considered for many, many months. This bill is supported by our former beloved President, by his Secretary of Agriculture, his Secretary of Commerce, his Secretary of Labor. It is supported by the National Cotton Council which is the organization of the cotton industry, consisting of cotton producers, cotton ginner, cotton warehousemen, cottonseed crushers, cotton merchants, cotton spinners. I think it is supported as it was reported by the committee by the National Grange. It is supported by the AFL-CIO Textile Workers Union of America and other major labor organizations.

The fact of the business is I do not know of any segment of the cotton industry that is opposed to this bill.

Involved in this legislation perhaps is the future welfare of the New York Cotton Exchange and the New Orleans Cotton Exchange. I am sure this bill is supported by cotton buyers, cotton merchants, and cotton exporters.

My friend, the gentleman from Ohio [Mr. BROWN] suggested a while ago that we should do it by the tariff. You know and I know that that cannot be done. This administration, the prior administration, and I suppose the next adminis-

tration all have or will advocate the lowering of trade barriers and removing obstacles to international trade, instead of raising trade barriers and isolating ourselves from other areas. Particularly is that true when we contemplate the Common Market. How can we ask for fair and reasonable treatment in the Common Market countries if we here start raising tariffs? Perhaps you will say, "Why don't we do it some other way?" There is another way and that is by direct compensatory payments. I am willing to take that way out. I would prefer it. But I know that such legislation cannot be passed by this Congress.

The American cotton textile industry reaches from Boston to Houston. All over this country, from the east coast to the west coast, people are interested in cotton.

Now, Mr. Chairman, this is our last chance. We either pass the bill at this session of Congress or, perhaps, we will never pass a bill and the entire cotton textile industry will be demoralized.

The CHAIRMAN. The time of the gentleman from North Carolina has expired.

Mr. COOLEY. Mr. Chairman, I yield myself 5 additional minutes.

Mr. Chairman, I took with me some of the members of the House Committee on Agriculture down to the textile areas of the South. We saw the mills in operation. One of the leading textile industry men picked up a ball of yarn and he turned to us and said, "I can import this yarn from Hong Kong or Pakistan or Portugal or some other foreign country, and up to this point I can make money. I will have to fire, or I can fire, and discharge 12,000 textile workers."

I am interested in this bill not only because I am interested in the producers of cotton. In North Carolina we have more textile workers than any State in this Union, as pointed out here a moment ago by my friend, the gentleman from North Carolina [Mr. WHITENER], who lives in one of the great textile areas of our State. In the neighborhood of 230,000 North Carolina workers are involved here in this legislation. I want to save their jobs. I want to save the cotton industry.

Now, Mr. Chairman, a moment ago I did not mean to be partisan in talking to the gentleman from Ohio [Mr. BROWN]. However, the gentleman was talking about the tariff and denounced this whole program. I merely reminded the gentleman of the fact that the bill that made the two-price cotton system possible was signed by President Eisenhower. I was not trying to be partisan about it. The Tariff Commission under President Kennedy did not give us any better treatment than the Tariff Commission gave us under President Eisenhower. But the fact remains, how can you vote to continue a program—and the program will continue unless we enact legislation—that gives to foreign mills a \$42.50-per-bale advantage over the domestic mills?

Mr. GROSS. Mr. Chairman, will the gentleman yield?

Mr. COOLEY. I yield to the gentleman from Iowa.

Mr. GROSS. I thank the gentleman for yielding.

A few moments ago the gentleman spoke of past administrations. Does this bill have the blessing of the present President of the United States?

Mr. COOLEY. I will say this to the gentleman: I met in the Speaker's office a short while ago and I asked that very question. I said, "Now, Mr. Speaker, I will tell you now, speaking for my committee, I shall not insist upon the consideration of this cotton bill until I know the views of the President."

Within 3 minutes he had the President on the telephone, discussed it with him, and told him about the meeting. We were assured that we would have his 100-percent support for this cotton bill.

Mr. GROSS. Well, I am not surprised, I will say to the gentleman.

Mr. COOLEY. What is that?

Mr. GROSS. I am not surprised, I will say to the gentleman.

Mr. COOLEY. Well, I am not surprised either. I think that his views are exactly right.

But, Mr. Chairman, I appeal to the members of the committee to help us remove this inequity from one of the great industries of America.

This legislation proposes to open up new avenues for American cotton, both at home and abroad. We thought that by bringing down the price that this objective would be accomplished.

The gentleman from Maine [Mr. McINTIRE] will introduce an amendment which the committee has instructed me to accept. That is the reason a moment ago I attempted to make the motion which I will make at a later time to permit the bill to be open at any place for amendment. Mr. McIntire's amendment will be offered and I have every reason to believe the amendment will be adopted.

The purpose of the amendment is to make cotton more competitive with synthetics and cotton goods imported from other countries. That, it seems to me, should please some of the people who have objected to what they consider to be high price supports.

I have advocated high price supports all through the years, but only on limited production and only when the farmers would cooperate and keep the supply in line with demand. Beginning in 1933, we operated the cotton programs for 20 years on that basis, and at the end of 20 years we did not have a loss. We had not sustained the loss of a single dollar, but we had cotton program profits of \$268 million in the Treasury. Now we have lost that profit, and I think the accumulated losses now amount to about \$1,800 million.

How long can we continue that program?

We are told under the program embraced in H.R. 6196 there will be a saving of at least one-half billion dollars to the people of the country.

Mr. SHORT. Mr. Chairman, will the gentleman yield?

Mr. COOLEY. I yield to the gentleman from North Dakota.

Mr. SHORT. Would the gentleman expand on that point a little bit? If I

understand my good friend from North Carolina he is saying that if the price of cotton is reduced to the processor there is going to be a somewhat corresponding reduction in the price of the finished product. Do I understand him correctly?

Mr. COOLEY. That is exactly what I am saying.

Mr. SHORT. What reason do we have to believe this is going to follow? We have seen certainly for many years the price of wheat go up and down. It seems one of the arguments that has been offered many times is that cheap wheat does not necessarily bring about cheaper bread. Do we have any more reason to believe that the price to the consumer on cotton goods is going to go down with the price of the raw cotton?

Mr. COOLEY. I think I can answer that. I remember when I first came to Congress we had a bill to reduce the price support on cotton from 12 to 9 cents a pound. One of my very dear friends, a former Governor of our State, came to my office and told me if we adopted that bill it would bankrupt every one of his friends. I asked him, "What do you mean?" He said, "Because their inventories are building up, and they cannot compete when somebody else starts to making cotton goods on 9-cent cotton."

The same thing happens here. These inventories I referred to have been built up on 32.5-cent cotton, and as they get the lower priced cotton that the foreign mills are receiving they will have to write off losses on these inventories. We were told that the writeoff amounts to about \$150 million, or something like that.

Mr. JONAS. Mr. Chairman, will the gentleman yield?

Mr. COOLEY. I yield to the gentleman from North Carolina.

Mr. JONAS. I think there is clear proof in the committee report that the price of manufactured, unfinished cotton follows closely the price of raw cotton. A survey was conducted by an independent corporation here in Washington, the Survey Research Corp., of 1010 Vermont Avenue, which traced the relationship of raw cotton costs to wholesale costs of cotton cloth over a period of 37 years. That concern reported that whenever raw cotton goes up 2 cents a pound the wholesale price of cotton cloth goes up 2 cents a pound. When the price of raw cotton goes down 2 or 3 cents a pound, it is immediately followed by a similar reduction in the wholesale price of cotton cloth. Bear in mind also that 55 percent of the cost of manufactured products is represented by raw cotton. So I think the record is clear, if you accept the facts of history, that the price of manufactured cloth will follow the price of raw cotton downward.

Mr. SHORT. If the gentleman will yield further, is it proper to make the observation that this is just a little bit contrary to the experience that we have had in the price of finished products, particularly wheat products, with relation to following the price of the raw products?

Mr. COOLEY. I think wheat is processed so quickly into bread and other food that it would probably be disposed of before the price could be really af-

ected, but this is a different process. The gentleman seems not to agree. But bread down my way, if it is 2 days old they sell it for the pigs, not for human beings.

Mr. SHORT. This is not the basis for the criteria of establishing the price of bread?

Mr. COOLEY. In other words, bread does not come down because wheat comes down.

Mr. SHORT. That is the point we are making.

Mr. COOLEY. Here is a chart showing the price of raw cotton and the gray goods. Every time raw cotton goes down gray goods goes down. That is over a period of 40 years, they tell me.

Mr. SHORT. I am not too familiar with cotton textiles. What do we mean when we talk about gray cloth?

Mr. COOLEY. That is the basic product of the mills, of the spinners. It goes out from there to other industries, for further processing.

Let me hurry on with this. I do not want to take up too much time. I have consumed more time than I intended to.

I am delighted to see my colleague from North Carolina [Mr. JONAS], let us know how he feels about this. I know I am a good Democrat. I know he is a good Republican, if there is such a thing on earth. He is a very good Republican, and he understands cotton because he comes from up there in the textile country. He knows what this means not only to the farmers but to the workers in his district.

It is the same way with the gentleman from North Carolina [Mr. WHITENER] and the same way with the gentleman from North Carolina [Mr. KORNEGAY] and these people who come from the textile areas. It is important to me in my district as much as it is important to all the people I represent.

I hope the bill will be enacted.

Mr. GROSS. Mr. Chairman, will the gentleman yield?

Mr. COOLEY. I yield to the gentleman.

Mr. GROSS. I am not so much interested in politics as I am in the Agriculture Committee continually coming to the House and making fish of one and fowl of the other in the business of allegedly trying to do something for the producers of agricultural raw materials in this Nation. What are you doing for the poultry producers of this country? What are you doing for the livestock producers? Both are in trouble.

Mr. COOLEY. You tell me what you want, and I will see what we can do and what can be done for you. I do not know what you want.

Mr. GROSS. I beg your pardon—you do not know what is happening to the poultry industry?

Mr. COOLEY. I know what is happening. I have one of the biggest poultry-producing counties in the whole United States in my district. Poultry is important to me, and to my great State of North Carolina. But I say to you, and as I have said to the producers, they do not know what they want. I have begged them to come forward with a program.

Mr. GROSS. I cannot understand. The gentleman knows what would be beneficial for them.

Mr. COOLEY. I do not know what they want and I do not know what would be beneficial.

Mr. JONAS. Mr. Chairman, will the gentleman yield?

Mr. COOLEY. I yield to the gentleman.

Mr. JONAS. I think this would be an appropriate time to make the point that this bill is not a product of the cotton producers of this country.

Mr. COOLEY. That is correct.

Mr. JONAS. I can announce to this House that I represent a lot of cotton producers who are not happy with this bill at all. They would much rather receive the 32½ cents a pound in price supports than to see those supports go down to 29 cents. This bill is not the bill that is advocated by the cotton producers. I am sure I can speak authoritatively when I say that many of the producers are opposed to it. But this bill is a compromise as all legislation must be when you have a conflict of interest involved; would not the gentleman say that that is a correct statement of the situation?

Mr. COOLEY. I agree with the gentleman. I am inclined to agree with him exactly. I think the farmers of the Southeast would like to have the 32½ cents a pound, but they are, I think, more or less realistic, generally speaking, and I think they would accept this bill. I have not been deluged with letters in opposition to the bill. This bill is supported by the entire industry from one end of the Nation to the other and from one ocean to the other.

Mr. KYL. Mr. Chairman, will the gentleman yield?

Mr. COOLEY. I yield to the gentleman.

Mr. KYL. The gentleman spoke a moment ago about the possibility of the reduction in consumer prices. The margin of profit for the textile mills in the United States has been very small; has it not?

Mr. COOLEY. Very, very small I understand, yes.

Mr. KYL. If that is true, we should expect those mills to take a little larger margin of profit, if an opportunity presents itself; should we not or else we would be giving them no benefit.

Mr. COOLEY. That brings up another question which is still open to controversy and that is—to whom shall the payments be made? We said they should be made to anybody else except to the producers. I want to say that the mill people before our committee said they did not want to be subsidized. The farmers said they did not want to be subsidized. In view of that controversy, we decided to let the Secretary make that decision. The payment will be made somewhere along the line, perhaps, to the cotton merchants of America and then they will pass it on. The mills will have to compete with each other and will have to compete with foreign producers unless in some way we can change this situation.

Mr. KYL. I would just like to make this observation. I know a little some-

thing about the retailing of these soft goods. I want to say that this competition between the American mills and the foreign mills is not going to be removed by this venture into which we are engaging today because the disparity of these prices are much too great to be removed by this single action. As a matter of fact, I think there is danger for our domestic mills.

Mr. JONES of Missouri. Mr. Chairman, will the gentleman yield?

Mr. COOLEY. I yield to the gentleman.

Mr. JONES of Missouri. Mr. Chairman, I would like to ask the distinguished chairman of our committee to explain to me his interpretation of the payments that will be made. As I read the bill, beginning with the enactment of this section, the Secretary may make payments to such persons other than the producers which will eliminate inequities due to differences in the cost of raw cotton between domestic and foreign users.

I think I can understand removing the inequity, and we leave the discretion in the mind of the Secretary of Agriculture. As you know, before our committee there was a lot of discussion about how much it took to remove the inequity. We see further down in the paragraph that beginning August 1, 1964, these payments will be made presumably at a different rate, because it indicates that it will be at a price not in excess of the export subsidy which we are paying.

Am I correct in assuming that the payments which would be made effective with the enactment of this legislation—and those payments would also go to the mills that had raw cotton in inventory that will be at one price—do you anticipate that that price or that payment will be different from the payment which will be made beginning August 1, 1964, when it says here that the payment shall be not in excess of the price at which such cotton is made available for export? Those are some of the things I think which need to be clarified here to see who gets what and why.

Mr. COOLEY. I cannot tell you who will get what, because we leave it in the sound discretion of the Secretary.

Mr. JONES of Missouri. All right.

Mr. COOLEY. But I would prefer that some of the other speakers answer that question. I am sure that it could be cleared up for the gentleman.

Mr. JONES of Missouri. May I ask the chairman this question: The chairman knows the high regard I have for him. Can I be assured that we will not cut off this 4-hour debate as long as some of us have questions we would like to ask or statements we would like to make?

Mr. COOLEY. I will make you that promise, but I do not want to make it for 435 others.

SUMMARY AND CONCLUSION

Now, in summary, Mr. Chairman, H.R. 6196 contains what, in my judgment, is a sound, long-range program for cotton. It is important to the cotton textile industry, to the 542,000 cotton mill workers, to those in the towns and cities who supply the cotton industry, and who process the cloth into garments, to cotton growers, and to the Government.

I understand that several members plan to offer amendments to this bill. For the most part, the adoption of these amendments will mean defeat of the bill on final passage. This bill, like most legislation, is a compromise very carefully worked out among the various segments of the industry, Members of Congress, and the executive branch.

As I stated earlier, the committee approved an amendment after the bill was reported, which was urged by some of our friends on the minority. I refer to the amendment to be offered by the gentleman from Maine [Mr. McINTIRE]. The committee directed me to accept that amendment; but, as of this time, I can think of no other amendment that would not have a serious effect on this bill, if not preclude its passage.

Moreover, I emphasize to the House that this is not a bill to last forever. It is a 3-year bill. Prior to the expiration of this legislation our committee and the Congress certainly will take another look at the whole cotton situation, in the light of conditions and circumstances then existing, and in the interest of farmers, consumers generally, and of the millions of workers directly associated with cotton.

JOHN F. KENNEDY AND LYNDON B. JOHNSON

Mr. Chairman, I cannot conclude these remarks without paying tribute, on behalf of the farm families of America, to the aspirations and the works of John F. Kennedy, in behalf of these people who feed and clothe us. I cannot conclude without expressing my reverent acknowledgement and thanks that the Divine goodness has given us another President who recognizes the great contribution of our farm people to the health, the strength, and the happiness of this Nation, and who is determined that these people who till our soil shall share equitably and fairly in the rewards of the American free enterprise system.

I do now conclude, Mr. Chairman, in humble and thankful awareness that these two great men have approved this bill that is now before the House.

The CHAIRMAN. The time of the gentleman has again expired. The Chair recognizes the gentleman from North Dakota [Mr. SHORT].

Mr. SHORT. Mr. Chairman, I yield 10 minutes to the gentleman from Nebraska [Mr. BEERMANN].

(Mr. BEERMANN asked and was given permission to revise and extend his remarks.)

Mr. BEERMANN. Mr. Chairman, it is my privilege as a Member from Nebraska to serve on the Cotton Subcommittee and I have great interest in it. Maybe us cornpickers will have to help the cottonpickers straighten out this situation.

Cotton hearings were held a year ago this month, on December 13 and 14, and again on January 15, 30, 31, and February 1 and 4 of this year. I attended every hearing because I wanted to learn and I wanted to be helpful to the cotton industry.

The sad situation in the cotton industry today is an ugly monument to failure—the failure of the Government to manage agricultural production and

prices for the benefit of either the farmer or the public generally.

Everyone agrees that the American cotton industry is in great difficulty. The relative use of American cotton is lagging, despite the great increase in population and purchasing power. Man-made fibers are replacing cotton in the mills because of the artificially inflated cost of cotton. These artificial prices have accelerated research into other fibers. The discovery and manufacture of synthetic fiber has been a free society's way of compensating for artificial meddling in its free system.

The American cotton manufacturers can no longer compete against foreign mills because American cotton costs too much.

One of the witnesses testified as to this and that testimony is to be found on page 103 of the hearings on January 30, 1963.

The inflated price on cotton—a price which is causing hardship in both the agricultural areas and the textile areas—is not caused by the cottongrowers' inability to raise cotton cheaply and efficiently. It is not the farm operator who has driven cotton costs out of the competitive range of foreign cotton and synthetic cloth.

The culprit is a philosophy. It is a philosophy of supply management, which probably has done more to damage agriculture than all the insects and weeds that ever ravaged a field. I believe supply-management theories will ultimately cause ever further catastrophes to agricultural areas of America.

Cotton now stands as the outstanding, horrible example of what happens when manipulators try to operate farms with laws and regulations that defy natural laws of supply and demand.

Let us review briefly the developments in the American cotton industry under the New Deal program—a program which depended upon high supports and reduced acreage for success:

First. The consumption of American cotton, per capita, has increased very little since 1933. The consumption of foreign cotton and competing synthetic fibers has risen prodigiously.

Second. The program has delayed desirable shifts in cotton production. Areas which in the ordinary course of events would stop growing cotton, still are planting it. Some areas which could produce abundantly and efficiently have been held back because they had no acreage allotment. Even with high supports, the inefficient areas barely make a living out of cotton, but they stay in because of the Government support prices. On the other hand, many producers are given windfalls at the taxpayers expense.

Third. The cotton program threatens to wreck the domestic cotton industry. The high supports raise our price above the world price. In order to keep our markets abroad, a high export subsidy is paid—\$42.50 a bale at present. As a consequence, foreign cotton mills can buy American cotton cheaper than our own manufacturers. This gives them a tremendous advantage in the world market as well as in the United States

with their new machinery, and since their labor costs are lower than American labor costs, excluding the price of cotton.

In brief, our cotton program is a monstrosity. It is such a monstrosity that it is killing the cotton industry, whose death will have grave repercussions.

Secretary Freeman is not the author of the cotton tragedy, but his fumbling had a hand in it.

The Agricultural Act of 1958 gave the Secretary the authority to set cotton prices and cotton quotas. Clearly, the only sensible decision to aid the cotton industry was to make cotton more competitive. This actually was a life and death choice for the cotton industry. If American cotton did not become competitive, it would slowly strangle to death. But the Secretary chose to protect the vested interests that are built up by a subsidy program. Congress provided the vehicle in the 1958 act to get the cotton industry headed in the right direction. But to the horror of the astute, the Secretary took a course in the opposite direction. He increased the price and reduced the acreage.

This action was foolish and irresponsible. The higher price the Secretary placed on cotton made it possible for farmers to buy more fertilizer, and to invest more in getting the most out of the land. The farmers simply grew more cotton on the same acreage. They reacted with imagination and energy to a new set of conditions, and defeated the purpose of the supply managers. In 1962, cotton production went up 10 percent despite the lowest acreage allotments permitted by law.

For the first time in our history, growers increased the average yield above a bale per acre—to a national average of 516 pounds an acre. The previous high yield was 466 pounds per acre, established in 1958.

Just look at the statistics. The national allotment for upland cotton was 18.1 million acres in 1962. In 1963, acreage was cut to 16.3 million acres. But production increased from 14.7 million bales in 1962 to 15.2 million bales in 1963.

Back in 1953, cotton was not subject to acreage allotments. In that year, there were 24.2 million acres under harvest, and the yield was 16.3 million bales. In brief, we had approximately the same production with only two-thirds of the acreage. We have not solved a thing with the present cotton program.

The major result is greatly increased consumer prices. The price differential between foreign and American cotton is greater, and the cotton industry suffers even more because it cannot compete.

Now H.R. 6196 attempts to tack on another subsidy in order to correct the effects of two other subsidies that have not corrected anything. The Cooley bill just puts one more useless gear into the Rube Goldberg machine that is trying to manage agriculture today.

H.R. 6196 is a step 180° in the wrong direction.

The cotton industry had begun to recover under the 1958 Agriculture Act. But the unwise action by Secretary Freeman in raising support prices and

cutting acreages stopped the recovery, and sent the industry into a tailspin.

The experience of higher yields from reduced acreages is not limited to cotton, of course. The same thing happened in corn. The emergency feed grains program cut corn acreage.

The farmer responded in typical American fashion. He raised production from a national average of 54.5 bushels of corn in 1960, to an average of 66.2 bushels an acre in 1963. We now have the biggest corn crop in history.

The folly of this kind of supply management has not been lost on the American farmer. The evidence seems pretty plain to me that farmers are getting just as sick of Government mismanaged farm programs, as are the city dwellers who look upon the farm program as a gigantic subsidy to their country cousins.

The wheat referendum last spring gave supply managers a tremendous shock. The very wheatgrowers who were supposed to get their pockets lined with extra money were the identical ones who voted down the wheat program. Many farmers have realized for years that Government-controlled agriculture would be detrimental to the industry, in spite of the apparent short-range increase in income through artificially increased prices. They foresaw what has happened in the cotton industry. They predicted their inability to compete because Government management, would eventually work to their disadvantage.

The significant thing about the wheat referendum is that a large block of farmers have come to this same conclusion. It is worth noting that most of the States that voted down the wheat program also raise cotton. If those farmers have judged that a managed wheat program is detrimental to their interest, then I suspect they will have a similar attitude toward supply management in cotton.

H.R. 6196 provides for an indirect subsidy that will enable manufacturers to buy American cotton for the same price that it is sold to foreign industry. Here's the ridiculous subsidy situation in a nutshell. We subsidize the cotton grower. We teach foreign operators how to grow cotton. Then we subsidize the foreign buyer so he can afford to buy American cotton. Now, we are proposing in this bill to subsidize our textile industry so it can compete with the foreign mills. At the same time, we have pushed up American tariffs in an attempt to give American industry some protection. But these duties have not been enough.

The Cooley bill simply is an attempt to correct a situation, caused by errors, with another mistake.

Some of our dilemma in the cotton fiasco has been the result of leaving this legislation to experts. Some of us have not tried to understand what is happening to the cotton industry because we have no direct interest in it. Now we find that we do have a direct interest—in fact, another \$250 million on top of a present billion dollar cost to the taxpayers. We find that the textile industry, one of the largest employers of Americans, is staggering under an impossible burden.

The cotton situation is firm proof of what can happen to a product and an industry when disinterested people let the interested people make all the decisions. This is no longer a source of worry limited to cotton States. It affects all States and all our constituents. Agriculture and its related industries approach 40 percent of the American economy. The farm bloc may be growing smaller, but the effect of agriculture on the economy is very great. This is no problem to be left to the experts. If this principle of direct payment is approved very likely all crops will be brought under direct payments. This is a problem for every member.

The Cooley bill is a sign that we have lost our perspective on the cotton problem, just as we have lost our perspective on the entire agriculture program.

I firmly believe we must phase the Federal Government out of production and marketing controls—but on a gradual basis.

We have made a gross error by increasing agriculture programs. Some of us have believed that we were bolstering a sector of our economy that is fading away. This is false. Agriculture controls are hamstringing a vital, vigorous industry that is still the backbone of America's strength. American agriculture does not need the Rube Goldberg type of assistance that is found in this cotton bill.

Rather, the Congress needs to slowly unravel the laws and regulations that prevent agriculture from functioning at its greatest strength in our free society.

You need only think of the wheat deal with Russia to pinpoint the weakness in the Communist world. Their Achilles heel is agriculture, and the Communists have been trying to supply-manage it from the beginning. Agriculture is still our strength in spite of Government mismanagement.

The great American agricultural industry can adjust to the sixties. Live-stock, fruits, and vegetables have survived and prospered without libraries full of regulations and buildings full of manager-bureaucrats. The cost-price squeeze is more the product of artificial manipulation than the result of an industry's ability to meet competition.

Mr. Chairman, I urge you to turn down this further doctoring of American agriculture proposed in the Cooley cotton bill. The Government got into the production and marketing of agricultural crops in the thirties under perfectly understandable and necessary circumstances. The intention was to provide a crutch when a crutch would help.

Now, let us permit the patient to recover. He would have been healthier years ago if we would have cut down on the treatment. I do not propose to kick the crutch out from under him this afternoon. But let us not prevent his recuperation by tying another weight on the crutch.

Let us turn this bill (H.R. 6196) back to the agriculture committee with the understanding that it will work on a measure to gradually eliminate—not add—controls and subsidies.

I am a farmer. I have repeatedly said—both in Nebraska before I came

to Washington, and after I was elected—“Get the Government out of production and marketing agriculture commodities as quickly as possible.”

This bill is not the way to do it.

Mr. HOEVEN. Mr. Chairman, I yield 10 minutes to the gentleman from North Carolina [Mr. JONAS].

(Mr. JONAS asked and was given permission to revise and extend his remarks.)

Mr. JONAS. Mr. Chairman, at the outset I think it should be made crystal clear that all of the problems about which we are speaking this afternoon were created by the Government, not by the cotton textile industry either through any action that the industry might have taken or because of any inaction.

The mistakes that have been mentioned in the debate so far were made right on this floor and downtown in the executive offices. Our problem today is to try to find a way to eliminate a gross discrimination that resulted from mistakes that have been made in the past. The only possible way of eliminating that discrimination, the inequity and the unfairness, about which so much has been said today, is for the Government to take action because the cotton textile industry itself is powerless to bring about any corrective action on its own responsibility.

The importance of maintaining a healthy, efficient, and growing cotton textile industry becomes manifest when we realize that more than 10 million American citizens rely upon this industry for their livelihood in the production, ginning, processing, manufacturing, and transporting of cotton, and in the merchandising of cotton goods. That is such a substantial number of American citizens that I feel that mere numbers alone should be sufficient to enlist the careful consideration of the Members of Congress in an effort to solve a problem that threatens their very existence.

That this industry is in jeopardy and in trouble is made manifest also by just a few facts which I should like to detail for the record.

First, a quarter of a century ago cotton was the dominant factor in the domestic fiber market, but this position has gradually deteriorated over the years. To be specific, in 1938 cotton supplied 81.6 percent of the U.S. fiber market, but by 1962 this percentage had dropped to below 60 percent. Between 1960 and March of 1963, cotton suffered a competitive loss of 1,500,000 bales. For the past year, cotton's share of the fiber used in the cotton spinning mills of this country has declined every month, and allotted acreage for cotton today is at the lowest since the farm program began about 25 years ago.

Second, cotton once accounted for approximately one-third of all of our exports, manufactured as well as agricultural products combined, but today U.S. exports of cotton amount to only 20 percent of all agricultural exports, and in spite of the current heavy export subsidy of 8.5 cents per pound of \$42.50 per bale for cotton, cotton exports continue to decline: In May of this year the U.S. Department of Agriculture reported

that only 3,059,333 bales of cotton had been registered for export under the 1962-63 program as compared with 4,350,571 bales on a comparable date a year ago, a drop of 1,291,238 bales in exports in only 1 year.

Third, because of our liberal trade policies, about which some comment has been made previously in the debate, plus the \$42.50 per bale export subsidy now in effect, imports of foreign-made textile products have sharply increased in recent years. In 1962 these imports reached a record 650,000 equivalent bales of cotton, compared with only 100,000 in 1954. This sharp upward trend of textile imports has largely occurred since the advent of the two-price system for cotton, which permits foreign competitors of our cotton mills to buy home-grown cotton at \$42.50 a bale less than our own manufacturers have to pay for it. Since raw cotton accounts for 55 percent of the cost of manufacturing cotton cloth, the result of these heavy textile imports is devastating to the domestic textile industry: Active cotton spindles have dropped 9 percent since the two-price cotton system has been in effect, active spindles on 100 percent cotton have fallen to an average of 88.7 percent, and 162,000 textile jobs have been lost.

Now I want to take the liberty, after having obtained the permission of the gentleman who wrote this letter, to read into the RECORD parts of a letter written to the President of the United States last year by a textile manufacturer in my State which contains a more eloquent analysis of what is transpiring and in what danger the present situation is placing the textile industry that I can possibly do.

The letter is as follows:

We have one of the most modern textile spinning mills in the world; it was completed in early 1961. The plant employs 101 people including myself; it has all new machinery, new production methods, and strict quality control. Our manufacturing space is all refrigerated, clean, and is ideal for employee comfort and manufacturing. Our yarn quality is excellent and our customers are pleased with our quality. We all feel that we have done everything humanly possible to build an efficient plant to employ personnel who were left without work when a previous spinning mill closed down on the same location. We invite you personally or any of your representatives to tour our plant at any time.

We have been in a relatively bad market since we made our first pound of yarn. The cotton cost has risen from 32.50 to 37.33 cents per pound and the yarn prices have declined. Our product is all cotton carded knitting yarns from 14/1 to 30/1; we spin Memphis territory cotton.

Last week I was in southern Germany and Switzerland looking at the newest Swiss textile machinery and methods in production. The mills there were spinning cotton from Pakistan. The management informed me that they could buy cotton from Pakistan and other countries other than the United States for 3 cents per pound cheaper than they could buy cotton from the United States—even with our 8½ cents per pound subsidy.

When I came back last Thursday, I called on my knitting customers in New York. I could not procure any new business because they frankly showed me Portuguese yarn that they were buying for 11 cents per pound cheaper delivered than our costs.

Then the other day I saw this gentleman and was discussing with him the approaching debate on this bill, he said:

I will send you a copy of a letter I wrote to our employees when we had to go out of business because we could not compete.

What he did was to sell his plant to a well diversified integrated big textile operation that could absorb the losses of this spinning mill and make up for these losses in finished goods.

I would like to read a portion of the letter that this manufacturer addressed to his employees explaining why he had to take that action:

We invested heavily in the new plant in 1960 not only with material means, but also with planning, time, and true enough—a great deal of sweat and tears. The venture has not been the most successful, but each of you has produced far more than was expected.

Unfortunately, we started producing carded cotton yarn for the knitting industry just at the time when our Nation started importing great quantities of foreign yarn. Indeed, more yarn of this specific nature (unbleached, unprocessed cotton carded knitting yarn) has been imported in 1 month—month after month—than we can produce in an entire year. Our customers' competitors were buying this far cheaper yarn; eventually our customers had to start buying it also to remain in business.

Two years ago the basis of our Nation's cotton program was changed. This increased the cost of our raw stock as much as 5 cents per pound which represented a weekly cost increase of \$5,000 to us. At the same time, our Nation was/is shipping the same cotton to foreign spinning mills for 8½ cents per pound cheaper than we can buy it ourselves. As a result of this and far lower labor costs of the same mills they are shipping great quantities of yarn into our Nation. One of our largest customers has just purchased 1 million pounds of 18/1 for 48 cents in Egypt—plus a cost of 7 cents to land it in his New England plant for a total cost of 55 cents per pound. The net result of this foreign yarn is that the average sales price of our yarn has dropped from 66 to 61 cents and in some cases to 60 cents. This is a drop of \$5,000 to \$6,000 per week for our product. This decrease in the market price of our product plus the increase of our cotton has made us labor under a \$10,000 to \$11,000 per week differential since 1960. This is a total of \$500,000 to \$550,000 per year.

No wonder he could not stay in business.

The result of all this is that U.S.-grown cotton is not being sold in the domestic or foreign markets but is piling up in Government-rented warehouse space around the country. The following facts make this crystal clear:

First. On August 1, 1961, the U.S. Government owned 1.5 million bales of cotton for which the U.S. taxpayers had paid \$300 million.

Second. By August 1, 1963, the amount of Government-owned cotton had increased to 8.2 million bales and the cost to the taxpayers had gone to \$1.3 billion.

Third. By August 1, 1964, it is estimated that Government-owned cotton will have increased to 10 million bales and the cost to the taxpayers will go up to \$1.6 billion.

Fourth. Storage costs on this cotton will be \$75 million in 1963 and are expected to be \$83 million in 1964.

So here we have \$1½ billion invested in cotton in storage. What are we going to do with it? Unfortunately, cotton is one agricultural commodity which cannot be eaten. A bale of cotton is virtually worthless unless it is processed in a cotton mill. It follows therefore that the textile industry, at home and abroad, is the only customer for this vast quantity of cotton we already own in storage and for additional cotton the Government will be forced to acquire in future years under existing law.

Reduced to its simplest terms, the bill under consideration today will enable the Government to rid itself of a unprofitable investment by unloading some of this cotton on the domestic textile industry at a price which is actually a cent or two a pound above the world price.

If this bill is not passed, the following results will occur:

First. We will sell as much of it as we can to foreign textile manufacturers who will continue to flood our markets and displace goods produced by our own textile industry, thereby throwing additional workers out of jobs and forcing the liquidation of additional textile plants. For every bale we do sell abroad, we will be subsidizing foreign competitors of our own textile industry at the rate of \$42.50 a bale. Even so, the record shows that despite this heavy subsidy, our exports are in a declining trend because of increased cotton production abroad at costs even lower than our own subsidized ones. This means that it will be exceedingly difficult, if not actually impossible, to increase our cotton exports even though they enjoy a substantial subsidy. But assuming that we can sell 4 million bales abroad next year, the subsidy alone will amount to \$170 million and it all goes to foreign competitors of our own textile mills.

Second. Or we can dispose of some of it abroad under Public Law 480 for unredeemable foreign currencies or give it away under the foreign aid program. For cotton so disposed, the taxpayers will take a 100 percent loss on the acquisition price of the cotton augmented by the substantial storage and carrying costs that have been added.

I submit, in fairness to the millions of American citizens who depend for a living on a healthy domestic cotton-textile industry, that if we intend to continue a policy of selling homegrown cotton to foreign competitors at prices substantially lower than our own mills have to pay, and if we intend to continue to permit this cotton to return to the United States in the form of manufactured products for sale in our own markets at prices substantially lower than domestic manufacturing costs, we ought to make our surplus cotton available to the domestic mills at the same price you make it available to their foreign competitors. To do otherwise will perpetuate a gross injustice to American textile workers and manufacturers.

Moreover, our failure to do so would constitute a disservice to American consumers of textile products. Opponents of the pending legislation argue that the bill will provide a substantial subsidy for

domestic cotton mills but an official of the U.S. Department of Commerce testified to the committee that the extra costs of this program, whatever they may be, will find their way into the pockets of the American consumers in a ratio of \$2 saved for \$1 spent.

This opinion is supported by an independent research study made by Survey & Research Corp., of Washington, D.C. The study included a comparison between the price of raw cotton and the wholesale price of unfinished cotton cloth from August 1925 to February 1963, and from the results of this study it is established that the savings flowing to textile manufacturers from reduced raw cotton prices will be passed on to the consumers of textile products in the United States—and this means all of us. The U.S. Department of Commerce estimates these savings will approximate \$500 million a year for consumers if H.R. 6196 is enacted.

Every Member of Congress can in good conscience vote for H.R. 6196 because enactment of this bill will, first, make it possible for domestic cotton mills to purchase homegrown cotton at the same price this cotton is sold to foreign mills and thereby remove an intolerable discrimination against the home folks; second, prevent the creation of new depressed areas all over the Cotton Belt and make it possible for the domestic cotton textile industry to survive the grossly unfair competition which now exists from abroad; third, create some 35,000 new jobs for cotton textile workers; and, fourth, result in an annual savings to the American consumers of cotton textile goods of more than \$500 million.

I do not see how we can fail to take appropriate action to prevent the perpetuation of the gross discrimination against the domestic textile industry and the millions of American citizens who depend upon it for a living.

This bill offers your only opportunity to take such action.

Mr. CONTE. Mr. Chairman, will the gentleman yield?

Mr. JONAS. I yield to the gentleman from Massachusetts.

Mr. CONTE. Mr. Chairman, I want to compliment the gentleman from North Carolina on the fine presentation he has made here today. I sympathize with him in regard to the plight of the textile industry. But are we not going about this in the wrong way? Why not do away with the unrealistic price supports on cotton production, plus the export subsidy benefit to foreign textile manufacturers? Are we not compounding a felony here today by doing this, by adding a third subsidy?

Mr. JONAS. No; if the McIntire amendment is adopted, and the chairman of the committee stated that he has authority to accept it, we will be moving in that direction. The price supports are going down over 3½ cents a pound over a period of 3 years. That might not be as far as the gentleman thinks we ought to go at one fell swoop. But that is taking a step in the very direction that the gentleman thinks we ought to go.

Mr. CONTE. Yes, it is a step in the right direction, but I do not think it is a long enough step.

Mr. JONAS. I am sure the gentleman does not want to disrupt the whole industry by taking a giant step. We can make more progress in the long run by taking a small step at a time.

Mr. HOEVEN. Mr. Chairman, I yield 10 minutes to the gentlewoman from Washington [Mrs. MAY].

(Mrs. MAY asked and was given permission to revise and extend her remarks.)

Mrs. MAY. Mr. Chairman, I certainly do not pretend to be an expert on the intricate factors involved in the cotton problem, and I am sure that a number of my able colleagues are much more knowledgeable on this subject than I am. As both a housewife and a consumer, however, I am very much interested in the statements offered today in support of this legislation and particularly the statements in justification of this bill to the effect that consumers of cotton products, if the bill is enacted, would enjoy a savings of some \$500 million. Naturally, this is a most attractive promise, and I am sure that all persons who purchase finished cotton products would like to save such a substantial sum.

Mr. Chairman, I am most intrigued by this theory that a 25-percent cut in the cost of the raw product to the manufacturers, in this case cotton, will result in the accruing to the consumer of manifold benefits, but I am afraid I don't quite understand the logic that is being offered in its support. Quite frankly, a number of questions still remain unanswered and I think we are entitled to have clear-cut answers to these questions.

First. Will a 6-percent cut in the raw product cost of cotton to the mills mean a cut in the price of cotton garments? I recall that Senator ELLENDER remarked during the hearings before his committee that his \$6.95 cotton shirt probably contained no more than 30 cents' worth of raw cotton, and I believe that findings of the National Cotton Council and the U.S. Department of Agriculture Economic Research Service support his statement. In other words, the total mill cost of the raw cotton is somewhere in the neighborhood of 5 percent of the retail price of the end product. I suppose that a saving of 25 percent in raw cotton cost potentially might shave maybe 1 percent from the retail price of the shirt, but I am sure that in most instances this saving in raw cotton cost would not be enough to lower the retail price. From every reliable cost survey I have seen, this is the inescapable conclusion. I therefore ask my colleagues whether they can logically expect that when they buy their wives a dress which costs \$25 and contains about 2 pounds of cotton, they will expect that the dress will be 12 cents cheaper than it is now?

Second. I notice in the committee report that the table—which has been alluded to—deals with raw cotton prices and gray cloth. As a consumer, I know that gray cloth is not the fabric which is used extensively for such things as shirts, pajamas, bathrobes, dresses,

blouses, skirts, slips, and so forth. I am wondering why the proponents of this legislation did not make use of a chart correlating the raw cotton price and the finished cotton material?

Third. Who is the consumer to be benefited by this new, and I might say very expensive, subsidy? I think it is apparent to all of us that the consumer being referred to is the very same working man and woman from whose paycheck a given percentage of income is withheld every week to pay for the costs of running the Federal Government. We know that he or she, as taxpayers, will be paying another \$200 million to \$250 million a year more for the cotton program. These costs are fact but I feel that the benefit our consumers are to presumably receive is at best a theoretical benefit, and tenuous at that. The money that the consumers might theoretically save is money which was taken from their own pocketbooks.

Fourth. What can we reasonably expect in the way of action on the part of the textile mills themselves if this legislation should pass? Is not the stated purpose of the bill to enable the textile industry to meet foreign competition? It seems to me that all this means is that, for one reason or another, foreign competitors are now offering American consumers cotton products cheaper than the American textile industry can offer. In other words, we can buy Japanese-made corduroy overalls for our children which cost less than corduroy overalls made in America. Presumably, under this bill we will be able to buy American-manufactured overalls at the same price. Can we therefore assume that for other than patriotic reasons the American consumer will be buying nothing but the American-made product, since the prices are just the same?

Fifth. The fifth question that I would like to raise about this theory of consumer benefit is this: If a cut in the raw product cost of cotton in the amount of \$250 million, as the committee report indicates, will give consumers a \$500 million benefit, why does not this theory work in the opposite way? In other words, according to this theory, an increase in the raw product cost would also substantially increase the cost to consumers. When the Secretary of Agriculture in the spring of 1961 raised the price support of cotton by 2½ cents per pound, he, according to this theory, substantially and disproportionately increased the cost of cotton goods to the consumer, did he not?

Mr. Chairman, I have had the privilege of serving on the Committee on Agriculture for 5 years now and during that time I have often heard my distinguished colleagues, some of whom are advocating this bill today, say that the raw costs of the foreign commodity had very little to do with the cost of the finished product to consumers. A study by the U.S. Department of Agriculture covering the cost of bread from farm to retail counter is especially significant. Bread involves the manufacturing processes of milling and baking and therefore comes somewhat close to the circumstances of manufacturing and distributing cotton end products. Now I think that most of my

colleagues know that wheat content cost is about 10 percent of the retail price of a 1-pound loaf of white bread. This compares with the 5-percent ratio of cotton to the retail price of shirts. Food distribution, furthermore, is probably the most highly competitive trade, even more so than apparel. Therefore, the normal expectance theoretically might be that the raw material cost trends would be reflected directly in the retail price of bread. Quite to the contrary, wheat cost has declined 11 percent from 1947 to 1949, while the retail price of bread advanced 55 percent.

I am concerned, Mr. Chairman, that if the House adopts this theory today that the farmer in the future will be in much more serious trouble than he already is. How then will those of us who believe in sustaining farm income to the maximum extent possibly justify an increase in the value of the raw agricultural commodity made available to the processors? Particularly I am concerned about wheat, which under the current program is scheduled to drop in price to \$1.25 a bushel in 1964. Will this mean that consumers will save millions and millions of dollars on the price of bread? I think not, but the theory of this cotton bill says it will. Conversely, will it not be exceedingly difficult next year to enact remedial wheat legislation to improve the income of the wheat farmers if the House today accepts the theory that raw products costs are a larger part of the cost to the consumer. If the theory that is being advocated today is sound, then every farm bill which comes before us in the future will be attacked on the basis that by raising the raw product cost, you are doubling the cost to consumers.

Mr. Chairman, the theory of this bill before us today reminds me of a Mutt and Jeff comic strip. Mutt asked Jeff why he was running along the street behind a streetcar. Jeff replied that he always ran home behind a streetcar and therefore was saving 25 cents a day on transportation. Mutt replied that he always ran home behind a taxicab and saved 75 cents a day.

It is an intriguing theory, but I wonder how many of us can sell it to our tax-paying consumer constituent?

Mr. MAHON. Mr. Chairman, will the gentlewoman yield for a question?

Mrs. MAY. Yes, I shall be glad to yield to the gentleman from Texas.

Mr. MAHON. Does not the gentlewoman think that she is correct in this, that the price of cotton that goes into a \$7 shirt is rather inconsequential?

Mrs. MAY. Yes, I do. I was going to make that point.

Mr. MAHON. If the gentlewoman will yield further, the price of cotton that goes into a cotton blanket or into a cotton sheet or into a cotton towel is a very important factor.

I think the gentlewoman would agree that there should certainly be passed on to the consumer a substantial reduction in the cost of such things as sheets and towels and pillowcases and cotton blankets as well as cotton duck and products that are largely just plain cotton textiles rather than such textiles and products that require extensive work-

manship, such as a fine quality, well-tailored shirt.

Mrs. MAY. Of course, I would point out to my distinguished colleague, the gentleman from Texas [Mr. MAHON], that we are not making a comparison of cost here because to try and back up this claimed savings, we would have to go into every type of end product. I, as a consumer, was thinking of many other types of cotton products which carry different percentages.

Mr. FINDLEY. Mr. Chairman, will the gentleman yield?

Mrs. MAY. I yield to the gentleman from Illinois.

Mr. FINDLEY. I feel sure that the gentleman would be interested in a statement which I inserted in the RECORD, printed this date, which appears on page 21904, in which I made a very serious effort in trying to determine what relationship, if any, there has been over the years between the price of the raw material, cotton, and the price of the finished cotton product which consumers buy off the shelf.

A chart was inserted in the committee report, which I am sure was placed there in order to convey the idea that retail prices automatically go up and down on the same fixed relationship with the price of raw materials. That did not seem to me to make sense. I contacted the Agricultural Marketing Service of the Department of Agriculture, the same office from which the figures in that chart originated, and asked for any figures, if they had them, on the composite cost—retail cost—of cotton product items.

In this statement, printed in the RECORD today, there can be found a listing of the average farm value of the cotton for each of the years 1935 through this year, and also the retail cost of cotton-product items.

Then, I would also call to the attention of the gentleman from Washington that in that same statement I called attention to the statement of the gentleman from North Carolina [Mr. COOLEY] who is chairman of the Committee on Agriculture and also the gentleman from Texas [Mr. POAGE] who is vice chairman of the committee, wherein they comment about the relationship between raw materials and the consumer prices.

I think it is particularly notable that in a statement made by the gentleman from North Carolina back in 1958 when he was commenting on the relationship between the prices farmers get for their milk and the price consumers pay, he concluded that the millions of dollars poured into the program will be absorbed by middlemen and consumers will derive no price benefit whatsoever.

So, it is indeed a very confusing picture. My conclusion is that we cannot be sure of any definite price relationship.

Mrs. MAY. I thank the gentleman. I did see the gentleman's statement in the RECORD. It, again, verified some of the doubts that I have had with respect to the claims for consumer savings.

The CHAIRMAN. The time of the gentleman from Washington has expired.

Mr. POAGE. Mr. Chairman, I yield 3 minutes to the gentleman from Washington.

Mr. Chairman, will the gentleman yield?

Mrs. MAY. I yield to the gentleman from Texas.

Mr. POAGE. The gentleman has made considerable of the fact that she feels the difference between the price of raw cotton and of gray cloth is meaningless, but for 40 years there has been an almost exact relationship in that every time the price of raw cotton has gone down the price of gray goods has gone down almost exactly in the same amount.

The gentleman points out that she does not buy gray goods, but gray goods is what the mills produce. The mills sell gray goods. Regardless of what the consumer buys, that is the product the mills sell.

The gentleman from Illinois used another set of figures for the last 30 years for what he calls the cost or retail prices, which must be simply a compilation of certain products because it does not include all cotton products. But even this follows exactly the same curve. When the price of raw cotton went up, gray goods went up and the retail price went up. When the price of raw cotton went down, the price of gray goods went down and the retail price of cotton goods went down.

During World War II the margin between retail prices and gray goods approximately doubled and has remained at approximately that relationship. That does not mean the margin between the price of raw cotton and what the mills sell, because that has remained almost static.

Look at the chart. The gentleman has referred to a tabulation the gentleman from Illinois put into the RECORD on page 21904. Does the gentleman remember what year the price of cotton was highest?

Mrs. MAY. No, I do not.

Mr. POAGE. I thought probably the gentleman would. Actually, it was 1951; 1951 is the same year that the retail cost to which the gentleman from Illinois referred was the highest. The gentleman's charts on this page to which he referred and to which the gentleman referred show that the price of raw cotton rose steadily from 1935 to 1951, and that the retail price of cotton goods rose steadily during the same period. Since 1951 the price of raw cotton has declined and the retail price has declined at almost the same rate.

The CHAIRMAN. The time of the gentleman from Washington has expired.

Mr. POAGE. Mr. Chairman, I yield the gentleman 1 additional minute.

Mrs. MAY. I thank the gentleman from Texas, and I will try to make this very brief.

May I say to the gentleman, I believe he misspoke himself as to what I said originally, saying that I did not purchase gray cloth or that I did not see any connection. I believe, if the gentleman had been listening to my speech, I said it was very difficult for us who are not familiar

with all the intricacies of this cotton legislation to answer these questions and I asked that the members of your committee give us a more clear-cut answer. I still say some of the misunderstanding comes about because the charts you use have correlated gray cloth and instead of giving us what I would call a more clear-cut picture to the housewife and consumer of the cost of the finished products and how it reflects in the many finished products that we do purchase.

I thank the gentleman for trying to clarify the situation. I think it is very necessary for all of us.

Mr. POAGE. Mr. Chairman, I yield such time as he may desire to the gentleman from Arkansas [Mr. GATHINGS].

Mr. GATHINGS. Mr. Chairman, the cotton industry is languishing gradually but surely and if not revitalized its future is most uncertain. It is the purpose of the Cooley bill to eliminate the two-price system for cotton and permit the American mills to buy cotton at the same price foreign mills are privileged to buy the same cotton. At least 10 million people earn their livelihood in the production, ginning, transportation, marketing, milling, manufacturing, and merchandising of cotton and cotton goods. Quite a large number of additional people are employed by supplying the materials used by the cotton farmer and the various other segments of the industry. Cotton accounts for about 20 percent of our entire agricultural exports. Seven hundred million dollars annually is added to our gold supplies as a result of cash sales for our cotton in world markets. This \$700 million helps to maintain our Nation's balance of payments.

The people who produce cotton receive a gross income from that crop of about \$2.5 billion each year. This money turns over about six times, as it flows into the pockets of suppliers and various service industries and all those who are responsible for processing and distributing cotton to the ultimate consumer.

In 1962 the imports of cotton textiles had reached a total of 650,000 bales equivalent, as compared with the year 1954 when the Nation imported cotton textiles with an equivalent of 100,000 bales. These mounting imports of textiles are hurting the farmer, the manufacturer, and more important, the textile workers. Foreign mills enjoy a great advantage over our own mills in that they can buy American raw cotton at 8½ cents per pound less than our mills have to pay for it. With the cheap labor rate paid in many of the importing nations, the finished product can be shipped into this country at a much lesser figure than the American-made product.

The cotton farmer is expected to produce in 1963 15.3 million bales of cotton on 14.3 million harvested acres. The estimated yield of raw cotton per acre is a record 516 pounds. This mammoth crop was produced on 8 percent less acreage than was harvested in 1962. The domestic consumption and exports for the current year are expected to reach 13.8 million bales. The disappearance is larger than a year ago, although a million and a half more bales were produced and consumed. One of the principal

problems affecting the cotton industry is finding markets for cotton and cotton goods.

Under the Cooley bill cotton will compete fairly with synthetic fibers. It will greatly improve the position of our domestic mills in regaining markets here at home for various types of cotton textiles. The American consumer will be in a position after about 2 years from the passage of the Cooley bill to buy cotton goods at a much lower price. The savings will amount to about \$500 million a year. These savings would be the result as the manufacturer would be able to buy cotton at the world price, which would amount to 8½ cents per pound less than is now being paid by him. The fiber, in this instance raw cotton, makes up about 55 percent of the total manufacturing cost of cotton cloth. The testimony before the Agriculture Committee was that it would reach an even higher figure.

The legislation will save jobs for many millions of our citizens by eliminating the causes for the disruption and deterioration of king cotton.

The Subcommittee on Cotton of the House Committee on Agriculture commended hearings in December 1962. Two days in December were consumed. The second series of hearings were held in the months of January and February. Considerable work on the part of interested individuals and groups has been required in the moving of the Cooley bill to the floor of the House. It is believed that by the reduction in the price to the domestic mills, as anticipated by this legislation, a gradual increased consumption of the fiber would be the result. The United States will enjoy a fair share of the world cotton market, should this bill be enacted into law. It would aid the farmer, as he can then remain in the business of growing cotton. It will make a healthy cotton trade and merchandising system, and it will promote a thriving and growing cotton textile industry and employ great numbers of Americans in useful occupations.

Mr. POAGE. Mr. Chairman, I yield 5 minutes to the gentleman from Massachusetts [Mr. O'NEILL].

(Mr. O'NEILL asked and was given permission to revise and extend his remarks.)

Mr. O'NEILL. Mr. Chairman, I know there is not a man or woman in this Congress who is not aware of the economic situation of his own district. I, for one, have a small compact district of about 11 square miles comprising a lower, middle and upper-middle economic group. The majority of these people work for a living, as you can tell by the economic group they are in.

I represent about 450,000 people, but a unique district in view of the fact that more people come into my district to earn their livelihood each day than the number of people who actually live in the district itself. I know, for example, there are 30,000 people employed in the field of education.

There are 30,000 people who work for the Federal Government, 10,000 of them working for the naval shipyard.

I know that about 25,000 people are employed in the electronics industry.

I know there are 150,000 white-collar workers.

I know there are 20,000 people employed in the field of candy and confectionery.

I know there are about 30,000 people who earn their livelihood in what we call the apparel section of the city of Boston.

So, consequently, this bill means considerable to me coming from the northeast section of this country representing a district which comprises two-thirds of the city of Boston.

It means a tremendous amount to the economy of my area. It means a tremendous amount to the economy of all the Members from the Northeast who come from metropolitan areas.

I think, Mr. Speaker, it is high time that we wipe out the present differential on cotton under which domestic mills have to pay 30 percent more for American cotton than the foreign mills have to pay.

Since the initiation of the two-price cotton system, New England cotton textile and allied employment has declined from 89,000 workers to 47,000 workers, a drop of 47 percent. Over 50 cotton textile mills have been liquidated during this period.

In Massachusetts, the decline in cotton textile employment has been from 40,000 to 22,000 workers during this period. Twenty-eight mills have been liquidated.

Cotton spindles in place in New England have declined from 2,680,000 to 1,041,000 currently, a decline of 61 percent. In Massachusetts, the drop has been from 1,342,000 to 421,000 a drop of 69 percent.

Despite this liquidation, the cotton segment of the Massachusetts textile industry contributes significantly to the whole textile, apparel and textile machinery complex in this State, which, in turn, is essential for the economic health and welfare of the State.

In Massachusetts, there are over 100,000 textile and apparel workers employed in 1,700 plants in 146 cities and towns, with an annual payroll of \$300 million. In addition, there are 16,900 employees engaged in making textile machinery and supplies in over 100 plants.

This great manufacturing complex stretches across the length and breadth of Massachusetts, from Boston to the terminus of the Mohawk Trail; from New Bedford to Amesbury; from Great Barrington to Plymouth. It is also characterized by concentration in several areas. For example, textiles account for 79 percent of manufacturing jobs in Fall River, 46 percent in New Bedford, and 30 percent in Lowell. In the city of Boston itself, 25 percent of the manufacturing jobs are in over 600 textile apparel plants. This is the particular area which I represent.

For these reasons, I support the Cooley bill and the amendment I understand will be offered by my colleague from Maine [Mr. McINTIRE].

The bill will eliminate the inequitable and unfair situation wherein our domestic cotton textile industry has had to pay 25 or 30 percent more for cotton than

those foreign mills which turn the cotton into textiles and apparel and ship them back into this country.

Imports have steadily risen since 1956 and, currently, exceed 1 billion—I repeat, 1 billion square yards annually. In terms of cotton content, imports have tripled to 310 million pounds.

Cotton's share of the U.S. market for textile fibers will continue to drop as it has over recent years unless this unfair burden affecting the cotton growing textile and apparel industry in this country is eliminated by this bill.

This bill protects the small grower while permitting a modest reduction in the support price of cotton, and provides for research to reduce the cost of producing cotton in the future.

This is no windfall to our mills or textile workers. Lower cotton prices mean lower fabric prices to the consumer in this highly competitive industry.

The thousands of textile mills throughout the country, of which Massachusetts and New England have a modest share, are the principal customers of American cotton. Without them, the raw cotton industry, as we know it in this country, cannot grow and prosper.

It is essential, therefore, that after 7 years of delay, we now face up to this situation and vote for this bill with Mr. McINTIRE's amendment.

As I understand it, all of labor and all of management in our area support it, and I cannot for the life of me conceive how any Member from New England, regardless of what city or where he comes from, could vote against legislation of this type. I hope the bill is passed.

Mr. GUBSER. Mr. Chairman, I make the point of order that a quorum is not present.

The CHAIRMAN. The Chair will count. [After counting.] Sixty-nine Members are present, not a quorum. The Clerk will call the roll.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 215]

Ashbrook	Gibbons	Monagan
Ashley	Gill	Morrison
Auchincloss	Glenn	Morse
Barrett	Gurney	Moss
Battin	Hall	O'Brien, Ill.
Becker	Harsha	Olson, Minn.
Bennett, Mich.	Hawkins	Passman
Bolling	Hébert	Patman
Brooks	Holifield	Pepper
Byrnes, Wis.	Horton	Powell
Carey	Jennings	Rivers, Alaska
Celler	Johansen	Robison
Chelf	Kelly	Roosevelt
Colmer	Keogh	Roush
Curtis	Kilburn	St Germain
Dawson	Kirwan	St. Onge
Diggs	Landrum	Shelley
Dowdy	Lankford	Sheppard
Dulski	Lindsay	Smith, Va.
Edmondson	Long, La.	Steed
Ellsworth	McLoskey	Thompson, Tex.
Fallon	Maillard	Trimble
Fogarty	Matsumaga	Van Pelt
Fuqua	Milliken	Widnall

Accordingly, the Committee rose; and the Speaker having resumed the chair, Mr. ROONEY of New York, Chairman of the Committee of the Whole House on the State of Union, reported that that Committee having had under consideration the bill H.R. 6196, and finding itself without a quorum, he had directed the roll to be called, when 360 Members responded to their names, a quorum, and

he submitted herewith the names of the absentees to be spread upon the Journal. The Committee resumed its sitting.

Mr. HOEVEN. Mr. Chairman, I yield 15 minutes to the gentleman from Maine [Mr. McINTIRE].

(Mr. McINTIRE asked and was given permission to revise and extend his remarks.)

Mr. McINTIRE. Mr. Chairman, this bill, H.R. 6196, has been designed as an aid to the cotton industry for, as everybody is fully aware, the cotton industry is in grave trouble.

Evidence that the cotton industry is hard pressed is reflected in the fact that during the 5-year period between 1958 and 1963 some 45 cotton mills have been liquidated in the United States, with approximately 30,000 jobs having been wiped out in the process. In this same period, employment in broadwoven fabric mills declined from 246,800 to 216,7000 production workers.

There are, of course, many conditions that have contributed to the troubles and problems of the cotton industry. In the case of the textile manufacturer, for instance, there is the complaint that the two-price system on cotton requires the domestic manufacturer to pay 8½ cents more per pound of cotton than does his foreign competitor for the same cotton.

H.R. 6196 would move forward to correct this inequity. It would do this by providing payments-in-kind in order to make American cotton available to domestic mills at world cotton prices. This would eliminate a grossly unfair cost disadvantage under which our American mills have for long labored, and it would enable the American textile manufacturer to meet his foreign counterpart on an improved competitive basis.

It is to be recognized, too, that our national policies in two areas have also contributed substantially to the crisis in which the U.S. cotton industry today finds itself.

In the price-support area, for instance, the support levels on agricultural cotton in 1961 were lifted from 30 to 32.47 cents per pound. Through this unwarranted upward adjustment in the support level of agricultural cotton, the two-price policy was transformed from a program which the domestic industry could barely tolerate into one that was unbearable.

The introduction of this cost disadvantage to our domestic mills was largely responsible for a competitive loss of some 1,700,000 bales of cotton during the last 3 years, a loss which—if something is not done to correct the situation—might very well continue into the future.

The area of trade policy has also failed to offer any protection against the textile imports that have been flooding into our domestic markets.

It is true, of course, that the United States has entered into voluntary trade agreements with other countries toward the end of controlling the volume of cotton textile products coming into America; however, notwithstanding such trade agreements, these imports have reached new and record highs.

For instance, since 1946 cotton textile imports have increased at an average annual rate of 22 percent. For calen-

dar 1962 imports have been up 23 percent, and for the first 8 months of 1963 cotton textile imports are higher than they were for the same period last year.

In absolute terms, cotton goods imports were, in 1955, running just about 300 million yards, in 1960 approximately 1 billion yards, and in 1963 it is estimated that the imports will be just about 1,200 billion yards.

It must be recognized, too, that the price-support program for cotton has boosted the price level for cotton above what it would be under natural conditions in the marketplace. This has had the effect of creating a gap between cotton prices and those of other natural fabrics and synthetics. This gap has been broadening, and as the price of cotton continues to go up, the demand for cotton over and above the other fabrics goes down.

It is quite clear that some administrative action—particularly with regard to trade policies—can be taken to improve the position of our cotton industry. This action would involve restricting cotton textile imports that are sweeping into this country.

Over and above this, however, it is quite obvious that legislation action will have to be taken, too. And H.R. 6196 provides a base of assistance for the severely stricken cotton industry.

In brief, this legislation would help the cotton industry by correcting the severe price disadvantage under which our domestic textile mills today labor.

The legislation also would make cotton more competitive with other natural and synthetic fibers.

I do not, of course, wish to represent this legislation as being, in itself, a cure-all for the many ills that have crowded in upon the domestic cotton textile industry. It does, however, contain the seeds for progress toward a solution.

The program will not be without its costs, but it is interesting to note that as cotton would come out of Government storage under this program, there would be an appreciative saving on storage costs for this commodity.

And toward the end of further reducing the costs of the operation of this program, I will—at the proper time—offer an amendment to H.R. 6196. My amendment would establish a statutory ceiling on the level of price supports on cotton for the production in excess of 15 bales on upland cotton for the 1964, 1965, and 1966 crops.

In short, my amendment would permanently repeal the Secretary of Agriculture's present discretionary authority to set upland cotton price supports from 65 to 90 percent of parity permanently.

The cottongrower will not enthusiastically embrace this proposition, for it would have the effect of adjusting his income a little downward. By the same token, however, it must be recognized that presently the price support level on this cotton is 32.47 cents per pound, an unrealistic figure in consideration of the fact that just about two-thirds of the cotton in this country is produced at cost levels well below this figure.

H.R. 6196 does not, as it is now written, change the Secretary of Agriculture's

discretionary authority to set upland cotton price supports from 65 to 90 percent of parity. Under the present parity price, this means that the support price for 1964 could be set anywhere from about 27 to 37 cents per pound. Either of these levels would prompt undesirable results.

Under the present costs of producing cotton, most cotton farmers could not continue to produce cotton if the price were immediately dropped to 27 cents. On the other hand, if the level were set as high as 37 cents, cotton would be priced out of most markets as a textile fiber. Furthermore, it was not possible to estimate the costs of this bill unless a price support level could be definitely nailed down. I, therefore, considered it desirable to include in this legislation a provision specifying precisely what the level of price support should be.

I want to remind my colleagues that at the time the committee reported this bill, it had not been possible to get an agreement on this matter of price support levels. There were some who felt that a proposal offered by the Department of Agriculture was too low, while others thought it was too high. In any event, agreement finally was reached, and the House Committee on Agriculture met and approved the amendment that I will offer.

My amendment provides that the level of support for 1964 shall be such as to reflect a loan of 30 cents per pound for Middling inch, as the basic price support. "H.R. 6196, as originally introduced, provided that in 1965 and thereafter, the level of support would be that for the previous year adjusted downward to reflect any reductions in the cost of producing cotton.

In addition, the bill directed the Secretary of Agriculture to conduct a special research program aimed at reducing the cost of producing cotton, authorizing an appropriation of \$10 million annually for this purpose. It seemed reasonable, then, to establish a maximum of 29½ cents per pound, which my amendment does, for 1965, and for 1966, and thereafter the maximum level would be 29 cents per pound.

Mr. COOLEY. Mr. Chairman, will the gentleman yield?

Mr. McINTIRE. I shall be very happy to yield to my chairman.

Mr. COOLEY. Is not that the amendment which was considered by the committee after the bill had been reported and the committee instructed me, as chairman of the committee, to accept the amendment when it was presented on the floor of the House by the gentleman from Maine?

Mr. McINTIRE. This will be the amendment which I shall offer at the appropriate time.

Mr. COOLEY. May I ask one other thing? I am sure my friend will agree that this bill is a 3-year bill, and that before that 3 years expires, it will be the duty of the Congress and the committee to review the situation as it then exists with reference to the prices?

Mr. McINTIRE. This would certainly be my understanding. As I have mentioned, the history of cotton legislation

would be that probably within those 3 years other cotton legislation would be proposed in order to follow up with the developments within the cotton industry.

As the cost of producing cotton is reduced, the price support level would be reduced below 29 cents per pound. In each of these instances, the amount applies to Middling inch cotton.

With the cotton industry facing the continuing loss of markets to synthetic fibers, and with increasing imports and reductions in acreage, it was obvious that the price of cotton to U.S. mills must be reduced to world levels.

The present difference in the domestic price and the world price is, of course, 8½ cents per pound. Under H.R. 6196, the price to domestic mills would be reduced by 8½ cents in order to eliminate the obvious inequity. My amendment specifies that farmers would absorb 2½ cents of this reduction the first year. By 1966, the farmers' contribution to the reduction in price to the world level would be 3½ cents per pound or 41 percent. The Government's share would be 5 cents per pound, or 59 percent of the reduction. In addition to a reduction in the potential cost of eliminating the inequity, this would reduce the cost of the present export subsidy by 59 percent or over \$85 million.

I sincerely hope that with an expanded research program, it will be possible for costs to be reduced to the extent that the price support level will be below 29 cents by 1966 and continue on down to the world level in a reasonable time.

It is interesting to note that evidence presented to the committee pointed out that there were five areas in which production costs on cotton could be reduced substantially, by as much as 11 cents per pound or about one-third of the current price support level. This presentation was made by representatives of the cotton industry and was concurred in by the top research officials of the Department of Agriculture and many of the State experiment stations in the Cotton Belt.

I firmly feel that the amendment which I will offer is sound, fair, and workable.

Mr. COOLEY. Mr. Chairman, I yield such time as he may desire to the gentleman from Texas [Mr. POAGE].

(Mr. POAGE asked and was given permission to revise and extend his remarks.)

Mr. POAGE. Mr. Chairman, every Member of this House is aware of the fact that the economic stability of the Nation as a whole is threatened as a result of the continual loss of our cotton markets.

Cotton has historically been the largest item in the balancing of our foreign trade accounts. Cotton has historically employed a very large number of our citizens, not only in production but even more in processing and distribution. People far removed from the cotton fields of the South, from Portland, Maine, to Portland, Oreg., have and do depend upon cotton for their livelihood. Cotton is presently in trouble, not from the standpoint of production—producers have learned how to contently increase

yields—but in the markets. Our price support structure has placed American-produced cotton textiles at a very decided disadvantage as compared either with imported cotton textiles or with domestically produced synthetics.

The Cooley cotton bill is not a sectional measure. It is one of national importance. It is one which deserves the same consideration from New England and the Midwest which it deserves from the Delta and from California. Were this bill fully understood I have no doubt it would receive this widespread support, not because it is a perfect bill—it is not. Very little legislation which comes before this Congress ever reaches or even approaches perfection. The Cooley bill is a bundle of compromises, and each compromise is dependent upon some other compromise. I doubt very much that this bill can survive the breakdown of any of these compromises.

Of course, I must point out in addition to the committee amendments which are printed as a part of the bill, that the so-called McIntire amendment has been approved by the Agriculture Committee and must be considered as an integral part of the bill just as the other committee amendments are. It is one of the compromises. I did not and do not like to support the McIntire amendment because it means that certain cotton producers will, at the end of a 3-year period, be receiving a support of only 29 cents per pound. I had hoped it would not be necessary to drop this support price below 30 cents, but I recognized in the committee, and I recognize now, that there are a great many other Members who believe the support should be brought much lower. This is indeed a compromise. I stand by this compromise and support it just as I expect my colleagues to stand by the other compromises which constitute the bill. Standing together and accepting the compromises heretofore worked out, we can and will pass an effective and workable measure, but to the extent that any of us seek, at this late hour, to write our own personal preferences into this bill, we jeopardize the relief which we know is essential to the maintenance of a great national industry. I am, therefore, voting for this bill for the committee amendments and for the McIntire amendment, and against all other amendments.

Now how does this bill propose to restore the health of the cotton industry? It proposes to do it by making payments in kind, that is, by using some of the 11 million bales surplus we now have to make cotton more competitive when used by our American mills. Years ago the Congress timidly approached the problem of bringing the supply of farm products in balance with the demand therefor. We never have actually done the job. We have used acreage controls in our effort to narrow the gap but our scientific and technical advance has been so rapid we have achieved little real production control, but since the Cooley bill does not deal with crop control in any manner, I will not dwell on this.

We have further implemented our efforts to maintain the price by providing a program of nonrecourse loans for pro-

ducers who have held their plantings down to their allotted acres. At the present time the loan on cotton is 32.47 cents per pound. This is approximately 8½ cents more than the world market. We have sold cotton on the world market by giving a subsidy "in kind" to exporters. When an American exporter sold cotton on the world market and produced the evidence that he had actually shipped the cotton to a foreign destination, he has been given, from Commodity Credit stocks, additional cotton of the market value of approximately 8½ cents for each pound of his exports.

This has been known as an export subsidy. It has not involved any cash but, of course, it does involve the use of a valuable commodity. The exporter has not been able to retain this 8½-cent value for himself. On the contrary, he has been forced to sell his cotton at world price. The payment "in kind" has enabled him to recoup his losses, that is, the difference between the American price and the world price, but it has left the foreign mill with a decided advantage over American mills insofar as selling on the American market is concerned.

What the Cooley bill does is to apply exactly the same principle and use of the same machinery for the equilization of the price of cotton used by American mills. It gives the same type of subsidy, that is, a payment "in kind" out of Commodity Credit stocks, and in the same amount to the cotton merchant who delivers cotton to an American mill as the law already gives to the merchant who delivers to a foreign mill. To me, this is simple justice.

Many of the critics have contended that we should pay something less than the complete difference of 8½ cents. They base this, first, on the argument that cotton will cost the American mills less because of transportation. I do not believe this argument will stand analysis. Of course, if we assume the use of the so-called conference rates for ocean shipping, the American mills would get their cotton for less than foreign mills would but no foreign mill ever ships cotton and pays the conference rates—they ship by tramp steamer, and as best I can ascertain, it is oftentimes cheaper to ship cotton from Lubbock, Tex., to Osaka, Japan, than it is to ship it from Lubbock to Charlotte, N.C. Freight rates are, at best, a complicated and difficult matter of determination, but I think it is clear that there is very little if any difference between the cost of delivering cotton to American mills and delivering it to foreign mills.

In the second place, those who oppose this measure say we do not actually need to equalize the cost; that if we would give the mills a subsidy of something like half the difference between the domestic and the world prices, this would be very helpful and would be "reasonable." I do not so understand the situation. We know rayon is available to our domestic mills at between 24 and 25 cents. So long as the mills can get rayon for less than the price they would have to pay for comparable cotton fiber it seems to me that the inducement to use it will remain. As

I see it, there is a "critical point" just as there is in many chemical processes. For instance, if one wants to make ice he can reduce the temperature of water from 90° to 35° but he would still produce no ice. However, if he will reduce the temperature of the water another 3° he will produce ice. Thus, the money spent on reducing the temperature the first 55° is totally wasted unless we go on for the next 3°. I believe we are faced with a rather similar situation in connection with the use of cotton.

Possibly a more vital and more fundamental question is that raised by those who contend that this bill is a "mill subsidy." This deserves serious consideration. The charge is that if the Government makes it possible for the mills to get cotton at 8½ cents less than they are now getting it, they will simply pocket this 8½ cents as added profits and there would be no saving to the consumer. Of course this conclusion is based on the assumption that all cotton mills in America are parties to some kind of gigantic, mysterious conspiracy in violation of our antitrust laws, because it is clear that no such monopoly exists, for if one mill cut the price the others would have to.

To me, the experience of the last 40 years clearly precludes the possibility of such a conspiracy. I cite you the very figures which have been selected by the opponents of this bill. You have seen the graph on page 2194 of the RECORD for December 2, 1963, showing the fluctuations of the price of raw cotton and of gray cloth, the basic product of our cotton mills. You have seen that for 40 years there has been a direct relationship. Not one time in those 40 years did the price of cotton go down without a corresponding decline in the price of gray cloth. To me this graph is absolutely conclusive. The mills can only maintain a rather basic margin to pay their costs and profits.

True, in one of the letters you received from the opponents this morning, there has been superimposed on this graph another, showing the "retail price of cotton products" for the last 30 years. This second graph shows a wide margin between the price of gray cloth and the retail price of cotton products but it, too, shows that the retail price of cotton products went up every time the price of raw cotton and gray cloth went up, and that this retail price dropped every time the price of raw cotton dropped. I suggest that my colleagues familiarize themselves with this graph and with the tables which the opposition has inserted in yesterday's RECORD.

I sincerely invite your serious study of these tables because I believe they prove better than anything any of us could say that there is indeed a direct relationship between the price of raw cotton and the retail price of cotton products. The only other point which these graphs and tables make is that during the war years and just following the war through 1947, the spread or margin between the price of gray cloth and the retail price of cotton products jumped from something like 60 cents per pound to approximately double that amount. Clearly those who handle cotton goods after they leave the mill

have, for the past 15 years, enjoyed a much larger margin of profit than any enjoyed prior to that time. But the important point is the relationship between the price of raw cotton and the price of the retail products fluctuates up and down just as it always has.

Now, based upon this relationship, the Secretary of Commerce, the Honorable Luther Hodges, who has himself long had a successful career as a cotton mill operator, told our committee that in his opinion for every dollar's worth of surplus cotton we put into this program, the consumer would save at least \$2 on the cost of his retail purchases. Other knowledgeable operators have told me this is a very conservative estimate; in their opinion the saving to consumers would be much greater.

You will understand, of course, that this saving to consumers becomes larger than the actual amount of the reduction in cotton prices because each time the cotton product is sold and passes through additional hands it carries a margin of profit based upon the entire accumulated cost. Thus, if we start with a product which costs the mills 32½ cents we are going to find that the accumulation of profits is substantially greater than if we start with a product costing 24 cents. There is nothing strange or mysterious about these cotton margins of the price of cotton goods.

This bill simply provides an effective way of enabling the mills to get more cotton for their money, therefore enabling them to sell gray goods for less. This keeps the mills using cotton rather than synthetics, and it keeps our stores selling American-produced fabrics rather than foreign fabrics. This means a wider market for American cotton. It means our farmers will be able to grow and sell more cotton. It means that our retail stores will be able to stock more American-made textiles and sell them. It means that American workers will find jobs in American mills, and that in the long run American consumers will get more cotton products for the money they spend, and that more money will be spent at home rather than sent abroad.

I think these are all sound objectives, and that they are all national, not regional, objectives. I would, therefore, Mr. Chairman, urge that my colleagues give serious consideration to the basic implications of this legislation, and that they not be led astray by those who would like to impose upon it their special views or ideas no matter how meritorious any one particular change might be. You simply cannot make changes and retain the structure of the bill. I repeat, this bill in its present form is a series of compromises. This bill does not "solve" the cotton problem but it greatly ameliorates it. We have a chance today to get a part of something, a part of something which is desperately needed. If we defeat this bill, or kill it by amendments, we will then have secured absolutely all of nothing. I am in favor of taking the part of something.

Mr. COOLEY. Mr. Chairman, I yield 5 minutes to the gentleman from Arkansas [Mr. HARRIS].

(Mr. HARRIS asked and was given permission to revise and extend his remarks.)

Mr. HARRIS. Mr. Chairman, I have given a great deal of thought and study to this proposed legislation, and I have come to the conclusion, in view of the situation which seems to be recognized by everyone, that approval of this bill would be in the best interest of our country.

I represent a rural district. We have heard a great deal about the cotton industry, primarily the textile side of the cotton industry, and I must confess I am not too familiar with the problems of the textile industry because I have not had an opportunity and thus the experience of talking to people and observing the technicalities and all of the operations of that industry, not any more so than our dear, beloved friends and colleagues who come from the cities and who are just as interested in this problem, and appropriately so, as we are in my district. But I am familiar with the cotton producing side of this question.

My State is a substantial cotton producing State. My district produces substantial cotton, both in the delta area and in the uplands. So I do know something about their problems. I do know something about their concern. They are not the kind of people who want to impose upon the textile industry and the consumers of this great country of ours. They are the kind of people who want to continue to be a part of the economy of this country. They want to be in position to produce cotton and get a price for it that will permit them to get along and have equal opportunity in the economic relationships that we enjoy. That is all we want. We should not ask for more, and I do not think we are entitled to any less.

It is admitted apparently by everyone that something needs to be done. I have always had the feeling, Mr. Chairman, that we have had the know-how and the ingenuity and if given an opportunity will resolve any problems regardless of how difficult they may be.

It is our responsibility to try to give them that opportunity with this problem.

There may be other ways that might be more desirable than proposed by this bill. I suppose it is possible that there could be devised some scheme that would be more desirable from the viewpoint of many people. I imagine if I were given the authority or had the responsibility to sit down and try to work something out in my own mind I probably could satisfy myself a little more. But that is not the way to get things done in the Congress. That is not the way we can give that opportunity, as I see it.

So the committee has come up with a plan, and this is the only practical plan, as I see it, with any reasonable opportunity of realizing anything that will alleviate the present situation. Therefore I am supporting this bill.

The purpose of this bill is to encourage increased consumption of cotton. No one can object to that. To maintain the income of cotton producers, and to provide a special research program de-

signed to lower costs of production. That is precisely what the gentleman from North Carolina [Mr. JONAS] talked about earlier. That is precisely what the gentleman from Maine [Mr. McINTIRE] talked about. That is precisely what the gentleman from North Carolina [Mr. COOLEY], chairman of the committee, who has labored so hard under such difficult conditions to try to come up with some plan that we in this House could support, has talked about.

I think the great Committee on Agriculture under the present situation, recognizing on both sides of the aisle that something should be done, are entitled to our support. I ask my colleagues to join me in giving them this support.

Yes, we are interested in our district in Arkansas, but if we are willing to give a little, why can we not come to a reasonable conclusion here? Let us work it out.

The committee has accepted the McIntire amendment. The committee, you have heard, has accepted other amendments in order to try to strengthen it and accomplish the purposes of the bill.

This payment in kind we are talking about as proposed in the bill, I wish there were sufficient time to talk about it a little bit more, but there are two questions you might ask. First, could we not achieve the same goal by reducing the price support to the point where cotton could be sold on the market at a price competitive with the foreign mills? When we build up the farm economy over the years with cotton at a certain level, to immediately chop it off or drastically reduce it to an unreasonably low price could not do anything except bankrupt the industry and have an adverse result on the consumers of America. So it would not be a proper thing to do, in my judgment. But it is proposed to do something about it in a gradual way.

The next question is, you may ask, Why not eliminate the cotton export subsidy completely? How are we going to do that without getting all the other things involved in our economy and the markets, both domestic and foreign, involved in it? How are you going to do it from a realistic, practical standpoint? You cannot do it without disrupting the whole economy.

Mr. Chairman, I urge approval of this bill. I think it is entitled to our support.

Mr. HOEVEN. Mr. Chairman, I yield 5 minutes to the gentleman from Minnesota [Mr. QUIE].

(Mr. QUIE asked and was given permission to revise and extend his remarks.)

Mr. QUIE. Mr. Chairman, of all the bills we have reported out of our Committee on Agriculture, I believe this is the worst. Usually, we consider a bill ought to hold down Government expenditures and maintain the farmer's income. In this bill we do neither. This is an increase in Federal expenditures and a decrease in farmer's income. Now I think the farmers might be willing to accept a slight reduction in income in order to correct a very difficult situation which the cotton industry is in. However, I do not think there is any reason why we ought to increase expendi-

tures in the cotton program which is already costing us too much. We have heard so often that the cotton program is one of those successful programs working so well with high supports and mandatory controls. Well, the cotton industry is in trouble and the present program has caused them to be in trouble. But already there is a substantial expenditure of funds. When we add up the cost of this program for 3 years to the present cost of the cotton program, the cost to the taxpayers in 3 years will be exactly the value of the cotton crop for 1 year or about \$2,338 million.

I noticed when the chairman talked about the cost of the cotton program he used some smaller figure. As I look at the Department of Agriculture's indications here, I see they give no value whatsoever to 950,000 bales of cotton. Well, that cotton at least could be sold on the foreign market for 24 cents a pound so we ought to give it at least that value and this would make the cotton program cost another \$114 million a year. So even with the McIntire amendment, here is a tremendously expensive program.

Now shall we spend that amount of money on cotton? Well, if we did this for every other commodity, mind you, the value of the marketing from all commodities is \$35.7 billion a year, that means our Federal program for agriculture, if we gave the same treatment to every commodity would run \$35.7 billion in 3 years, if this same deal was given to everybody. Now, I would be willing to spend money for a good program, if it solves something. But I do not believe this bill will solve anything. I do not think the cotton industry will be any better off in 3 years from now than they are right now because there is no insurance that at the termination of this program we would then go to a lower price to prevent a two-price system for cotton. Without the McIntire amendment the prices would go back to any level that the Secretary would want to set as he is doing now. With the McIntire amendment, I understand it would still be kept at 29 cents a pound which is still higher than the world price. Without any more insurance of a better program at the end of 3 years, I could imagine that the mills could use this money to help them to switch over to the synthetics at a more rapid rate than they are able to do right now. They could take this two-hundred-and-some-million dollars a year, according to our figures, we see here it averages \$212 million additional each year—they could take that money and use it to switch over to synthetics. We have got to give them a hope that at the end of 3 years something is going to be different for them, that the two-price cotton system would be over with.

Mr. COOLEY. Mr. Chairman, will the gentleman yield?

Mr. QUIE. I yield to my chairman.

Mr. COOLEY. How does the gentleman figure that the mills will receive this money, unless the mills actually use up the cotton because the subsidy that you are talking about is being paid on a per pound basis.

Mr. QUIE. The cotton mills can do anything they want with that cotton. At the world price, it is true, they receive a subsidy in the form of cotton and then they also receive a subsidy in the form of cotton in order to get their subsidy of cotton down to the world price. This would go over and over again until it worked out.

Mr. COOLEY. You mentioned the cost involved. Do you have any idea what the dairy program, in which the gentleman is very vitally interested, has cost the taxpayers of this Nation?

Mr. QUIE. Yes, I recall that the Secretary of Agriculture said we have to get the cost of the dairy program down to \$300 million a year—anything above that is unreasonable.

The CHAIRMAN. The time of the gentleman has again expired.

Mr. HOEVEN. Mr. Chairman, I yield the gentleman 2 additional minutes.

Mr. QUIE. The value of the dairy production each year is twice that of cotton. It is twice that. Dairy production value is \$4.8 billion while cotton is marketed at a value of \$2.4 billion. So if the Secretary of Agriculture says we must keep the dairy program down below \$300 million, why should we have an increase in the cotton program when the crop is worth half as much as dairy products and already taxpayers are paying more for the cotton program than they are for dairy?

Mr. COOLEY. I am not interested in the statement made by the Secretary of Agriculture, but what did this dairy program cost the taxpayers of America?

Mr. QUIE. I could not tell you that for the last 20 years, but it runs \$400 million a year presently on a \$4 billion crop instead of \$750 million a year on a \$2 billion crop as this bill proposes.

Mr. COOLEY. Figures I have before me indicate that the Commodity Credit Corporation has lost \$3,151 million in dairy price support operations. You seem to quote the Secretary of Agriculture. Are you aware of his calculations on the pending bill that this will result in consumer savings of about \$500 million a year?

Mr. QUIE. We have never seen this proven in the life of agriculture. We have seen prices go down. We have seen beef prices go down. But did the consumer receive that kind of reduction in the price of meat? No, we have not seen it happen. Milk prices go down to the farmer. Does the price to the consumer go down? When the price of the raw material, cotton, goes down to the mill, does the consumer receive these savings? We have no assurance of that.

Mr. COOLEY. Do you disagree with the textile manufacturers, the industry statement to the effect that they will have to write off their inventories to the extent of about \$150 million, all of which will accrue to the benefit of the consumers?

Mr. QUIE. We have no assurance of that, because like any other industry which utilizes the raw material from the farms, there is no assurance whatsoever that they will cut the prices on their products.

Mr. BELCHER. The chairman asked the gentleman from Minnesota what the dairy program was costing. Could the gentleman tell me what the dairy program would cost if we adopt the same type of program for dairy products that we are going to adopt now for cotton?

Mr. QUIE. If we would do the same thing for dairy products, by making a 15-cent direct payment for butter, and not bring it down to the world market level but just have a 15-cent cut in price, this would cost the taxpayer \$360 million just for butter—not for cheese or dry skim milk but just for butter. How would this House react if we came before you and asked for \$360 million additional for butter to give them exactly the same kind of program as you are proposing for cotton? They are in the same difficulty as cotton.

Mr. BELCHER. The same argument would prevail on this two-price system for butter that would prevail on the two-price system for cotton, would it not?

Mr. QUIE. That is right. We send dairy products overseas for less than Americans must pay for it. They have an export subsidy, like cotton, and butter is endangered by substitutes, just like cotton.

Mr. BELCHER. Would not the dairy people have the same argument in favor of this type of program that the cotton people have?

Mr. QUIE. That is right. And there is no reason why, if we can adopt this program, we should not go ahead and adopt the same kind of program for every other commodity in the same difficulty, and there are others.

Mr. BELCHER. I suppose the gentleman knows that there are dairy bills which are prepared to be introduced to do that very thing in case this bill passes the House. Do you not?

Mr. QUIE. That is correct. The National Milk Producers Federation last year passed a resolution supporting a dairy program similar to this.

Mr. BELCHER. Is that not going to put us all in kind of a spot, because every Member of this House, unless he represents an entire city district, has at least some farmers that have milk cows. Is that not correct?

Mr. QUIE. That is right. For instance, we also have difficulty with imports of beef now. If we are handing this money out to the cotton farmers and the cotton industry we would want to do the same thing for beef.

The CHAIRMAN. The time of the gentleman has again expired.

Mr. HOEVEN. Mr. Chairman, I yield 10 minutes to the gentleman from Illinois [Mr. FINDLEY].

(Mr. FINDLEY asked and was given permission to revise and extend his remarks.)

Mr. FINDLEY. Mr. Chairman, the Chair's ruling against the point of order concerning the committee report raises some very troubling questions about this legislation. To help clarify them I would like to call the attention of the chairman of the Committee on Agriculture, the gentleman from North Carolina [Mr.

COOLEY], to pages 25 and 26 of the committee report. I call attention to the language on those pages in black brackets. Is it true that the language so bracketed is repealed by this bill? Will the gentleman from North Carolina indicate whether or not the language which is bracketed in black on pages 25 and 26 of the committee report is repealed by this bill?

Mr. COOLEY. I do not care to argue the point of order which has already been overruled. I do not think it is proper for the gentleman to interrogate me about a ruling of the Chair. The point of order was overruled and that stands as it is at the moment.

Mr. FINDLEY. Will not the gentleman agree that the Members of this body are entitled to know the effect of this bill upon existing law?

Mr. COOLEY. The gentleman is explaining to the Members of the House the effect of it. This is in substantial compliance with the Ramseyer rule, and the Chair so ruled. Why does the gentleman take the time to discuss it any further?

Mr. FINDLEY. Precisely because there is doubt as to what language in existing law is stricken by this bill. I think the Members of this body are entitled to know, and I invite anyone on the committee or others in this body who can answer to tell me if the bracketed language on pages 25 and 26 of the committee report are stricken by this bill. And if we cannot get that answer, why should we proceed with the consideration of this bill?

Mr. GROSS. Mr. Chairman, will the gentleman yield?

Mr. FINDLEY. I yield.

Mr. GROSS. This is not a question of discussing the decision of the Speaker on the Ramseyer rule. This is a question of knowing what is in the law today; what you have done with respect to the existing law.

Mr. COOLEY. You have the law in front of you, I am sure, because you examined the law before you made your point of order. You made your point of order and it was overruled.

Mr. GROSS. This is not a question of debating the point of order. The question is this: Are the feed grain and acreage allotment provisions of the law repealed by this bill, H.R. 6196?

Mr. COOLEY. If the gentleman is in doubt of it, he can offer a clarifying amendment when we get to the amendment stage.

Mr. GROSS. Mr. Chairman, will the gentleman yield to me?

Mr. FINDLEY. I yield to the gentleman.

Mr. GROSS. Let the record show that the gentleman from North Carolina, the chairman of the Committee on Agriculture, refuses to respond to the question as to whether these provisions of law have been repealed, according to the report accompanying this bill.

Mr. COOLEY. Mr. Chairman, will the gentleman yield?

Mr. FINDLEY. Yes.

Mr. COOLEY. Certainly the gentle-

man is not serious in saying, "Let the Record show." This Record is not going to belie my statements. I made my statement and it stands and it has been sustained by the Parliamentarian and by the Speaker.

Mr. FINDLEY. The only point we are trying to clear up is what is actually the effect of this bill; whether or not language now in the law comes out. It is vitally important, especially to anyone who represents a feed grains area, because it is quite clear that the effect of this bill is to strike out the language in brackets on pages 25 and 26. That being the case it is also clear that section 105 of the Agriculture Act of 1949 is stricken out. Therefore, the subsequent amendments to section 105 of the Agriculture Act of 1949 have nothing to hang to, amendments which on which authority for the current feed grains program is derived. The striking of section 105 and subsequent amendments thereto reinstates, in my judgment, the authority of the Secretary of Agriculture to invoke mandatory acreage controls in the feed grains area. So, it is of vital concern to find out just what this bill actually does to substantive law today.

Mr. GROSS. Mr. Chairman, will my friend from Illinois yield again?

Mr. FINDLEY. I would be glad to yield to the gentleman from Iowa.

Mr. GROSS. I should like to ask someone on the Committee on Agriculture the meaning of the language which appears on page 2 of the bill, section (3), which reads as follows:

Section 104 of the Agricultural Act of 1949, as amended, is amended to read as follows:

I shall not take the time of the committee to read all of the section, but thereafter follows the new language concerning upland cotton.

Now, what does this do? I seek to ascertain from some member of the committee what this does with respect to sections 330 and 105 of the existing law.

Mr. COOLEY. Well, it repeals section 104.

Mr. GROSS. In section 104 are contained sections 330 and 105, would the gentleman agree?

Mr. COOLEY. They are referred to; that is true.

Mr. GROSS. So that it repeals the feed grain and acreage allotment provisions?

Mr. COOLEY. Section 104 of the act of 1949, as amended, is amended to read as follows:

The Secretary of Agriculture is hereby authorized and directed to conduct a special cotton research program designed to reduce the cost of producing upland cotton in the United States at the earliest practicable date. There are hereby authorized to be appropriated such sums, not to exceed \$10 million annually, as may be necessary for the Secretary to carry out this special research program. The Secretary shall report annually to the Committee on Agriculture of the House of Representatives and to the Committee on Agriculture and Forestry of the Senate with respect to the results of such research.

What is it you want to know?

Mr. GROSS. Section 3, reads as follows, the introducing language:

Section 104 of the Agricultural Act of 1949, as amended, is amended to read as follows:

Mr. COOLEY. All right.

Mr. GROSS. If it is amended to read as follows—

Mr. COOLEY. Anything inconsistent with this rewrite would certainly be repealed, as I understand it.

Mr. GROSS. All right, then it is all inconsistent, beginning with section 104, all of the feed grain and crop acreage provisions are inconsistent and therefore repealed?

Mr. COOLEY. No, it does not mention either section by name or number.

Mr. GROSS. It does mention it by number.

Mr. COOLEY. What section?

Mr. GROSS. It does mention that section 104 is amended to read as follows.

Mr. COOLEY. Of course, directly, the 104 section is mentioned. You are complaining that part of section 104 is apparently repealed by the rewriting of the section?

Mr. GROSS. I will say to my friend from North Carolina I am not complaining about anything. I am merely trying to find out what is repealed, if anything, of the feed grains and acreage allotment provisions now in existing law. I am convinced you have repealed those provisions by the language which appears on lines 22 and 23 at page 2 of the bill.

Mr. COOLEY. All right. If we have done that it certainly can be corrected when we start to read the bill.

Mr. GROSS. Why should I correct it? I did not change the law.

Mr. COOLEY. If this bill changes it, you can correct it.

Mr. GROSS. You can do all the correcting you care to. I will say to the gentleman that what I am going to do is vote against the bill.

Mr. FINDLEY. Mr. Chairman, it is clear from this colloquy that there is a considerable amount of doubt as to the actual effect of this bill. It would be very hazardous for us to consider the bill and to act on it until these points are clarified. I certainly hope that the chairman of the committee and the staff of the committee will give consideration to amendments which will clarify these points.

Mr. Chairman, I would now like to call the attention of the gentleman from Texas [Mr. POAGE], if I may have the attention of the gentleman from Texas, to the chart which was printed on page 21904 of today's RECORD to which the gentleman referred earlier. The gentleman indicated that the price of cotton products always go up and down with the price of raw cotton. The gentleman mentioned that earlier in the colloquy with the gentleman from Washington [Mrs. MAY]. I would like to call the gentleman's attention to the fact that 11 times in the brief span of years on the chart the two price lines did not move together. They either moved in opposite directions or one stayed the same and the other moved in one or the other directions.

Mr. POAGE. Mr. Chairman, will the gentleman yield?

Mr. FINDLEY. I yield to the gentleman from Texas.

Mr. POAGE. In the first place, the gentleman's chart does not refer to the price of raw cotton as compared with the price of the gray goods at the mill.

Mr. YOUNGER. Mr. Chairman, I make the point of order a quorum is not present.

The CHAIRMAN (Mr. ROONEY of New York). The Chair will count. [After counting.] One hundred and ten Members are present, a quorum.

Mr. POAGE. In the first place, the gentleman's table does not relate to the difference between the price of raw cotton and the mill price of gray goods, but to the difference between the average farm value of cotton and the retail cost of goods.

Mr. FINDLEY. That is exactly what I intended.

Mr. POAGE. I understood the gentleman to suggest that it was a comparison between the price of raw cotton and the mill price. This is not the mill price, this is the retail price to which the gentleman referred. The gentleman says there are certain minor variations, and I recognize that is true. You do not find every time there is 1 cent movement that the very next year you will find it reflected because always in a yearly movement you do not get times of the year when you do not find exactly the coordination; but the gentleman will agree, I am sure, that at the very beginning of his chart, which is 1935, there is a retail cost price of 91 cents as against a price of cotton of 12 cents.

Mr. FINDLEY. I will say it is true that the price lines have followed a general direction.

Mr. POAGE. A general direction, yes.

Mr. FINDLEY. But there has not been a strict relationship between the two.

Mr. POAGE. It shows both went up at approximately the same percentage until 1951. The gentleman's chart shows, and I think you will agree, a general movement upward from 1935 to 1951 of both the price of raw cotton and the retail price of cotton products.

Mr. FINDLEY. We are adopting a theory, then, that the retail price always goes up or down with the cost of the materials?

Mr. POAGE. The rest of my sentence was to be that the chart he has submitted further shows that beginning in 1951 down to the present time there has been a gradual decline both in the price of raw cotton and in the price of the finished product. That is exactly what I said, and I repeat it.

This very chart the gentleman submits shows a direct relationship between the two sets of prices.

Mr. FINDLEY. I thank the gentleman. I want to say that what really confuses me is a speech which was reprinted in part on the same page of the RECORD today in which the gentleman from Texas was quoted as saying:

The record shows rather clearly that the tremendous loss which farmers have sustained in the way of low prices for their products in recent years has not been passed on to the consumers—and if low farm prices don't help consumers, why should Government try to lower them?

Why should we pass this bill to lower the price of raw cotton if it is not going to help the consumers?

Mr. POAGE. We should not pass it if it is not going to help the consumers. The gentleman from Texas was speaking about farm prices in general, of which the gentleman from Illinois is well aware, and that is exactly how farm prices in general have reacted. But the gentleman's own figures show that this is not applicable to the price of cotton products.

Mr. FINDLEY. Is the gentleman excluding cotton from this general picture?

Mr. POAGE. I am pointing out that there is a very special relationship between the price of raw cotton and the products thereof, and that relationship developed as the result of the competitive situation which exists in the cotton market that does not exist in a great many other commodities. There is a great deal more flexibility in the use of cotton products than there is in the use of meat or potatoes or bread. I am not quarreling with the gentleman's figures. I am just asking him to accept the implications which necessarily flow from them.

Mr. FINDLEY. Mr. Chairman, on November 8 I made a statement in the RECORD concerning H.R. 6169, the Cooley cotton bill. I was pleased to see a response in the RECORD on November 13 by the gentleman from North Carolina [Mr. COOLEY]. The gentleman is author of the bill and chairman of the Committee on Agriculture which considered and reported the bill.

He therefore speaks with authority for those supporting this legislation. The arguments he advanced may reasonably be assumed to be the best that can be said for it. If so, the bill deserves a quick demise.

Most—if not all—farm legislation is a conspiracy against public understanding. Its true character is concealed in verbal underbrush so thick that only a few persevering bushwhackers ever fully understand it.

And for very good reason: if the general public ever found out what was actually proposed the taxpayers' wrath would stop the legislation but quick.

The Cooley bill and the gentleman's defense of it constitute a prize example of this conspiracy with public understanding.

First. The gentleman claims this is not really a mill subsidy. The payment is called a trade incentive. Does not the word "incentive" imply a consideration, something of value? Of course, it does, and the consideration is a million dollars worth of cotton—a consideration just like money in the bank to textile mills. Who gets the consideration—the payment in kind—the trade incentive? Is it the producer? No, this is disallowed in the very language of the bill. Is it the first or second handler? No, the Committee on Agriculture specifically rejected an amendment to provide the payment to the first or second handler.

The payment, of course, is to the mill. It is the only practical place for it to go. Not actually a mill payment? How about the mills who buy directly from cotton farmers? In that case, who

would get the payment? The producer is disqualified by the language of the bill, so it could go no place other than to the mill—clearly a mill payment.

This bill authorizes a mill subsidy pure and simple. Arguments to the contrary add nothing but confusion.

Not a mill subsidy? Who would get the 8½-cent-a-pound payment authorized for private holders of raw cotton? This payment in total could amount to over \$43 million. If the mill holds the raw cotton, would the payment not go to the mill and thus properly be considered as a mill subsidy? Of course it would. It is estimated there are 1,023,000 bales of raw cotton in private hands. At \$42.50 a bale, computed at 8½ cents a pound, the direct payment could total \$43,477,500.

Another example of subterfuge, and conspiracy with public understanding, is the manner in which cost figures have been presented.

I have in my hand a chart dated October 14, 1963, carrying the reference: ASCS:PPA. It is headed:

Cotton: Comparison of major items of estimated expenditures under current legislation and H.R. 6196 based on assumptions listed below.

One might assume this would present a fair and clear picture of the cost of this bill. The final dollar figures, showing "net additional expenditures added by H.R. 6196, as amended," are \$118.2 million for the first year, \$87.9 million for the second, and \$44.3 million for the third.

Then a final, innocent line, which may salve the conscience of those who prepared the chart, but hardly completes a fair cost presentation. This line read "Reduction in CCC stocks in addition to cash expenditures," followed by the phrase "950,000 bales" under the column for each of the 3 years.

Completely concealed is the fact that these 950,000 bales enter into the cost of the bill.

These bales are used for payment in kind. They are to be given to the mills. The taxpayers have invested about \$162.50 in each of these bales. Nine hundred and fifty thousand bales represent an annual taxpayers' cost of \$154,375,000.

Why was this not shown as a part of the program's cost, instead of being skillfully slipped in without a dollar sign, indeed with a subtle phrasing that made it seem like a gain—rather than a loss—for taxpayers?

Another example of conspiracy with public understanding is the claim that this bill is actually a \$500 million-plus gain for the American consumer. This is an insult to the intelligence of this body.

Spend an extra \$250 million in taxes for a direct subsidy program like this, and the taxpayers get back not just the \$250 million—but an extra \$500 million as well.

This argument is based on the erroneous theory that consumer prices automatically reflect raw material prices. I refer you, Mr. Chairman, to a statement I placed in the RECORD this date, page 21903. It carries a tabulation which shows that cotton product prices at re-

tail do not automatically jump up and down in fixed relationship to raw cotton prices. Indeed, sometimes the price lines go in opposite direction.

In that same statement, I quoted from earlier statements by the gentleman from North Carolina [Mr. COOLEY] and the gentleman from Texas [Mr. POAGE] citing figures to show that consumers do not get the benefit of lower prices for farm commodities. I hope the Members will take the time to read these statements. They effectively destroy the argument that consumers will get a big windfall out of this bill.

If we accept the theory that consumer prices always reflect changes in farm commodity prices, we must remember an economic law works both ways. If this bill will benefit consumers, then Secretary Freeman actually punished consumers to the tune of some \$90 million in 1961 when he jacked up price supports on cotton.

Are we now to accept this theory?

Where does all of this lead?

How about the fast-growing synthetics industry in this country? How about the people employed in the manufacture of manmade fibers? If we are going to spend \$700 million a year, or so, to subsidize the price of cotton—how can we deny a similar claim from manmade fiber manufacturers? Are they not American citizens too, and entitled to fair and equal treatment?

If this bill passes, the manufacturers of manmade fibers will be forced to help finance this cotton industry subsidy—a subsidy which discriminates unfairly against their own businesses.

Then, how about other commodities, other industries. This bill would establish a dangerous precedent—a new-type subsidy—a big enough gate for any industry to reach through for tax dollars if it gets into trouble.

In our concern for consumers, for cotton textile workers, for cotton farmers, we should remember that these people are also taxpayers.

Cotton is in trouble, literally on the ropes. The blame properly belongs at the door of the Federal Government. The responsibility for providing a remedy belongs at the door of the Federal Government.

But a legislative remedy is not needed. We do not need a new law. Secretary Freeman has the authority—and a legislative mandate—to remedy the cotton problem.

All he has to do is sign his name, and thus order a gradual reduction in his price. He has this authority—and this mandate—under the Agricultural Act of 1958.

Mr. YOUNGER. Mr. Chairman, I make the point of order that a quorum is not present.

The CHAIRMAN. The Chair will count. [After counting.] One hundred and one Members are present, a quorum.

Mr. COOLEY. Mr. Chairman, I yield such time as he may require to the gentleman from Virginia [Mr. TUCK].

Mr. TUCK. Mr. Chairman, it is my desire to add my voice in favor of the passage of H.R. 6196, because an im-

portant segment of our American business community is fighting to survive. I refer to the cotton industry, now facing a situation that is closing mills and eliminating jobs all the way from the silent, boll-studded cotton row to the busy, efficient loom.

The immediate and only answer at hand is the Cooley cotton bill. I urge its prompt passage by both Houses of Congress, thus eliminating an injustice that is rapidly growing into a nationwide social mephitosis and a political hystrich.

I wonder how many of our colleagues, not to mention the citizens at large, realize what has been happening to the American cotton farmer and industrialist in the last 8 to 10 years. One phase of our foreign aid program has been the encouragement of greater production abroad. We did this by supplying machinery, financial assistance and technical knowledge. And then, for the foreign cotton manufacturer, we lowered our export cotton prices so that our American cotton was available to him at 8½ cents per pound less than it is to the manufacturer here at home.

As the years have passed since we started this program, our desire to help our friends overseas has lashed back at us in the nature of the bite at the hand that feeds. The foreign manufacturer can buy our cotton, produce his end product with low-paid labor, and send it back over here to us at a much lower price than we can produce it ourselves.

The cotton interests are bearing the burden. And they do so at a time when they are battling a threat from another quarter. Synthetics are seriously competing with textiles and are demanding a larger and larger share of the market.

In the face of this dilemma which has come upon the cotton industry, I hope we can take immediate action before we lose an element of our business life that has contributed a major part toward America's greatness. The South, during its uphill battle in the regrettable war of the 1860's, learned only too well and too late the importance of cotton.

We should act now to keep the cotton farmer at his plow and the millworker at his loom. The need for such action has been seen for years, both at the executive level and elsewhere. There have been recommendations, but they have gone for naught.

Passage of H.R. 6196 would provide the needed relief. The main thing it does is to make cotton available to our American mills at the same price it is sold to the foreign competitor.

Our mills have been the buyers of more than 70 percent of our domestic cotton. When they are forced to close and the cotton farmer has no buyer for his crop, he must go into some other field of agriculture, thus placing a burden on other branches of our economy. To illustrate the seriousness, I merely cite that cotton has suffered a competitive loss in its domestic markets of 1.7 million bales a year for the last 3 years. More than 3 million persons live on farms growing cotton. Millions of others in allied fields depend upon the raw cotton industry for their livelihood.

The district I have the honor to represent in Congress is largely agricultural, but it also has some important cotton mills. One of these is the Dan River Mills at Danville, Va., the largest in the world confined to a single community. It was formed in the 1880's, coming along at a time when the South was trying to rebuild following the period of reconstruction, and it was a great aid to the people and the economy of the area at that time. It still is an important source of income to working men and women, employing at Danville alone more than 11,000 persons. Its manufacturing establishments are found in three of the Southern States, and its sales agencies are located strategically throughout the United States, while its operations enhance and contribute toward the economy of the entire Nation.

I have always been opposed to subsidies, but I do not look upon the provisions of H.R. 6196 as a subsidy. I realize this bill may not be desirable in all respects and may in some ways be violative of what some of us consider sound legislative and governmental policies; nevertheless, it is the best and only means now available to correct the grave injustice that now exists by reason of these price differentials in favor of foreign manufacturers.

It is a simple principle of law that where there is a wrong there is a remedy, and surely there must be some remedy which will work to the benefit of the cotton industry. I believe this bill, H.R. 6196, has that remedy. If this is not the correct remedy, we can change it later.

In conclusion, in my opinion, a vote against this bill is a vote to give to foreign manufacturers cotton at a price of 8½ cents a pound less than we sell it to our domestic manufacturers who are employing our own people and who are making other significant contributions to our economy. I cannot in good conscience cast a vote that will give a differential in favor of foreign manufacturers against American manufacturers.

Mr. COOLEY. Mr. Chairman, I yield 5 minutes to the gentleman from Texas [Mr. MAHON].

Mr. MAHON. Mr. Chairman, this is a rapidly changing world and we have to change policies and procedures in keeping with the nature of the world in which we live. That applies to agricultural programs and policies.

Much of the discussion today has related to the serious situation confronting the cotton industry. We are confronted with a serious problem. But, as the gentleman from Arkansas [Mr. HARRIS] pointed out, this is not the first time we have been confronted with serious problems in agriculture. When we are confronted with these problems, we have always found ways to deal with them.

We should not berate ourselves as Members of the Congress, on the Republican and Democratic sides of the aisle, in regard to what has been done in the past for agriculture. It is true that no perfect answers have been found, some programs have failed, and there have been expenditures which could not always be defended. But the Congress, and I speak of the Democrats and the Republicans,

has during the past 30 years done a good job in enabling the farmer to grow and to prosper. The Congress has provided an atmosphere of stability which has enabled the farmer to plant and to produce and to harvest his crops with some assurances. Fortified with these assurances the farmer has done an unbelievably good job. He has achieved the most efficient agriculture in the history of the world. For this neither the farmer nor the Congress need apologize.

I do not personally wish to disassociate myself from a great majority of the farm programs of the past because I believe they have brought this country a long way. I remember as a boy on the farm how the farmer was regarded by many as just an old hayseed, a man who was not capable of doing something more profitable.

Too often the farmer was considered by townspeople a few decades ago as a second-class citizen. You know that—many of you know that. But as a result of farm programs made available by the Government to the farmer, the farmer has for many years been able to achieve a higher status. In the eyes of the townspeople he has become a first-class citizen. We want to continue to cooperate with the farmer in programs designed to enable him to occupy his proper place in the economic life of this Nation.

Yes, we are confronted here with a serious problem in cotton. We can meet this situation. I might add that it is going to take some time and it is going to cost some money, but a healthy agriculture in the future will contribute tremendously to the welfare of labor and industry in the cities. It has contributed in a big way to the welfare of labor and industry in the cities in the past. In the interest of the general welfare, we cannot afford to let this great cotton industry, including all facets, such as production, processing, and manufacture, suffer collapse.

I hope that in the legislative process in the House and Senate a reasonably adequate answer can be found and I shall work with others toward that end.

We have got to find a way to make cotton more competitive. We want an expanding industry, not a declining industry. Our objective is increased consumption of cotton by our mills and additional cotton acreage allotments for farmers.

I hope to have an opportunity tomorrow to speak more specifically as to the statistics on cotton and the pros and cons of the pending bill.

Mr. COOLEY. Mr. Chairman, I yield to the gentleman from California [Mr. HAGEN], such time as he may desire.

(Mr. HAGEN of California asked and was given permission to revise and extend his remarks.)

Mr. HAGEN of California. Mr. Chairman, and my other colleagues. I support H.R. 6196 because it has the almost unanimous support of the cotton growers of California and those elements of the cotton business which process and merchandise their product. It is also supported by those persons who supply cotton growers with goods, services, and labor. I am also advised that it has the unanimous support of those sections of

organized labor which represent mill-workers and those which represent labor engaged in converting cotton into garments and other consumer items. I also support it because I think it is good legislation.

There is one item of stipulated agreement between those persons who favor H.R. 6196 and those persons who oppose it, including the Republican members of the House Agriculture Committee who submitted a minority report on it. It is unanimously agreed that the present cotton program is not working and that something must be done to save the production of a major farm commodity which has an annual value of about \$2.4 billion and which earns at least \$750 million annually from sales abroad for dollars and which could earn more to assist in the solution of our balance-of-payments problem. In addition the processing, manufacture, and sale of this fiber by U.S. corporations and individuals adds further billions of dollars to the income of both capital and labor.

There is no quarrel then over the fact that a major U.S. industry, which benefits both capital and labor, has a problem which demands a solution. The only dispute is over the means of solving it. I submit that H.R. 6196 is the only solution available to us which will give immediate answers to an immediate problem which, to be sure, will require a different permanent long-range solution.

Let us examine the bill and its background to support this conclusion.

BACKGROUND FACTS AND CONCLUSIONS

First. Only a handful of U.S. cotton-growers—operating under ideal soil and climate conditions and with massive financial investment—can profitably grow cotton at a world market price ranging between 23 and 25 cents a pound, which is established by lower foreign labor and other production costs. Thus if we are not to lose the bulk of our cotton production and irreparably damage a major sector of our farm economy with a probable shift of resources into other crops which are in surplus condition, we must have a fair and reasonable cotton price support program with the protection of the domestic market derived from existing quotas on imports of raw cotton.

Second. These necessities have heretofore worked to the disadvantage of U.S. cotton mills and cotton fiber end users in the United States because they have been paying more for raw fiber and primary cloth than their foreign competitors. The current disadvantage is at least 8½ cents a pound to the mills and a greater amount to cloth users. Do not be fooled by the argument that this disadvantage is insubstantial. Industry figures, verified by Government agencies, reflect that the cost of raw cotton is 55 percent of the manufacturing cost of primary cotton cloth, commonly known as gray goods. This disadvantage combined with higher labor costs at all stages of use after the fiber reaches the mills has resulted in the loss of practically all the U.S. foreign market for finished goods and a rapidly increasing incursion of foreign made finished cotton goods and yarn into the U.S. market.

A collateral and equally serious result has been the acceleration of the substitution of cheaper synthetic fibers for cotton by U.S. manufacturers whenever possible to the detriment of both the cotton grower and the consumer. Such substitution also means increased mill-worker unemployment because a whole section of a cotton mill can be eliminated by such substitution.

How does H.R. 6196 reach these elements of the cotton problems?

First. Through a payment device, using cotton stocks already in Government hands, it assures U.S. mills the right to buy U.S. cotton at the same price that it is sold to their competitors abroad. This reduction of costs to the mills will reach the consumer in the form of lower finished product cost. Consumer savings will be even greater than mill savings because the handlers and finishers, manufacturers and marketers who operate between the mills and the ultimate consumer buyer each add percentages on the cost of gray goods material as it goes through them with an estimated minimum 100-percent markup between the mill and the ultimate buyer according to Department of Commerce estimates. For example, if we assume a 30-cent-per-yard gray goods price compared with a 38½-cent price if we fail to pass this legislation the saving to the mill would be 8½ cents per pound the saving to the final consumer perhaps 17 cents per equivalent pound of material depending on its finished form. Hickman Price, then Assistant Secretary of Commerce, testified before our committee that this pyramiding of savings between the mill and the housewife meant at least \$100 million of saving of cost to the housewife for each penny of reduction of cost of raw cotton to the mill.

There are those who argue that the mill saving would not be passed on. The facts contradict this statement. U.S. Department of Agriculture figures covering a period of from 1925 through part of 1963 demonstrate that a movement up or down in the price of raw cotton is almost identically matched by a movement up or down in the mill price of primary cotton cloth.

Second. It establishes a pattern of price support—with the McIntire amendment which support—which will result in a reduction of that support on two-thirds of the crop by 3.47 cents a pound. An exception to this reduction is made for the case of the so-called small farmer who produces 15 bales or less but the farmers of this size are rapidly and wisely getting out of the cotton business and am satisfied that this bill will result in a permanent reduction of cotton price supports across the board after the 3-year program of the bill terminates. Such permanent reduction of support levels should save at least \$243 million annually in the cost of a cotton program.

The opponents of this bill maintain that this new program will cost \$221,600,000 more than the present program. They are incorrect. Because of savings as aforementioned from lower support levels and other factors the Department of Agriculture estimates that the program will only cost an additional \$118 million the first year, \$87 million the

second year, and \$44 million the third year of its 3-year lifetime. These costs will be more than matched by consumer savings and the revitalization of a great industry.

Third. It establishes a vehicle for adding to the acreage of those cotton producers who are most efficient and the most damaged by the inadequacies of the present program. Such addition will occur only in the event it will not add to cotton surpluses.

Fourth. It provides for paying the so-called mill payments through delivery of cotton out of surplus Government stocks with the result of reducing a huge Government investment which has already been paid for and which adds costs of storage and other costs daily and which, if not otherwise disposed of through the increased cotton consumption which this bill provides for, are frequently given away abroad at a total loss to the taxpayer.

Fifth. It provides for accelerated research to reduce the costs of cotton growing to the end that price supports and Government costs can be further lowered.

I hope that I have demonstrated that this proposed legislation hits at the major elements of the cotton problem immediately and in a massive, effective way.

The only alternative the opponents of it have offered is a request of the Secretary of Agriculture to reduce cotton price supports across the board. The advice and request overlooks the fact that the present statute does not permit his making a reduction as large as that provided for by this bill for two-thirds of the cotton. The advice overlooks the fact that such action, within the limits permitted by statute to the Secretary, would not solve the mill problem. If the Secretary made the maximum discretionary reduction our domestic mills would still be forced to pay a price for raw cotton substantially higher than that paid by their foreign competitors.

Finally I wish to emphasize that the so-called mill payment is not a payment for the benefit of the mills and under the Cooley bill need not be paid to them. It is merely a method of giving the mills price equity with foreign mills. It is the only method that has even been suggested for achieving that result without requiring such a drastic reduction in the farm price of cotton that 99 percent of our cotton farmers would cease to farm cotton. The payment is designed to benefit farmers.

The Cooley bill was developed after extensive hearings which began in December of 1962. It was reported by our committee in June and given a rule shortly thereafter. Every detail of it was discussed with President Kennedy and President Johnson and it has received the approval of both of these distinguished men. It merits your approval.

Mr. COOLEY. Mr. Chairman, I yield to the gentleman from Missouri [Mr. JONES] 5 minutes.

(Mr. JONES of Missouri asked and was given permission to revise and extend his remarks.)

Mr. ARENDS. Mr. Chairman, I make the point of order that a quorum is not present.

The CHAIRMAN. The Chair will count. [After counting.] Sixty-seven Members are present, not a quorum. The Clerk will call the roll.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 216]

Alger	Gary	Monagan
Ashbrook	Gibbons	Morrison
Ashley	Gill	Morse
Auchincloss	Glenn	Moss
Baker	Gurney	O'Brien, Ill.
Baring	Hall	O'Hara, Mich.
Barrett	Hansen	Passman
Barry	Harsha	Pepper
Bates	Hébert	Powell
Becker	Herlong	Rivers, Alaska
Bennett, Mich.	Horton	Robison
Blatnik	Jennings	Roosevelt
Bolling	Johansen	Roush
Brooks	Kee	St Germain
Byrnes, Wis.	Kelly	St. Onge
Celler	Keogh	Shelley
Chelf	Kilburn	Sheppard
Colmer	Kirwan	Siler
Curtis	Kluczynski	Slack
Davis, Tenn.	Latta	Smith, Va.
Dawson	Long, La.	Steed
Diggs	McLoskey	Thompson, La.
Dowdy	Madden	Thompson, Tex.
Dulski	Mailliard	Trimble
Ellsworth	Matsunaga	Van Pelt
Evins	May	Vinson
Fallon	Miller, Calif.	Wharton
Fogarty	Miller, N.Y.	Widnall
Fuqua	Milliken	Williams
Garmatz	Minshall	

Accordingly, the Committee rose; and the Speaker having resumed the chair, Mr. ROONEY of New York, Chairman of the Committee of the Whole House on the State of the Union, reported that that committee having had under consideration the bill, H.R. 6196, and finding itself without a quorum, he had directed the roll to be called, when 340 Members responded to their names, a quorum, and he submitted herewith the names of the absentees to be spread upon the Journal.

The committee resumed its sitting.

The CHAIRMAN. The gentleman from Missouri [Mr. JONES] is recognized for 8 minutes.

Mr. JONES of Missouri. Mr. Chairman, I hope that anything I say here will not further confuse you on this bill. I think it is a difficult bill for the average person, particularly those people who do not come from a cotton area or who do not come from a mill area, to understand.

As I stated yesterday, the only reason that I voted to permit this bill to come out of committee and to come onto the floor of the House was to give an opportunity or to provide a vehicle for making some changes that would improve this bill. It can be improved. It can be made acceptable, I think, to a majority of the people on both sides of the aisle. I regret, of course, that there has apparently been some politics thrown into this fight. I would remind you, however, that this bill has had a rule since July 30. During the months of August, September, October, and the greater part of November it could have been brought to this floor had there been any great effort on the part of the administration or desire to want to pass this bill. The title of the bill as it is written does not indicate what is in the bill. To start with, it says that this bill is "to increase consumption of cotton, to maintain the income of cotton producers, to provide a special research program designed to lower costs of production,

and for other purposes." I take it that the phrase "for other purposes" is the thing that is to cover those parts of the purposes of the bill that are not definitely set out.

The first thing I asked the distinguished chairman of our committee today was to give me an explanation of the differences in section 348 and going over to page 2 of the bill where it says that the Secretary may determine the amount of payments which "will eliminate inequities due to differences in the cost of raw cotton between domestic and foreign users." Then it also says:

Including such payments as may be necessary to make raw cotton in inventory on the date of enactment of this section available for consumption at prices consistent with the purposes of this section.

I think that most of us realize that this bill originated at the request of our late President to try to eliminate the inequities that existed between the domestic mills and the foreign mills. For several years now we have been paying an export subsidy of 8.5 cents a pound to the foreign mills. In other words, on that cotton that they could buy at a reduction of 8.5 cents a pound.

The domestic mills felt they were being discriminated against and they asked that this inequity be removed. I want to go on record here and now—and I think I represent the views of most of the people in this House—that we do appreciate the fact when an inequity exists that we would like to eliminate it. But I do not want to go beyond eliminating that inequity.

In the hearings before our committee the Under Secretary of Agriculture, Mr. Charles Murphy, was present and made several statements about the views of the Department, as to what was necessary to eliminate the inequity. He did not at any time agree that it required 8½ cents a pound to the domestic mills to eliminate that inequity.

What I am trying to point out here is I am in favor of the Secretary of Agriculture having the authority, with the staff that he has at hand, to determine what this inequity is and to pay that. I have no objection to that at all. But as we go down in the bill, beginning with line 12 on page 2, we find a proviso which says:

Provided, That beginning August 1, 1964, such payments shall be made to persons other than producers in an amount as will make upland cotton produced in the United States available for domestic use at a price which is not in excess of the price at which such cotton is made available for export.

I think it was clear in the committee when that provision was put in there, that the first payment to eliminate the inequity might be 5 cents, it might be 5½ cents, it might be 6 cents, or it might be 4½ cents, but sufficient to eliminate the inequity. After that time this proviso would set up a greater subsidy, and in my opinion would provide a windfall to the mills.

I think it might be appropriate at this time to mention to this body, because I find that many individual Members, when I mentioned this to them during this week, were unaware of the fact, that

the domestic mills at the present time do receive a subsidy on all of the processed cotton that they export. Last year it amounted to about \$17 million, and the year before that about \$18 million. They do get that subsidy to allow them to compete in foreign markets already. So I was surprised to learn that many members of our committee, some of them from areas where these mills operate, did not know that that existed. That would be one of the amendments I would propose to offer tomorrow, to provide that we would eliminate the inequity, but not go any further than that.

The next thing I would propose to do to bring this bill into line is to bring the production in line with the demand that we have for cotton. We have gotten into trouble in the cotton industry because we have encouraged overproduction through high supports and through other operations.

The CHAIRMAN. The time of the gentleman from Missouri [Mr. JONES] has expired.

Mr. HOEVEN. Mr. Chairman, I yield the gentleman from Missouri [Mr. JONES] 2 minutes.

Mr. JONES of Missouri. It is going to be difficult. I will have to hurry here in an effort to try to explain these amendments that I will offer tomorrow. I do hope that when we get into the reading of the bill under the 5-minute rule we will have an opportunity to explain these amendments more thoroughly.

Mr. Chairman, under the present provisions of law, the Secretary cannot allot more than 16 million acres of cotton. Last year there was a reduction in cotton allotments of 11 percent. But with that 11-percent reduction, due to a gimmick in the law, all of the States, with the exception of four, produced more cotton than they did the year before. In some of the counties the individual growers, instead of taking an 11-percent reduction in acres, actually received a 40-percent increase in acres, and much of this increase was in high-production areas. Actually, in 1963, with an 11-percent reduction in acres, total production will be up about one-half million bales over 1962.

Mr. Chairman, we have all heard about release and reapportionment of cotton acres which adds to the production. The worst thing about that law is the fact that the people who release their cotton acreage are located in the areas where they have the lowest yield and where it is not profitable to grow cotton. For instance, in one State 32 percent of all the cotton allotments are released from people who have low yield. When the released acres are not requested in that county, that goes into a State pool and is reallocated in areas where they produce two bales, three bales, and in some cases as high as four bales this last year.

Mr. Chairman, I am not going to read through all of these States, but in one State 22 percent of its allotted acreage represented released acreage, 27 percent in another State, 14 percent in another State, 26 percent in one, 32 percent in another and 20 percent in yet another.

This release and reapportionment has gotten entirely out of hand, yet in this very bill we encourage an increased continuation of this practice.

Mr. Chairman, when the bill (H.R. 6196) is read under the 5-minute rule tomorrow, it is my intention to offer an amendment, which would have the effect of limiting the subsidy, through the issuance of payment-in-kind certificates, to an amount which will be sufficient to eliminate the inequities due to differences in cost of raw cotton between domestic and foreign users of such cotton. This amendment will read:

On page 2, line 12, substitute a period for the colon and add closing quotation marks; then strike the remainder of line 12 and all of lines 13 through 17.

Mr. Chairman, I have prepared other amendments which I am considering offering, although it is not likely that all of them will be offered; in fact if one or more would be adopted it would be inadvisable to offer the others. However, for the purpose of presenting the various considerations that I have been giving to this bill, I am including herewith a statement of the purposes of each amendment, as well as the wording of the various amendments, numbered from 2 through 5.

Amendment 2 is intended to provide that when the national acreage allotment exceeds 16 million acres, the acreage in excess of 16 million acres shall be allocated so that the first 500,000 acres of such excess shall be "export market acreage" and the balance of such excess shall be allocated one-half as export market acreage and one-half as normal allotment pursuant to section 344 of the Agricultural Adjustment Act of 1938, as amended.

Amendment 2: Amend section 349 in subsection (1) of section 6 of the bill to read as follows:

"Sec. 349. If the national acreage allotment established under section 344(a) of the Act for the years 1964, 1965, or 1966 exceeds sixteen million acres (exclusive of the national acreage reserve established under section 344(b) of the Act), the amount of such acreage allotment in excess of sixteen million acres shall, notwithstanding any other provision of this part, be allotted as follows: The first five hundred thousand acres of such excess shall, subject to the provisions of this section and section 350 of the Act, be allotted by the Secretary as export market acreage directly to farms eligible to receive allotments under the provisions of section 344 of the Act; any remaining acreage in excess of sixteen million, five hundred thousand acres of the national acreage allotment shall be allotted one-half pursuant to the provisions of section 344 of the Act and one-half shall be allotted as export market acreage in the same manner as the first five hundred thousand acres of export market acreage: *Provided*, That no farm may receive an allotment of export market acreage in excess of the per centum prescribed by the Secretary for the crop year of the acreage allotment for the farm established under the provisions of section 344 of the Act. In allocating export market acreage, the Secretary shall estimate the amount which would be planted on farms and establish a percentage, hereinafter referred to as the maximum export market acreage (not exceeding the per centum prescribed by the Secretary under the proviso in the preceding sentence), of the farm acreage allotment established under section 344 of the Act reasonably expected to result in planting of an acreage equal to the export market acreage available for the crop year. Any acreage

allotted to a farm as export market acreage and planted to cotton shall be in addition to the county and State acreage allotments and shall not be taken into account in establishing future State, county, and farm acreage allotments. Notice of the maximum export acreage for each farm shall be included in the notices of farm acreage allotments and marketing quotas issued pursuant to section 362 of the Act. The provisions of this section shall not apply to extra long staple cotton."

Amendment 3 is intended to eliminate the 15-bale provision for a premium price.

Amendment 3: Amend the bill by deleting section 5 thereof and renumbering subsequent sections of the bill accordingly.

Amendment 4 is intended to provide that not more than one-half of the released acreage in each county may be reapportioned to other farms in the same county, or transferred to the State committee for reapportionment to farms in other counties in the State.

Amendment 4: Add a new section 7 to the bill as follows:

"SEC. 7. Section 344(m) of the Agricultural Adjustment Act of 1938, as amended, is amended by addition of the following new paragraph:

"(4) Notwithstanding the provisions of paragraph (2) of this subsection (m), for the 1964, 1965, and 1966 crops of cotton the county committee shall not reapportion or surrender to the State committee an acreage in excess of one-half of the acreage released under paragraph (2) of this subsection (m). This paragraph shall not apply to extra long staple cotton."

Amendment 5 is intended to authorize the Secretary to purchase and retire the allotment and related State, county and farm acreage history from the owner of any farm having an acreage allotment of 15 acres or less. The price for such purchase could not exceed the smaller of 20 cents per pound of cotton production per acre calculated on the basis of a 3-year average yield or \$100 per acre.

Amendment 5: Add a new section 8 to the bill as follows:

"SEC. 8. Add a new subsection (o) at the end of section 344 of the Agricultural Adjustment Act of 1938, as amended as follows:

"(o) Notwithstanding any other provision of law, the Secretary is hereby authorized to purchase all of any farm acreage allotment for upland cotton for the 1964, 1965, or 1966 crops established under this section excluding any allotment reapportioned to the farm pursuant to section 344(m)(2) of the Act which may be offered for sale to the Secretary in accordance with regulations prescribed by the Secretary from a farm having an acreage allotment of 15 acres or less established under this section. Any such purchase shall be subject to such terms and conditions as may be prescribed by regulations of the Secretary: *Provided*, That the maximum payment per acre of allotment shall not exceed the smaller of 20 cents per pound of cotton production per acre based on the farm average yield for the three years preceding the crop year as determined by the Secretary or \$100 per acre. Allotments for other farms and State and county reserves shall not be revised for the year for which the purchase is made. The related State, county and farm acreage history shall be retired permanently and the allotment and related history so purchased shall not be used in establishing future State, county and farm allotments. The farm shall not be eligible for a new farm allotment for the next succeeding two crops of cotton."

There are numerous ways in which the practices which have contributed to the unwarranted and unwanted increase in production, could be handled by amendments to this bill, Mr. Chairman. Per-

haps the most simple way would be to add a proviso to this bill stating that as long as the cotton carryover remains in excess of 10 million bales in any marketing year, there will be no reallocation of released acres, thereby requiring that all cotton would be produced on the acres receiving the original allotment.

Another suggestion, and one for which there is a similar precedent in the release and reallocation of tobacco acres, where the release and reallocation is accomplished between two individual growers, and the reallocation is restricted by the production on the farm releasing the acres. Following is an amendment which would carry out, in effect, though not to the exact degree, the release and reallocation within a county; and then from a specific county to the State pool. This sounds complicated, but I have been assured by the Department of Agriculture, that such a procedure would not be difficult to administer.

PROPOSED NEW SECTION 7 TO H.R. 6196

SEC. 7. Paragraph (2) of subsection (m) of section 344 of the Agricultural Adjustment Act of 1938, as amended, is hereby amended (1) by changing the period at the end of the first sentence to a colon and adding the following: "*Provided*, That beginning with the 1964 crop, the acreage so surrendered shall be reduced by the percentage by which the normal yield for the farm surrendering such acreage is below the normal yield for the county for the preceding year, and the total amount of acreage so reapportioned by the county committee or surrendered to the State committee shall not exceed the sum of the surrendered acreage so adjusted and the surrendered acreage not required to be so adjusted."; and (2) by changing the period at the end of the second sentence to a colon and adding the following: "*Provided*, That beginning with the 1964 crop, the acreage so surrendered shall be reduced by the percentage by which the normal yield for the preceding year for the county surrendering the acreage is below the normal yield for the State, computed on the same basis as to years and conditions as the county normal yield for the preceding year, and the total acreage reapportioned by the State committee shall not exceed the sum of the surrendered acreage so adjusted and the surrendered acreage not required to be so adjusted."

The CHAIRMAN. The time of the gentleman from Missouri has again expired.

(Mr. FLYNT asked and was given permission to extend his remarks at this point in the Record.)

Mr. FLYNT. Mr. Chairman, I support H.R. 6196 because it contains a means of correcting a situation involving the price of raw cotton which has needed correction for many years.

Notwithstanding my wholehearted support of H.R. 6196, at the appropriate time when the bill is read for amendment, I shall seek recognition for the purpose of offering an amendment in the nature of a substitute. The substitute which I propose to offer is not a surprise to the committee, because it has been discussed among Members of Congress, especially among members of the respective Committees on Agriculture on both the House and the Senate, among every segment of the cotton trade. It is generally referred to as the Talmadge cotton bill, and has been designated as S. 1190.

Today I have introduced an identical bill in the House of Representatives which has been referred to the Committee on Agriculture.

The objectives of each bill are identical. In my opinion the beneficial effect of each bill would be similar, although I naturally feel that the benefits to be derived from the amendment which I shall offer are superior to the benefits to be derived from H.R. 6196.

Let me make it eminently clear that I am in wholehearted support of the principles of either bill. If my amendment is adopted, I shall, of course, support the bill on final passage. If my amendment should be rejected, I shall still support the bill on final passage.

The objectives of the bill are the same and include the maintenance of income of cotton producers, the protection of the welfare of consumers and those engaged in the manufacture of cotton textiles, and the elimination of the two-price cotton system.

The principal advantage which I believe is inherent in my amendment is that it would provide a permanent solution to the inequities of the present two-price cotton system, would save approximately \$100 million per year, and would provide increased employment in the textile industry and undoubtedly would permit substantial wage increases to textile employees.

The provisions contained in this amendment could provide the means by which the United States can recapture a portion of the world textile market which has been lost because of the vicious two-price cotton system.

One major difference between my amendment and H.R. 6196 is that my amendment would provide for production controls based upon units of production rather than the archaic, outmoded, and unrealistic system of production controls based upon acreage.

During the past 8 months, I have discussed this legislation with hundreds of people, including scores of my colleagues. Almost without exception every person with whom I have discussed this legislation believes that the language contained in the amendment which I shall offer will more nearly solve the problems which exist than would the language of any other legislation yet presented. Almost without exception, each prefers the language which is contained in my amendment.

In the time allowed to me, it will be my purpose to explain the provisions of this proposed amendment.

The text of the amendment which I expect to offer is to strike out all after the enacting clause and insert in lieu thereof the following:

That this Act may be cited as the "Cotton Domestic Allotment Act".

SEC. 2. This Act shall be applicable to upland cotton beginning with the 1964 crop and the provisions of the Agricultural Adjustment Act of 1938, as amended, except sections 301(a), 373, 375, and the provisions of subtitle F of title III thereof, shall not be applicable to upland cotton beginning with the 1964 crop.

DOMESTIC ALLOTMENT

SEC. 3. (a) The Secretary shall proclaim, not later than December 15 of each calendar

year, a national domestic allotment for the crop of cotton to be produced in the next calendar year of a number of bales of cotton which is estimated to result in the production of cotton within such allotment equal to the estimated domestic consumption of cotton for the marketing year beginning in the next calendar year.

(b) (1) For the 1964 and 1965 crops of cotton, the national domestic allotment shall be apportioned to the States for which a 1963 State acreage allotment was established under section 344 of the Agricultural Adjustment Act of 1938, as amended, on the basis of the number of bales of cotton determined for each State by converting such 1963 State acreage allotment (including the State's share of the national reserve) to a number of bales based on the average yield per acre of cotton for the State.

(2) For the 1966 crop of cotton, the national domestic allotment shall be apportioned to the States on the basis of the average number of bales obtained by dividing the sum of the following by three: (i) the number of bales used as the base for apportioning the 1964 national domestic allotment, adjusted for the State average yield, multiplied by two, and (ii) the State production base for the 1964 crop of cotton. For purposes of this section, the "State production base" shall be the smaller of the State domestic allotment for the crop or the production within such State domestic allotment, adjusted for abnormal conditions adversely affecting plantings and yields of cotton and adjusted for farms regarded as having produced cotton. For purposes of this section, "farms regarded as having produced cotton" shall be farms deemed to have cotton planted or produced under any other provision of law, including subsection (f) of this section, and farms on which 75 per centum or more of the farm allotment was produced or regarded as having been produced under any other provision of law, including subsection (d) (3) and subsection (f) of this section, shall be deemed to have produced the entire farm allotment, and farms on which less than 75 per centum of the farm allotment was produced or regarded as having been produced under any other provision of law, including subsection (f) of this section, shall be deemed to have produced the average of the farm allotment and the production (actual and regarded as produced) on the farm.

(3) For the 1967 crop of cotton, the national domestic allotment shall be apportioned to the States on the basis of the average number of bales obtained by dividing the sum of the following by three: (i) the number of bales used as the base for apportioning the 1964 national domestic allotment, adjusted for the State average yield, and (ii) the sum of the 1964 and 1965 State production bases.

(4) For the 1968 and subsequent crops of cotton, the national domestic allotment shall be apportioned to the States on the basis of the average of the State production bases for the three years immediately preceding the calendar year in which the national domestic allotment is proclaimed.

(c) The State domestic allotment, less any State reserve, shall be apportioned to counties on the same basis as to years and conditions as is applicable to the State under subsection (b) of this section: *Provided*, That the State committee may reserve not to exceed 10 per centum of the State allotment which shall be used to make adjustments in county domestic allotments for trends in cotton production, for new farms, to correct inequities in farm allotments and to prevent hardship.

(d) (1) For the 1964 crop of cotton, the county domestic allotment less any county reserve shall be apportioned to old cotton farms on the basis of the 1963 farm acreage allotment converted into production of cot-

ton by multiplying such acreage allotment by the farm average yield: *Provided*, That if less than 75 per centum of such acreage allotment was actually planted (or regarded as planted under the Soil Bank Act, the Great Plains program, and the release and reapportionment provisions of subsection (m) (2) of section 344 of the Agricultural Adjustment Act of 1938, as amended) the farm production base for 1963 shall be the production based on the average of the 1963 farm allotment and the acreage so planted or regarded as planted.

(2) For the 1965 and subsequent crops of cotton, the county domestic allotment less any county reserve shall be apportioned to old cotton farms on the basis of the farm domestic allotment established for the preceding crop of cotton: *Provided*, That if less than 75 per centum of such farm domestic allotment was produced or regarded as produced, the farm production base shall be the production based on the average of such farm domestic allotment and the production (including any production regarded as produced) of cotton on the farm.

(3) The farm production base shall not be adjusted under this subsection if the Secretary determines that failure to plant or produce, as the case may be, at least 75 per centum of the farm domestic allotment, or the farm acreage allotment for 1963, was due to conditions beyond the control of producers on the farm. Old cotton farm means a farm on which cotton has been produced (or regarded as planted to cotton) or produced under any other provision of law except subsection (f) of this section and the provisions of subsection (m) (2) of section 344 of the Agricultural Adjustment Act of 1938, as amended, pursuant to a farm allotment in any one of the three years immediately preceding the year for which a farm allotment is established.

(e) The county committee may reserve not to exceed 15 per centum of the county domestic allotment which shall be used to make adjustments for new farms, to correct inequities in farm allotments and to prevent hardship.

(f) The farm operator with the concurrence of the farmowner who is also a producer of cotton may release any part of the farm domestic allotment to the county committee for use in increasing farm allotments on other farms in the county. The county committee shall reapportion any such released allotment in accordance with regulations prescribed by the Secretary. If released allotment is not reapportioned in the county, the county committee shall transfer such allotment to the State committee for further transfer to other counties in the State. Any allotment released from a farm shall be regarded for purposes of establishing future State, county, and farm allotments as having been produced on the farm and in the county where the release was made except that this shall not operate to make the farm from which the allotment was released considered as having cotton production during the three-year period for eligibility as an old cotton farm.

SEC. 4. (a) For the purposes of this Act, the following terms are defined as follows:

(1) "United States" means the several States, the District of Columbia, and Puerto Rico.

(2) "State" includes the District of Columbia and Puerto Rico.

(3) "Secretary" means the Secretary of Agriculture.

(4) "Person" means an individual, partnership, firm, joint-stock company, corporation, association, trust, estate, or any agency of a State.

(5) "Bale of cotton" means a standard bale of five hundred pounds gross weight.

(6) "Marketing year" means the period beginning August 1 and ending July 31.

(7) "State average yield", "county average yield", and "farm average yield" shall be the

average yield per acre of cotton for the State, county, or farm, adjusted for abnormal weather conditions and changes in farming practices, during the three calendar years immediately preceding the year in which such yield is determined.

(8) "Farm" means such land as the Secretary prescribes by regulation to be constituted as a farm.

PRICE SUPPORT

SEC. 5. Section 103 of the Agricultural Act of 1949, as amended, is amended effective with the 1964 crop of upland cotton to read as follows:

"Notwithstanding the provisions of section 101 of this Act:

"(a) Price support for each crop of upland cotton shall be made available to producers through loans, purchases, or other operations at such level not less than 50 per centum or more than 60 per centum of the parity price therefor as the Secretary determines appropriate after consideration of the factors specified in section 401(b) of this Act and the price of cotton in world markets.

"(b) Price support in addition to that provided in subsection (a) of this section shall be made available to producers of each crop of upland cotton through loans, purchases, or other operations, including payments in cash or in kind, on a quantity of cotton of such crop produced on each farm equal to the farm's domestic allotment for such crop established under the Cotton Domestic Allotment Act. The levels of price support on such cotton shall be determined by the Secretary within the ranges prescribed in the schedule below after consideration of the factors specified in section 401(b) of this Act."

Production intervals in terms of bales (standard bales of 500 pounds gross weight)	
"15 bales and less...."	Level of support Not less than 80 or more than 90 per centum of the parity price.
16 to 30 bales, inclusive	Not less than 75 or more than 85 per centum of the parity price.
More than 30 bales---	Not less than 70 per centum or more than 80 per centum of the parity price.

"If a portion of the price support for any upland cotton is made available through payments to producers, the rate of payment shall be in an amount per pound of cotton which, when added to the average spot market price of middling one-inch cotton for the calendar week preceding the date of the marketing of the cotton with respect to which payment is made, as determined by the Secretary, or the level of support (converted to a middling one-inch basis) for such crop under subsection (a), whichever is higher, will provide a return to the producer equal to the applicable level of support (converted to a middling one-inch basis) under the schedule set out above. The Secretary shall provide adequate safeguards to protect the interests of tenants and sharecroppers, including provision for sharing, on a fair and equitable basis, in payments under this section."

SEC. 6. Section 407 of the Agricultural Act of 1949, as amended, is amended by inserting after the first proviso in the third sentence thereof the following proviso: "*Provided further*, That beginning August 1, 1964, the Commodity Credit Corporation may sell upland cotton for unrestricted use at not less than 105 per centum of the current support price established under section 103(a) of this Act for upland cotton plus reasonable carrying charges".

SEC. 7. In order to maintain and expand domestic consumption of upland cotton produced in the United States and to prevent discrimination against the domestic users of such cotton, notwithstanding any other provision of law, the Commodity Credit Corporation, under such rules and regulations as the Secretary may prescribe, is authorized and directed for the period beginning with the date of enactment of this section and ending July 31, 1964, to make payments through the issuance of payment-in-kind certificates to persons other than the producers of such cotton, in such amounts and subject to such terms and conditions as the Secretary determines will eliminate inequities due to differences in the cost of raw cotton between domestic and foreign users of such cotton, including such payments as may be necessary to make raw cotton in inventory available for consumption at prices consistent with the purposes of this section.

And to amend the title so as to read: "A bill to maintain the income of cotton producers, to permit cotton producers to grow and market cotton on a free enterprise basis, to protect the welfare of consumers and of those engaged in the manufacture of cotton textile, to encourage the exportation of cotton, and for other purposes."

Mr. HOEVEN. Mr. Chairman, I yield 5 minutes to the gentleman from North Carolina [Mr. BROYHILL].

(Mr. BROYHILL of North Carolina asked and was given permission to revise and extend his remarks.)

Mr. LANGEN. Mr. Chairman, will the gentleman yield?

Mr. BROYHILL of North Carolina. I yield to the gentleman from Minnesota.

(Mr. LANGEN asked and was given permission to revise and extend his remarks.)

Mr. LANGEN. Mr. Chairman, it is with some hesitancy that I arise to raise some objection to the bill now before us; namely, H.R. 6196, a bill to revitalize the American cotton industry. My reluctance is generated by the fact that, while I do not have any cotton produced anywhere near my district, I still have a most sincere interest in the welfare of the cotton producers, much the same as I have for all of the many good farm folks throughout the Nation.

Of recent date, and on several occasions, I have found it necessary to call to the attention of the Congress and the public the fact there has been a rather consistent decline in agricultural income with the future predictions indicating that even further reductions are forthcoming in the most immediate future. This is properly the concern of Congress, because in most instances it has been brought about by previous actions or failure to act relative to the many complexities and problems the presently confront American agriculture.

Those of us who live in wheat and feed grain areas are surely very keenly aware of the extent to which net income to farm families has failed to hold its own with the rest of the national economy, and so has created individual hardships as well as a very noticeable effect on the entire contribution of agriculture to our national well-being. It is my most sincere desire that whatever actions may be taken by this Congress may serve the

best interests and provide economic stability for the many people throughout the Nation who are engaged in the very vital occupation of producing food and fiber. Their service to the Nation over the years has been such that they are truly worthy of every consideration that might be directed to their problem.

There have been discussed in this debate most of the pros and cons as they pertain to the bill before us. Consequently, I shall confine my remarks to two specific areas.

First, it seems that this bill establishes a new precedent of providing direct subsidies to industry in an attempt to correct a problem that has been created by a questionable program in the first instance.

Having very carefully read the committee report, it is clearly indicative that the problem that this bill proposes to solve is one of reestablishing the American cotton market which has in recent years been substantially curtailed and limited by virtue of imports of cotton textile products, together with the development of competitive synthetic fibers. In this connection, of particular interest on page 5 of the committee report, I note that in 1962 imports of cotton textiles have grown to the extent of 650,000 equivalent bales of cotton, by virtue of average annual increases of about 100,000 bales each of the last 4 years. It is disturbing to note further in the report that this situation has been greatly aggravated by our own program of selling cotton to foreign textile manufacturers at a price that is about two-thirds of the price that the same cotton is available to our own textile manufacturers. We now propose to correct this inequity by making cotton available to our textile industry at the same price that we have for the past several years made it available to foreign competitors. To do so, in my judgment, can but establish three very undesirable complications that will all adversely affect our national economy, and more particularly, American agriculture.

First, it will substantially increase Government expenditures estimated by some to be more than \$600 million for the next 3-year period, further aggravating the already huge budget deficits and national debt.

Secondly, and probably even more important, it establishes a precedent of providing subsidies to the processors of agricultural products. Once this practice has been established, it is difficult for me to even vision where it will stop. For, if we can pay this kind of subsidy to this sector of industry, then it naturally follows that there is equal justification for doing so to creameries, cheese factories, slaughterhouses, feed stations, millers, and almost every existing industry that is in the business of processing agricultural products for domestic and foreign markets.

Right at the present time, the dairy and beef, as well as many other processors, have the very same identical problem, in that they find themselves competing with imports from foreign countries for our own national domestic

market—all accomplished with additional expense to the American taxpayer as well as consumer.

Finally, it seems to be of gross inequity to me that we at this point should direct our attention to this one segment of the agricultural problem while there is prevalent just as pronounced need in any number of other areas. There has been a need, and a demand raised to this Congress, that something be done in the area of wheat legislation for the past several months, which has been completely ignored. Many of us have introduced bills, presented statements, as well as urged both the respective committees of the Congress and the Department of Agriculture to take some action in this field. To date, these efforts have been completely nonproductive.

May I reiterate at this point a statement that I made to the Wheat Subcommittee of the House Committee on Agriculture, Friday, July 26 of this year:

STATEMENT OF THE HONORABLE ODIN LANGEN, OF MINNESOTA, TO THE WHEAT SUBCOMMITTEE OF THE HOUSE COMMITTEE ON AGRICULTURE, FRIDAY, JULY 26, 1963

Mr. Chairman and members of the committee, permit me to express my personal gratitude to the committee for affording me the opportunity to register these few observations in behalf of the wheatgrowers in my district as well as throughout the entire Nation. I should surely compliment the committee on their appropriate recognition of the need that presently exists for consideration of the situation confronting particularly the wheatgrowers who are dependent upon producing wheat for their major cash income.

A great deal of controversy has been generated relative to the wheat production and surplus problems since the recent wheat referendum. As one who has lived in and represents one of the major wheat-producing areas, quite obviously it is of prime concern to me, as well as the major portion of my constituency, whether they are farmers or local merchants. I have noted many recent statements referred to in the various media of the press which would indicate that wheat farmers had a choice in the referendum, and by virtue of their decision should not now be given any further consideration. This, in my judgment, is a substantial miscalculation and improper interpretation of the opinion that was registered by wheat farmers in the referendum.

In order that we might better understand the attitude and thinking of wheat farmers throughout the Nation, I think it is imperative that we look back very briefly to the experience of wheat referendums during all of the time that they have been in existence. Most significant is the fact that farmers have previously been called upon at least 10 times to register their choice as to whether or not they wanted wheat marketing quotas as compared to an allotment acreage program without quotas, much the same as was literally approved by turning down the certificate plan.

The results of this experience, in which they consistently voted to accept marketing quotas, can only emphasize that farmers have actually turned down the program that is now slated to exist in 1964 every time previous to this year's referendum. At the same time they have approved programs similar to the one that is in existence for 1963.

Their reasons for voting as they did this year, I am sure, are well rounded, in that first, they have registered their objection to

a further reduction in income, both gross and net, when compared to the programs in existence this year, and for the past several years. Secondly, they have registered their disapproval of a program which offered additional complexities in application to individual farms, as well as the added compliance and participation restrictions. The substitution of the wheat certificate plan for the marketing quota plan left for the wheat farmer a most unfortunate choice, in that he was forced to make a selection between a program he previously has turned down on so many occasions, and a new program which, in his judgment, did not even offer comparable compliance or income possibilities with the program now in existence. It would be well to note that many of them had felt for quite some time that this existing program was inadequate.

Surely, this has left the Congress with the full responsibility of further considering this very unique as well as distressing position in which the farmer now finds himself. For it was by action of the Congress, with the full knowledge that the program that now will be applicable in 1964 had been turned down in each of the previous referendums, that the farmer was provided only with the selection of a program that was less lucrative to him, whether considered on the basis of income or farm operation potential.

In view of the further knowledge that the present agricultural parity income is at the lowest level since 1939, it is no surprise to anyone that the farmer may have rebelled at an even further reduction in his income, with added Government restrictions. These concerns have been conveyed to my office by a great number of farmers and businessmen.

It is further discouraging to the farmer to note that the Department of Agriculture is now using every means at its disposal in attempting to secure compliance with the allotment program for 1964. Recent announcements from the Department indicate that the individual farmer will suffer reduction in his history credit if he overplants his allotment for 1964. All of these have the tendency to place the wheat farmer in much the same position he was in when marketing quotas were in effect, in that his allotment will be reduced by 10 percent, the only exception being that he does not have the price protection that was offered under marketing quotas. This is surely a very gross injustice and a very serious income threat, and carries much of the same dictatorial tactics that were so in evidence during the recent wheat referendum. This and other suggested actions amount to literally forcing compliance with a program that is supposed to be voluntary.

It is for these reasons that many of us have suggested legislation that we feel is worthy of every consideration by the committee during this year's session, in order that it might be made applicable to the 1964 crop year. The provisions of my bill, H.R. 6558, have already been well outlined to the committee by my colleagues and members of the committee who have authored similar legislation. In general, it provides for improved income possibilities on a voluntary basis, somewhat similar to and in conjunction with the voluntary feed grains program that has found both respect and acceptance throughout agricultural circles. The experience with the voluntary program in the feed grains area has been praised by many farm people as well as the Department of Agriculture. The incorporation of wheat into this program offers possibilities that I have long advocated, for I am sure it would serve to simplify compliance and offer a more acceptable production reduction program. Such action obviously is necessary, when we look at the large volume of surpluses and the amount of Government expenditures required to service and administer all of the

various aspects of these programs designed to improve the agricultural economy.

The bill provides for the very minimum of income potential, and the committee would do well to give consideration to amendments that would provide even further income security, in view of the continuing rise of operating expenses that confronts every farm operation, regardless of its nature.

There is one section of my bill which I would like to call to the particular attention of the committee. It is section 207, which amends section 22(a) of the Agricultural Adjustment Act of 1933 as reenacted by the Marketing Agreement Act of 1937, and merely provides that the President shall cause an investigation to be made by the Tariff Commission in order to determine the extent to which imports may be significant to the price and the market of any agricultural commodity that has been determined to be in surplus by the Secretary. Much has been said, and many statistics have been compiled relative to the extent to which our surpluses have been aggravated and prices and Government restrictions adverse to farmers have been experienced. In many instances, these circumstances came about through no fault of the American farmer, but rather because of increased imports.

These statistics have been set forth in the CONGRESSIONAL RECORD on many occasions. May I refer the committee to a statement I made on February 28 of this year, to be found on page 2919 of the RECORD, as well as the statement by Mr. BERRY of South Dakota, found on page A2521 of the RECORD for April 26, and a statement by Senator CARLSON, found in the CONGRESSIONAL RECORD of May 2, this year, on page 7177.

We have particularly noted the significance of imports in oats, rye, barley, beef, lamb, dairy products and others over the past several years. Of more recent date, imports of cream have very seriously affected the entire dairy products market. In all of these instances, not only have farm prices been depressed, but the expense of Government programs has grown to tremendous proportions, and unfortunately the farmer has been unjustly blamed for the resulting problems.

In order that any type of agricultural control program might be effective, whereby we attempt to control either production or the price, it seems essential to me that we must then also give due consideration to the effect that such a program might have in encouraging or promoting imports and thereby losing markets already available to farm producers.

Section 22 of the Agricultural Act, I am sure, was designed to deal directly with this problem. It is my opinion that it has not been used to the extent that it should have been, nor has it been made applicable to all areas of surplus commodities. I hope the Committee may give both due and favorable consideration to this particular section.

This statement would be far too extensive and long if I were to attempt to bring to the committee the many different facets that relate to the legislation now being considered. I know, however, that members of the subcommittee, by virtue of the many hours that they have spent in study and deliberation on the problem, are well aware of the complexities and significance of providing adequate income and production opportunities to wheat farmers. In view of these many known facts, to which I have referred only briefly, it is my hope that the committee may see fit to recommend favorable consideration for the voluntary feed grain and wheat program outlined in the many similar bills that have been introduced on the subject. To do so would not only fulfill the responsibility of Congress, but, I am sure, would also find approval among farm, business, and Government circles throughout the entire Nation.

Mr. Chairman, in view of the existing wheat situation to which I have just re-

ferred, with additional problems in the dairy, beef, chicken, turkey, and other agricultural areas that have comparable problems and contribute even more to the present decline in agricultural income, it seems that little benefit can result from the enactment of this legislation at this point. It occurs to me that this bill would not contribute anything to the facts that farm income is now at its lowest parity level since 1939, farm mortgages are constantly rising—\$2½ billion in less than 3 years—and net income is below that of 1960. This bill will not improve any one of those very alarming facts. It will only add to Government expenditures.

About the only good thing that we can be said for this legislation is that it does point out the extent to which American agriculture in general has been seriously hurt by improper import-export policies. I had the occasion and found it necessary to point this out to the U.S. Tariff Commission just yesterday, suggesting that it is time that we began registering the same concern for American agriculture that is being provided for foreign agriculture throughout the world. We have demanded that our producers reduce their production, subject themselves to restrictions and be confined to reduced incomes long enough, in order that we might be able to accommodate the imports of competitive products.

For these reasons, and many more previously brought out in debate and in the committee report, this House would do well to turn down this legislation today, thereby providing the opportunity of directing our attention to the need for action by the Congress on the overall farm income and surplus situation. Farm families throughout the Nation, I am sure, would herald such action.

Mr. BROYHILL of North Carolina. Mr. Chairman, I rise in support of H.R. 6196 with the McIntire amendment which has been accepted by the Committee on Agriculture. I also want to congratulate the committee, its chairman, and all of its members for the long and patient work they have done in developing this bill. All year, a reasonable solution to the problem of two-price cotton has been sought. There have been many roadblocks. For the most part, they have been overcome. Certainly, the legislation is not a perfect solution, yet if we balance all the factors, it is a sincere attempt to meet the problem. The passage of this bill is urgently required if we are to restore some semblance of fair economic opportunity in the cotton industry.

But we are making a serious mistake if we assume that this legislation is for the sole benefit of the cotton textile industry or that its benefits are restricted to only one or two regions of the country. This is not true. We are blinding ourselves to the important national consequences.

The textile industry, the textile worker, the cotton farmer are all being damaged by the present problem. All told, this represents a major multibillion-dollar economic complex that contributes importantly to the Nation's productivity. It is in serious trouble and if it continues,

the shock waves will be felt in many ways from one end of the country to the other.

The problem is very simple. Conflicting Federal policies are pulling the noose tighter and tighter. Cotton price supports are eliminating American cotton from the world market. Development of foreign cotton acreage is encouraged as our cotton prices itself out of the market. To hold on to at least some of our markets, we have permitted foreign textile manufacturers to buy cotton here at the world price. The results are obvious enough. Cotton can be bought here at the world price, shipped to textile plants abroad and manufactured into cloth at a great price advantage. Textiles can then be returned to the United States to undersell the products of our own textile plants. In other words, American firms must pay one-third more for the same American cotton.

We are familiar with import competition. It has damaged many industries. But never before has it been encouraged and financed by the U.S. Government. That is what makes this problem unique. The inequities have been manufactured in Washington.

During the last 2 years, cotton exports have dropped from 6.6 million bales to 3.3 million bales. However, imports of cotton in the form of textiles are up from 414,000 bales to 645,000 bales and for the first 7 months of 1963, imports are running at an annual rate of 693,000.

Since the 1930's, the U.S. Government has maintained rigid import quotas on raw cotton which prevents American textile manufacturers from buying cotton produced abroad. As a result, American mills must pay the supported price level.

The vast growth of imports has seriously increased unemployment problems. The textile workers union reports that in the last 5 years, 45 U.S. cotton mills have closed their doors and 30,000 jobs have been liquidated. More jobs, perhaps many thousands of them, depend upon what we do here today.

We are faced with a grossly unfair situation where Government policies are making a calculated sacrifice of the cotton textile industry. This is being done ostensibly to assist the American cotton farmers, but it is self-defeating.

There is a remarkably high and positive correlation between the price of raw cotton and the wholesale price of unfinished cotton cloth. This relationship can be demonstrated historically through varying economic conditions, the two wars, and the two postwar periods. It is just as true today that the price of cotton is directly related to the price of processed cotton cloth.

Raw cotton has little or no value until it is spun into yarn and woven into salable commodities. If cotton prices itself out of the market, no farmer can be blind to the consequences. Neither can the Federal Government be blind to the vast economic troubles it is bringing upon itself. That is the reason this legislation is before us today.

This bill with the pending McIntire amendment offers the prospect of a solution to the two-piece cotton problem.

For months, alternatives have been studied. The competing interests of all groups, including those of the American consumer, have been explored. Certainly, I agree that this bill represents the most reasoned and well-balanced approach. It seeks to restore the element of competition that is essential in the entire cotton industry if its problems are to be solved. And, frankly, it represents the first clear and definite effort to untangle some of the smothering Government controls that now beset this industry and the agriculture economy which supplies its raw materials. It is a temporary program of 3 years' duration that begins to phase out the costly and contradictory situation that exists today.

Broadly, the legislation would accomplish three purposes. First, it would permit domestic textile producers to buy raw cotton at the same price it is sold to foreign competitors. Secondly, it would establish a research program to develop means for reducing the cost of cotton production. Thirdly, when the amendment is accepted, it would assure the orderly reduction of price support payments over 3 years to assure a stronger competitive position for American cotton in the world. The bill also provides that as production costs are lowered, price supports will drop.

Actually, this bill is certainly not the windfall to cotton mills that those opposed to it have alleged. It is rather a comprehensive effort to remove the fantastically costly and confusing hand of government from the cotton market. This web has taken 30 years to spin. We must clear it away carefully if we wish to avoid economic chaos.

If we do nothing—if we leave things as they are today, the consequences will be far greater than the additional costs of this bill. We will assure that the cotton textile industry in this country remains stranded in an impossible competitive situation imposed by the Federal Government. The dislocation that will result—the cost of unemployment, bankruptcies, and chaos in the marketplace—is impossible to calculate. The textile industry in this country will turn to synthetic fibers. Those mills which can obtain synthetics and which have the capital to convert will survive. The others will die. It is as simple as that.

The cotton farmer will find himself with a crop that is increasingly hard to sell and Government warehouses will bulge with the costly surpluses. Two years ago cotton stocks owned by the Commodity Credit Corporation stood at 1.5 million bales. As of August 1, 1963, the Department of Agriculture's cotton holdings soared to 8.2 million bales. By August 1964, the figure will reach 10 million bales. The Government investment of \$1.3 billion will grow to \$1.6 billion with \$75 million each year for carrying charges alone. The trend is ominous and shocking.

Export subsidies will continue and so will the increasing import competition.

To do nothing—to allow this problem to fester—is dangerous and, I believe, for any reasonable Member of this House, unacceptable. There are those here who seem to believe that because cotton is not grown or spun in their area,

this bill is of little importance. But let me say this: the land in the Cotton Belt contains some of the Nation's most productive soil. It can produce grains in abundance to support large-scale meat-and-dairy production. This phase of American agriculture has its troubles, too. If the cotton farmer turns from his traditional crop to other pursuits, we will find ourselves locked in another dilemma which can be, at least in part, traced directly to the shortsightedness of inaction on the two-price cotton problem.

If this bill is passed with the McIntire amendment, I believe we will be turning down a new and promising road to save a major American industry from Government-sponsored destruction. Its purposes are to assure markets at home and abroad for American cotton as we restore its ability to compete not only with foreign-produced cotton but with new synthetic fibers as well.

I urge the passage of this legislation as a reasonable alternative to the present Federal program.

However well meaning the opposition to this bill has been, no one can question the seriousness of the problem. Let us recognize that the Government has created these problems and that regardless of individual differences in the details of the legislation, we must move positively to correct the situation. I strongly urge passage of this legislation.

Mr. COOLEY. Mr. Chairman, I move that the Committee do now rise.

The motion was agreed to.

Accordingly, the Committee rose; and the Speaker having resumed the chair, Mr. ROONEY, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill (H.R. 6196) to encourage increased consumption of cotton, to maintain the income of cotton producers, to provide a special research program designed to lower costs of production, and for other purposes, had come to no resolution thereon.

THE SPIRIT OF PRESIDENT JOHNSON'S INSPIRING ADDRESS TO THE CONGRESS

(Mr. PRICE asked and was given permission to extend his remarks at this point in the RECORD and to include a newspaper editorial.)

Mr. PRICE. Mr. Speaker, the spirit of President Johnson's inspiring address to the Congress last week can be seen in the following editorial of November 29 of the St. Louis Post Dispatch. A call for national unity and a pledge to action were the keynotes of this moving speech which eloquently expressed the feelings of the American people over the tragic death of John F. Kennedy.

It is a fitting tribute to have a leader such as Lyndon Baines Johnson ready to accept the challenges of the times with a full realization of the aspirations of President Kennedy. However, President Johnson cannot do it alone. He needs the help of the Congress which must be willing to accept his call for action.

A NEW PRESIDENT'S STRONG HAND

In a week of deeply moving events, the new President's address to Congress was an inspiring and strikingly impressive occasion. Lyndon Baines Johnson stood before the Nation as a man of strong character, warm humility, and high professional competence. In less than half an hour he won the confidence of Congress and of the country. His eloquent words, and the profound sincerity that illumined them, made one feel, with a rush of gratitude, that once again the United States had emerged from crisis with a leadership worthy of its tradition.

Not only the President's appeal for unity and dedication, but the congressional response, gave cause for hope that legislative and executive arms alike will indeed reflect the national resolution to erect a memorial to John F. Kennedy in the form of a cleansed national spirit.

There was no mistaking the meaning of the ovation that greeted the President's call for "an end to the teaching and preaching of hate and evil and violence." Even more remarkable was the prolonged applause that followed his appeal for prompt passage of the civil rights bill.

Nobody can rightly expect, or wish, that President Johnson should make his administration a pale copy of his predecessor's. He must stamp his own character upon the course of policy, draw upon his own sources of judgment and counsel, decide for himself what order of priorities and emphasis to put upon the several goals he chooses for his administration. When he promised continuity with the Kennedy administration, he was not promising identity.

But it was heartening that the broad principles for which he asked continuity included every essential aspiration of President Kennedy. Action on civil rights, action on tax reduction, the exploration of space, the fundamental strengthening of our educational system, an economy of full employment, the fight against poverty abroad as well as at home, powerful leadership of the free world, an unflagging search for peace—these are the goals that deserve continuity, because they are the urgent tasks of a forward-moving society. President Johnson pledged himself to them, and no one could doubt that he meant it.

He also meant it, we are sure, when he emphasized the obligation to match national strength with national restraint. The extraordinary gathering of foreign heads of state and political leaders at President Kennedy's funeral has just given us a sobering reminder of the enormous power this Nation wields in the world. Mr. Johnson gives evidence of grasping the fact that our power is not so much a cause for shallow elation as for the most solemn determination to use it with wisdom and justice. It is gratifying that one of his first acts was to send messages to Premier Khrushchev offering honorable friendship and continued negotiation to reduce tensions; and he reinforced that position in his address to Congress.

Nothing in his address, however, surpassed in impressiveness his appeal for congressional action on the civil rights bill, the tax bill, the education bills, foreign aid, and the long postponed appropriation measures. Until he spoke, the idea had been gaining ground that Congress might well go home now, leaving its work unfinished, under the guise of helping President Johnson settle into the organization of his administration. The President wants help, true enough, but he wants it in the form of legislation, not abdication.

The shock and the strain of the past week might well have justified the President in postponing the start of his struggle for a few weeks, and so it is heartening that he chose instead to fling his full and very considerable talents at once into the battle which Mr. Kennedy was waging when he fell.

Now the Nation's attention falls on Congress. How will Congress respond, when the tears and emotions of recent days are past, when the impact of tragedy has been dulled, when workaday habits supplant the elevation of spirit? Will it go back to business as usual—the business of obstruction, filibuster and delay? Or will Senate and House together rise to the challenge which President Johnson posed, and which we are confident the Nation endorses?

THE ACQUISITION OF LETHAL WEAPONS

(Mr. KARSTEN asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. KARSTEN. Mr. Speaker, the assassin's bullet that struck down our beloved President and seriously wounded Governor Connally has at long last made our people aware of how easy it is for a fanatic, a psychopath or an anarchist to obtain a lethal weapon. As a member of the Ways and Means Committee and long interested in law enforcement I have been concerned about the failure of the Federal Government to uphold the hands of our States and localities in their efforts to deal with the indiscriminate sale and distribution of firearms. Even worse our unwillingness to act has almost completely thwarted and frustrated local law and ordinances designed to identify and reassure those responsible citizens who of right are entitled to possess a gun.

We have been slow to come to grips with the existing laxity in the Federal statutes, not because Congress is unconcerned over the growing number of bank robberies, murders, suicides and accidental killings that are due to the easy way a gun can be obtained or because the vast majority of the public are not in favor of some measure of control over firearms but rather, I think, because we have not had an effective, soundly conceived and carefully drafted proposal to consider.

To remedy this situation I am introducing today an amendment to the Federal Firearms Act which I request be referred to the Committee on Ways and Means and scheduled for hearings before we adjourn.

My bill has the following important provisions:

First. It would prohibit the shipment in interstate commerce of revolvers, rifles, and certain other lethal weapons except to responsible dealers licensed by the Federal Government and complying with State and local laws with respect to such sales.

Second. It would make illegal the sale by mail order of such rifles as was used to assassinate President Kennedy.

Third. It would strengthen the Federal Firearms Act by driving out of business the fly-by-night dealer who takes out a Federal license only to lend a measure of legitimacy to his guilty dealings with persons who should not be trusted with firearms. At present virtually any person can obtain a Federal license to transport and receive firearms as a dealer, and it will cost him only \$1. The Treasury Department issues a dealer's license to almost anyone who

applies, and although the Treasury is not authorized to issue such licenses to ex-convicts or fugitives from justice, there are so many applicants that it is not practicable to check up on the truthfulness of statements made in most applications for licenses.

Fourth. It would enable the States to deal more effectively with the problem of regulating the sale of firearms. As it is, State laws are frustrated by the failure of the Federal Government to control interstate shipments or sale of firearms.

In the United States some 21 States require a license to sell guns at retail and a number of States including Missouri require a purchaser to obtain a permit to purchase firearms. But these laws are all but meaningless so far as protecting the public from the purchaser and the dealer who wish to evade local laws by mail-order shipments.

The bill's method of backing up State laws is similar to the Federal controls over the sale of alcoholic beverages, certain dangerous drugs or adulterated foods or types of goods that may be manufactured, sold, or labeled contrary to State laws. A resident of Missouri cannot buy alcoholic beverages outside the State and have them shipped in without complying with State laws and paying State taxes. Why should handguns and other types of firearms, potentially the most dangerous of all manufactured products, be able to cross State lines with what now amounts to absolute immunity?

Fifth. It would require dealers in firearms to keep accurate records of firearms sales and make it possible for State and local law enforcement agencies to obtain such information without difficulty.

My bill, on the other hand, does not contain any provisions that any law-abiding citizen would consider onerous:

First. A citizen could still purchase a firearm or carry one provided he complies with State and local regulations.

Second. It would be unnecessary to register a firearm unless such registration is required by State or local law.

Third. It would not handicap in any way the legitimate collector of antique guns and curios.

Fourth. It does not attempt to circumscribe the constitutional provision granting the right to keep or bear arms.

The memory of our beloved and martyred President should spur us into taking these belated and halting steps to stop the indiscriminate sale of lethal weapons to fanatics, subversives, and the demented. The dimensions of the problem can be seen in the widespread firearms advertising in comic books, gun magazines, and mail-order houses of all types.

As others have frequently pointed out the unrestricted circulation of firearms that presently prevails in this country is a threat and a growing threat to the safety of every citizen, business, and public official. America is the only civilized country in the world that still permits the unrestricted and unsupervised sale of firearms.

This measure contains proposals that the overwhelming majority of police chiefs and law enforcement officials have

in one form or very fast in another. It can take off from rugged, short airstrips, enormously increasing the Air Force's ability to participate in limited wars. The same basic plane will serve the Navy's carriers, saving the taxpayers at least \$1 billion in costs if they built separate planes for the Navy and the Air Force.

The Government of Australia, by purchasing \$125 million of TFX planes before they are even off the drawing boards, has already testified to the merit of this plane, and at the same time it is confident in the ability of Fort Worth to meet its schedule. In all these ways, the success of our national defense depends upon this city in the Western United States, 10,000 miles from Vietnam, 5,000 or 6,000 miles from Berlin, thousands of miles from trouble spots in Latin America and Africa or the Middle East. And yet Fort Worth and what it does and what it produces participates in all these historic events. Texas, as a whole, and Fort Worth bear particular responsibility for this national defense effort, for military procurement in this State totals nearly \$1½ million, fifth highest among all the States of the Union. There are more military personnel on active duty in this State than any in the Nation, save one—and it is not Massachusetts—any in the Nation save one, with a combined military-civilian defense payroll of well over a billion dollars. I don't recite these for my partisan purpose. They are the result of American determination to be second to none, and as a result of the effort which this country has made in the last 3 years we are second to none.

In the past 3 years we have increased the defense budget of the United States by over 20 percent; increased the program of acquisition for Polaris submarines from 24 to 41; increased our Minuteman missile purchase program by more than 75 percent; doubled the number of strategic bombers and missiles on alert; doubled the number of nuclear weapons available in the strategic alert forces; increased the tactical nuclear forces deployed in Western Europe by over 60 percent; added 5 combat-ready divisions to the Army of the United States, and 5 tactical fighter wings to the Air Force of the United States; increased our strategic airlift capability by 75 percent; and increased our special counterinsurgency forces which are engaged now in South Vietnam by 600 percent. I hope those who want a stronger America and place it on some signs will also place those figures next to it.

This is not an easy effort. This requires sacrifice by the people of the United States. But this is a very dangerous and uncertain world. As I said earlier, on three occasions in the last 3 years the United States has had a direct confrontation. No one can say when it will come again. No one expects that our life will be easy, certainly not in this decade and perhaps not in this century. But we should realize what a burden and responsibility the people of the United States have borne for so many years. Here a country which lived in isolation, divided and protected by the Atlantic and the Pacific, uninterested in the struggles of the world around it, here in the short space of 18 years after the Second World War, we put ourselves, by our own will and by necessity, into defense of alliances with countries all around the globe. Without the United States, South Vietnam would collapse overnight. Without the United States, the SEATO alliance would collapse overnight. Without the United States the CENTO alliance would collapse overnight. Without the United States there would be no NATO. And gradually Europe would drift into neutralism and indifference. Without the efforts of the United States in the Alliance for Progress, the Communist advance onto the mainland of South America would long ago have taken place.

So this country, which desires only to be free, which desires to be secure, which desired to live at peace for 18 years under three different administrations has borne more than its share of the burden, has stood watch for more than its number of years. I don't think we are fatigued or tired. We would like to live as we once lived. But history will not permit it. The Communist balance of power is still strong. The balance of power is still on the side of freedom. We are still the keystone in the arch of freedom, and I think we will continue to do as we have done in our past, our duty, and the people of Texas will be in the lead.

So I am glad to come to this State which has played such a significant role in so many efforts in this century, and to say that here in Fort Worth you people will be playing a major role in the maintenance of the security of the United States for the next 10 years. I am confident, as I look to the future, that our chances for security, our chances for peace, are better than they have been in the past. And the reason is because we are stronger. And with that strength is a determination to not only maintain the peace, but also the vital interests of the United States. To that great cause, Texas and the United States are committed.

Thank you.

COTTON SUPPORT PROGRAM

The SPEAKER. Under previous order of the House, the gentleman from Georgia [Mr. WELTNER] is recognized for 30 minutes.

Mr. WELTNER. Mr. Speaker, on Friday, November 29, 1963, the gentleman from Arkansas obtained a special order to address the House at the conclusion of the business on that day. There was, of course, no legislative business, the preceding day being Thanksgiving Day.

The gentleman took this opportunity to comment upon a speech which I delivered to the House on October 17, 1963, concerning the cotton support program.

Apparently, his purpose was to rebut various tables and figures which I included in the RECORD of October 17 in support of my contention that the American public pays an annual subsidy by virtue of the cotton support program, of \$608,008,132.

It was my purpose in making this speech to disclose certain inequities and deficiencies in the cotton program, and point up the fact that the program while resulting in millions of dollars to large Western growers of cotton, affords but minimum assistance to smaller farmers, notably small Southeastern farmers.

Reviewing briefly my remarks of that date, it was my contention—as it is today—that when the U.S. Government undertakes to purchase cotton from any eligible producer at a price of 32.47 cents per pound through the nonrecourse loan program of the Commodity Credit Corporation, this action creates an artificial price for all cotton, whether placed in loan or sold in private channels. The difference between the support price of 32.47 cents and the price that would obtain in a free market—without cotton supports—is, I contend, a subsidy. The term "subsidy" was defined at page 18809 of the RECORD as follows:

Subsidy computed by multiplying rate of 8½ cents per pound by number of bales produced in the allotment categories shown.

Everyone knows that the world price for 1 inch Middling cotton is 24 cents per pound. Consequently, the Government's program of supporting prices at 32.47 cents per pound creates a differential of 8½ cents per pound, or \$42.50 per bale—for every pound of cotton grown on allotment acreage.

It is, therefore, a simple matter to determine the total amount of this subsidy for the year treated in my speech, 1961. You simply multiply total domestic production by 8½ cents per pound to derive the national subsidy of \$608 million.

This was perfectly clear in my remarks of October 17. There followed an analysis of just who among the 928,761 cotton farmers of the United States shared this subsidy. I was startled by the figures—322 growers with 1,000 allotment acres or more shared subsidies totaling \$36,590,761, averaging \$113,656 per grower. This is compared with 652,387 small farmers, with allotment of 10 acres or less, who received a total of \$40,787,449, or the incredibly small amount of \$63 each—approximately \$5 per month.

On the occasion of my address to the House, I included the names of farmers—insofar as could be obtained from the Department of Agriculture—having allotments of 1,000 acres or more, the effective allotment, measured acreage, and estimated yield for each such farm. Thereafter, I computed the production of each farmer, and based upon production, following the very simple formula, computed the amount of subsidy received by each farmer. In some instances this subsidy was as great as \$2,232,737 for the J. G. Boswell interests in Arizona and California. The Kern County Land Co., under this formula, received the benefit of a subsidy of \$2,026,992.50.

The subsidy is computed for each of the 322 farms, all appearing in the October 17 issue of the CONGRESSIONAL RECORD.

Now Mr. Speaker, on last Friday in his remarks and by insertions consisting of several tables and some 23 letters, the gentleman from Arkansas quarrels with my use of the term "subsidy." Apparently, he would equate subsidy only to the payments made to producers who export cotton, or, possibly, to the amount of nonrecourse loans advanced on bales placed in Government storage.

Other gentlemen, during the course of this discussion on last Friday, took the same position—to wit, that it is inaccurate to term as a subsidy that increase in price of domestic cotton brought about by virtue of the cotton support system.

I am happy to join issue to this point. It seems to me that the entire Nation would do well to consider carefully our agricultural program, and the cotton program is a good point of departure. I believe the gentlemen who took issue with my remarks last week have performed a service by placing this vital issue before the House. The consuming public has been in the dark long enough. It is indeed time that sophistry and leger demain be swept away, and that the public see this program for what it is.

Mr. Speaker, the price support system does create a subsidy. An inflated price, paid by the consumer, is as much a sub-

sidy as a check drawn on the account of the Commodity Credit Corporation.

In Webster's Dictionary, the term "subsidize" is defined as follows: "To aid or promote, as a private enterprise, with public money."

Does not the public money available to every eligible grower in the form of nonrecourse loans from the Commodity Credit Corporation, which undertakes to pay 32.47 cents per pound for cotton regardless of world conditions and market factors, aid and promote the private production of cotton? Does not the fact that an instrumentality of the Government is bound by law to pay 32.47 cents per pound to any eligible grower, set the price of cotton moving in private channels? Can anyone believe that a producer would sell at 24 cents—the world price—when he can dispose of his cotton to the Government for 32.47 cents? Can anyone believe that a buyer would pay 8½ cents per pound more than the world price if he could find a grower who would sell for less? Under the present cotton support program, the eligible producer has a guaranteed customer—the Government—at a guaranteed price. To the extent that this guaranteed price exceeds the price he could obtain without any such guarantee, every cotton farmer is subsidized. Today the guaranteed price exceeds the world price by 8½ cents per pound. Accordingly, the farmer is subsidized to the extent of 8½ cents per pound for every pound of cotton grown.

And, because the differential is 8½ cents per pound, every cotton farmer receives a subsidy calculated by multiplying 8½ cents by each pound he produces. Hence, the California interests which produced 52,535 bales in 1961 received a subsidy of \$2,232,737.

To say that the nonrecourse loan program is nothing more than a mechanism to provide for orderly marketing processes is to avoid reality. To say that the only subsidy involved in the cotton program is payment under the export program is to overlook the facts. To say that 32.47-cent cotton—guaranteed by the Government in the face of a 24-cent world price—enables the farmer only to hold onto cotton until the market reaches an encouraging point, is to deny what any realist should freely admit.

Mr. Speaker, there is a subsidy—paid by the consumer, on every pound of cotton grown in the United States. That subsidy will continue for so long as there exists a differential—at 8½ cents per pound, or \$42.50 per bale—between the Government's guaranteed price and the world market's competitive price.

If gentlemen deny that a subsidy exists, let them explain away these facts. If gentlemen quarrel with my disclosures, let them attempt to show to the contrary. On October 17, I stated to this body that the cotton subsidy costs the American public over \$608 million in 1961, and that this subsidy aids, in the main, large western growers. Today, on December 3, 1963, I reiterate that statement. I will be happy for any Member to show wherein I am wrong.

Mr. GATHINGS. Mr. Speaker, will the gentleman yield?

Mr. WELTNER. Yes. I will be happy to yield to the gentleman from Arkansas.

Mr. GATHINGS. I appreciate your according us an opportunity to be here this evening and discuss this matter. I am sorry the gentleman was not present at the time the special order was accorded me last Friday. I just want to say to the gentleman that you had brought out in the RECORD previously that there were a number of farmers, the so-called large farmers, who grow more than 1,000 acres of cotton, and that that total, according to the record from the Department of Agriculture, is 286 across the whole country. That is the total. But out of that 286 no mention has been made of the fact that there were 2,691 tenants and sharecroppers who were working on those 286 farms. Here, for example, in your remarks earlier you stated that John F. Twist at the Twist plantation in Crittenden County, Ark., received a subsidy in the amount of \$71,187.50. What I did is, I took that \$71,187.50 and divided it by the total number of bales of cotton, as your statement revealed, which was produced by the Twist plantation, numbering 1,675, and that gave me the sum of \$42.50, as you have just stated. \$42.50 subsidy was paid to J. F. Twist plantation on each bale of cotton that was grown on his allotment.

Now, I have a letter from John F. Twist, who is the operator of this Twist interest at Twist plantation, and among other things he says this:

Several observations of interest can be made from these facts. First, that Mr. WELTNER submits these production figures obtained from the Department of Agriculture but omits the information also of record in the Department of Agriculture that the J. F. Twist acreage allotment is shared by eight additional farmers.

It was not just J. F. Twist, a big farmer, but is divided up into eight small operations. In many instances that does exist throughout those I have had occasion to go into and check. Now I will continue reading.

Eight additional farmers renting from the plantation and operating separately in every regard except for paying rentals. These eight-family operations produced 1,409 bales of the 1,856 bales produced in 1961.

The next clear fact is that 1,825 bales of the total production of 1,856 bales was sold to domestic mills.

Now, out of the total production on that plantation of 1,856 bales, 1,409 bales were sold to domestic mills at the regular price of 32.47 cents for Middling Inch cotton on which there is no subsidy paid whatever.

The gentleman does bring out the point today that the difference between those two figures of 1,856 and 1,409—some of those did go into the Commodity Credit Corporation loan.

Mr. WELTNER. I did not bring out that point. I maintained that because the Government guarantees prices on every pound of cotton produced by an eligible grower at 32.47 cents, there is a subsidy on every pound of cotton grown to the extent that that price differs from the world market price. And as the gentleman from Arkansas knows, as he

stated a moment ago, by dividing the number of bales sold by the Twist plantation into the amount of the subsidy, it came out, I believe, in the words of the gentleman from Arkansas, that "there was a subsidy of \$42.50 per bale."

Mr. GATHINGS. I did not say that there was a subsidy of \$42.50 a bale. I used the gentleman's figures and said that he had arrived at the figure \$42.50, to show that that was the way the gentleman had arrived at the total; that is, that every one of these bales of cotton had gone on board a ship and had been shipped for export. That is the amount that was paid when the cotton was put on board ship for export. And the biggest part of this cotton which we are now referring to was sold to domestic mills on which the full price was paid by the domestic mill. The reason for the legislation that we had before us today is to correct that situation so that we do not charge our domestic mills 32.47 cents a pound for Middling Inch cotton when the bills in Barcelona, Spain, buy that same cotton for 24 cents.

Mr. WELTNER. If the gentleman will yield to me, does the gentleman contend that if the Government did not support—through the nonrecourse loan system—cotton at 32.47 cents a pound it would remain at 32.47 cents a pound in private channels?

Mr. GATHINGS. The gentleman has alleged that many of my constituents had obtained a subsidy, and he laid out in his presentation the amounts in thousands upon thousands of dollars of subsidy that was paid to these people. The gentleman cannot show that because the information I have put in the RECORD disputes the gentleman's figures.

Mr. WELTNER. I am asking the gentleman, does he maintain that the price of Middling cotton grown in this country would remain at 32.47 cents per pound were there no CCC standing ready, willing, and under legal obligation to pay 32.47 cents per pound for every pound of cotton produced on allotment acres?

Mr. GATHINGS. That does not make them lose any money on the cotton if the bales of cotton are sold to domestic mills for 32.47 cents.

Mr. WELTNER. I submit that the gentleman has not answered my question. May I phrase it another way? What would be the price of cotton per pound—

Mr. GATHINGS. The gentleman has not answered my question. Why is it that he has alleged that so many of my constituents in the State of Arkansas have drawn subsidies when they have not done so?

Mr. WELTNER. I have merely stated, I submit, what a subsidy is. If the gentleman will refer to page 18809 of the CONGRESSIONAL RECORD on the occasion of my address of October 17 he will see underneath the table this note:

"Subsidy" computed by multiplying rate of 8½ cents per pound by number of bales produced in the allotment categories shown.

That is exactly what I contend a subsidy is. It is a subsidy paid, not by a check written by the Commodity Credit Corporation, not the export subsidy for

goods shipped overseas, but paid by the public, because the public has to pay 8½ cents more for that cotton than they would if there were no Commodity Credit Corporation supporting the price at 32.47 cents per pound. That is my sole contention as to subsidy. I am happy that the gentleman has quarreled with me, because it seems to me that this point should be made crystal clear. I contend there is a subsidy for every pound of cotton grown in this country so long as the Government is willing to buy that cotton at a price greater than it would bring were there no support program.

Mr. GATHINGS. If the gentleman will yield further, if 10 million bales of cotton is produced in this country and you sold 10 million bales to the domestic mills for 32.47 cents per pound would there be any subsidy at all involved?

Mr. WELTNER. There would be so long as—

Mr. GATHINGS. Who would be paying any subsidy if the mills bought that cotton at that price?

Mr. WELTNER. There would be a subsidy so long as the price that every farmer can get for his cotton through the Commodity Credit Corporation exceeds the market price of the cotton, and that difference is 8½ cents a pound or \$42.50 per bale.

Mr. GATHINGS. The Commodity Credit Corporation is not involved in that situation at all.

In addition, the gentleman brought out various other farmers from my State and alleged that they had obtained such a subsidy, as the gentleman says, of 8½ cents a pound which is \$42.50 a bale, as though it had gone into export channels, while some two out of every three bales produced in this country go to the domestic mills only.

Mr. WELTNER. I am not quarreling with that at all. When I defined subsidy in my speech as 8½ cents per pound, because of the support of the Government of the price at 8½ cents per pound higher than the world price, it is quite simple to figure. Nowhere did I state that all of this cotton went into the warehouse, nor did I state that all of the cotton received the export subsidy. I defined subsidy as the differential of 8½ cents per pound, which, of course, is the differential in the support price and the world price.

I think it is well that the gentleman raises the issue as to whether this is a subsidy.

Mr. GATHINGS. I do raise that issue. The gentleman says that W. M. Smith & Son of Cross County, Ark., received a subsidy of \$58,310 on 1,372 acres of cotton.

Mr. WELTNER. That is figured at \$42.50 per bale because of the Government's price-support program.

Mr. GATHINGS. You have alleged and you have explained your attitude with respect to it, but you have alleged that they had received that money. Well, the letter that they send in here disputes that fact. They set out here that in addition to the operation that they themselves are engaged in there

are many tenants listed here. Arch Whalley has a 40-acre allotment; Levell Hinton, 35; Dorsey Parker, 25; J. C. Parker, 25; Travis Barnes, 15; Noland Stafford, 25; and many, many tenants are involved there in that operation.

They go on and state just exactly how many bales of cotton went into domestic channels.

I appreciate the gentleman yielding to me on this occasion.

Mr. WELTNER. I thank the gentleman. I appreciate the gentleman's remarks.

Mr. HARRIS. Mr. Speaker, will the gentleman yield?

Mr. WELTNER. I would be happy to yield to the gentleman from Arkansas.

Mr. HARRIS. I did not want to inject myself into this discussion because I know there are other people who are more qualified than I to discuss these problems about price support which I have, during my years in Congress, supported as a means of giving the farmer a price for his production which would justify him in the cost of the production of that commodity. I do know that there are a great many misunderstandings and it is difficult for anyone to know the intricacies about this whole program.

The gentleman has made his position very clear. Of course, I think the record does not yet disclose that you do not distinguish the difference between the fact that the subsidy is always a condition we have recognized as the payment for something that is not earned.

The domestic market for cotton is such that there is no subsidy involved. In the world market there is, depending on how you look at the whole thing. But that was not the question I wanted to raise. I did want to get that in the record, however.

I do not think the gentleman intended to reflect on any individual or any farmer, certainly not one of our State institutions, but he included a table which stated the State of Arkansas from the production of cotton at the Arkansas State Penitentiary received a subsidy of \$70,890. Of course, the State penitentiary is an institution of the State of Arkansas. I am advised by that institution that they had a cotton crop in 1961, to which the gentleman referred. There were 2,517 bales involved, and their cotton crop was auctioned off in the field to the highest bidder. The cotton price was 105 points over the loan. That is, the Commodity Credit guaranteed a support price, as I understand it, but nevertheless it was more than the loan. The highest bidder was James H. Frost & Co., Pine Bluff, Ark., for a private institution. The entire crop of cotton was auctioned off in the usual traditional American way, and they got a price for it which was paid by the highest bidder. I do not believe the implication that the State penitentiary received a subsidy from the Federal Government is quite correct.

Mr. WELTNER. They received 8.5 cents per pound subsidy for their cotton.

Mr. HARRIS. The gentleman defines that on the world market price which is only 5 million of the total production of

the cotton crop where 8 million of it goes into the domestic market.

Mr. WELTNER. Is it the gentleman's opinion, were there no price support in this country, that cotton would maintain that price?

Mr. HARRIS. I do not think it would. I remember when the cotton price at a certain given time of that year was 20 cents, but the farmers because of the economic conditions sold a large part of that cotton the same year, 1920, at less than 5 cents. So the gentleman's theory of economics, if he is proposing any theory, does not bear out the economic relationship of the farmer and what the Government has tried to do to maintain stability in prices like we have in our commerce and industry. That is controlled, as the gentleman knows, by production and demand. If the demand goes up, the production goes up.

Mr. WELTNER. That is the point I am making. In the case of cotton there is a guaranteed demand at 32.47 cents, notwithstanding world conditions, notwithstanding anything else. Every producer can take his cotton and receive 32.47 cents.

If the gentleman agrees with me that that price would not obtain without a price support system, he must agree that there is a subsidy from a price support that differs from the world price.

Mr. HARRIS. Does the gentleman contend that the minimum wage would be \$1.25 if the Congress of the United States did not provide a minimum wage of \$1.25?

Mr. WELTNER. No, I do not contend that.

Mr. HARRIS. Are you going to say that the minimum wage of wage earners is a subsidy?

Mr. WELTNER. What I am saying is that wages are maintained by the existence of the Fair Labor Standards Act which requires payment at a certain level.

Mr. HARRIS. So are the agricultural products of the country which come under the price support program which is maintained.

Mr. WELTNER. That is correct. I thank both gentlemen for joining in this debate.

Mr. MAHON. Mr. Speaker, will the gentleman yield?

Mr. WELTNER. I yield to the gentleman from Texas.

Mr. MAHON. Under the gentleman's interpretation of subsidy, I would assume that he would say to the extent that the tariff protects the manufacturer, of farm implements or other products, for example, to the extent that he is protected and is able to sell his product for a higher price, he would call this protection a subsidy.

Mr. WELTNER. I would call it a subsidy paid by the consumer who is required to pay a higher price because of the tariff law, just as he is required to pay a higher price because of the cotton support program.

Mr. MAHON. The gentleman would say that the payment of 8.5 cents a pound on American cotton that is exported is a subsidy paid by the Government, and

the support price on cotton that is not exported is paid by the consumer. Is that the gentleman's philosophy?

Mr. WELTNER. Yes.

Mr. MAHON. If the gentleman goes into that field, then subsidy covers the whole earth like a blanket—all segments of our economy, industry, agriculture, labor, and so forth.

Mr. WELTNER. I agree with the statement of the gentleman from Texas. I think it is well while we are considering a revision of our cotton program to examine this. I did not make a speech on October 17 to call for an end to all subsidies. I made a speech to show the direction in which this increased cost paid by the consumer is going. I made this speech to show that the small southeastern farmer has a very small part of this \$680 million amount that is paid by the consumer.

Mr. MAHON. Would the gentleman agree with this, that as a result of the farm program initiated under Republican and Democratic administrations agriculture has been given a stability and a base which has enabled the farmer to produce with assurance, and under these circumstances and in this atmosphere the American farmer has been able to provide food and fiber at the most phenomenally low rate, relatively speaking, of any place in the world? As to the so-called subsidy, while paid by the consumer, as the gentleman says, the subsidy of maladjustment and other factors might very well make the consumer pay more than if there were not a so-called subsidy as defined by the gentleman.

Mr. WELTNER. I certainly would not contend we should completely eliminate the price-support system. I did not treat it that way in my speech on October 17, and I do not do so today. It seems to me that there is a very sound proposal before the Congress in the Talmadge bill. This involves price supports. No one will deny that. It involves a higher support price than 32.47 cents for the smallest producers, and it involves a much lower support for larger producers, whose need, if any, is far less than the small grower. At the same time, the Talmadge plan would end two-price cotton, and set cotton on the road back to free enterprise.

(Mr. MAHON asked and was given permission to revise and extend his remarks.)

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted to:

Mr. BECKER (at the request of Mr. HALLECK), from December 2, through December 7, 1963, on account of illness (an operation).

Mr. PEPPER, for Tuesday, December 3, 1963, on account of official business.

SPECIAL ORDERS GRANTED

By unanimous consent, permission to address the House, following the legislative program and any special orders heretofore entered, was granted to:

Mr. WELTNER, for 30 minutes, today, and to revise and extend his remarks.

Mr. STAEBLER, on Tuesday next, for 1 hour.

Mr. FRASER (at the request of Mr. STAEBLER) for 1 hour, on Wednesday next.

Mr. Bow (at the request of Mr. TUPPER), for 1 hour, on Friday, December 6, and for 1 hour on Monday, December 9, and in each case to revise and extend his remarks and include extraneous matter.

EXTENSION OF REMARKS

By unanimous consent, permission to extend remarks in the Appendix of the RECORD, or to revise and extend remarks, was granted to:

Mr. GROSS and to include extraneous matter.

Mr. BELCHER and to include extraneous matter.

Mr. FLYNT the remarks he made today and to include extraneous matter.

Mr. PHILBIN and to include a statement he made before a committee.

Mr. COOLEY the remarks he made in the Committee of the Whole today on the cotton bill presently under consideration.

Mr. JONES of Missouri the remarks he made in the Committee of the Whole today and to include statistics and a table.

(The following Members (at the request of Mr. MORSE) and to include extraneous matter:)

Mr. FULTON of Pennsylvania in five instances.

Mr. YOUNGER.

Mr. HOSMER.

Mrs. ST. GEORGE.

Mr. MOORE in four instances.

Mr. CHAMBERLAIN.

Mr. AYRES.

Mr. TAFT in two instances.

(The following Members (at the request of Mr. ALBERT) and to include extraneous matter:)

Mr. FINNEGAN in two instances.

Mr. DENT in five instances.

Mr. FISHER in two instances.

Mr. WAGGONER.

Mr. ROONEY of New York.

Mr. ULLMAN in three instances.

Mr. MOORHEAD in five instances.

Mr. BOLAND in two instances.

Mr. HEALEY in two instances.

Mr. GALLAGHER.

Mr. SENNER in two instances.

Mr. FRASER.

Mr. LEGGETT.

Mr. NEDZI.

Mr. BRADEMAS in six instances.

ADJOURNMENT

Mr. SMITH of Iowa. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 6 o'clock and 14 minutes p.m.), under its previous order, the House adjourned until tomorrow, Wednesday, December 4, 1963, at 11 o'clock a.m.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

1405. A letter from the Commissioner, Immigration and Naturalization Service, U.S. Department of Justice, transmitting copies of orders suspending deportation as well as a list of the persons involved, pursuant to the Immigration and Nationality Act of 1952, as amended by Public Law 87-885; to the Committee on the Judiciary.

1406. A letter from the Commissioner, Immigration and Naturalization Service, U.S. Department of Justice, transmitting copies of orders suspending deportation as well as a list of the persons involved, pursuant to the Immigration and Nationality Act of 1952, as amended by Public Law 87-885; to the Committee on the Judiciary.

1407. A letter from the Comptroller General of the United States, transmitting a report on the proposed move of the Veterans' Administration regional office from Dallas to Waco, Tex.; to the Committee on Government Operations.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Mr. MORRIS: Committee on Interior and Insular Affairs. H.R. 1096. A bill to authorize the Secretary of the Interior to cooperate with the State of Wisconsin in the designation and administration of the Ice Age National Scientific Reserve in the State of Wisconsin, and for other purposes; with amendment (Rept. No. 941). Referred to the Committee of the Whole House on the State of the Union.

Mr. WILLIS: Committee on the Judiciary. H.R. 8190. A bill to fix the fees payable to the Patent Office, and for other purposes; with amendment (Rept. No. 949). Referred to the Committee of the Whole House on the State of the Union.

REPORTS OF COMMITTEES ON PRIVATE BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Mr. FEIGHAN: Committee on the Judiciary. S. 1838. An act for the relief of Hannah Robbins; with amendment (Rept. No. 942). Referred to the Committee of the Whole House.

Mr. CHELF: Committee on the Judiciary. H.R. 1182. A bill for the relief of Willy Sapushnin; with amendment (Rept. No. 943). Referred to the Committee of the Whole House.

Mr. FEIGHAN: Committee on the Judiciary. H.R. 1355. A bill for the relief of Stanislawa Guellette; with amendment (Rept. No. 944). Referred to the Committee of the Whole House.

Mr. POFF: Committee on the Judiciary. H.R. 4085. A bill for the relief of Tibor Horcsik; with amendment (Rept. No. 945). Referred to the Committee of the Whole House.

Mr. MOORE: Committee on the Judiciary. H.R. 4284. A bill for the relief of Chrysanthos Kyriakou; with amendment (Rept. No. 946). Referred to the Committee of the Whole House.

Mr. FEIGHAN: Committee on the Judiciary. H.R. 5982. A bill for the relief of Peter Palermo; with amendment (Rept. No. 947). Referred to the Committee of the Whole House.

Mr. FEIGHAN: Committee on the Judiciary. H.R. 6313. A bill for the relief of Stanislaw Kuryl; with amendment (Rept.

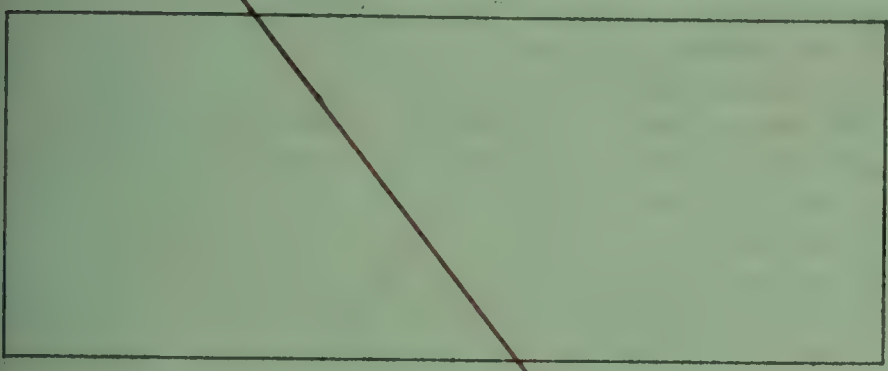
Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE

(For information only; should not be quoted or cited)

Issued Dec. 5, 1963
For actions of Dec. 4, 1963
88th-1st; No. 197



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HIGHLIGHTS: Senate agreed to House amendment to Mexican farm labor bill. Senate passed water resources council bill. Senate committees reported bills to provide agricultural services to Guam and provide annual National Farmers Week. Sen. Humphrey spoke in support of Talmadge-Humphrey cotton bill. House passed Cooley cotton bill. House committee voted to report Public Land Law Review Commission bill. Sen. Young, W. Dak., and Rep. Andrews introduced and discussed wheat bills. Sen. Williams, N. J., introduced and discussed bill to strengthen and improve Soil Conservation Service programs.

HOUSE

1. COTTON. By a vote of 216 to 182, passed with amendments H. R. 6196, the Cooley cotton bill. (pp. 22159-22210)

Agreed to the following amendments:

All committee amendments. pp. 22181, 22194-7

By Rep. Jones (Mo.), 102 to 90, to remove the provision that payment-in-kind certificates "shall be made to persons other than producers in an amount as will make upland cotton produced in the U.S. available for domestic use at a price which is not in excess of the price at which such cotton is made available for export." pp. 22181-5

By Rep. McIntire, 57 to 94, to repeal the present discretionary authority to set upland cotton price supports from 65 to 90 percent of parity, establish a statutory ceiling on the level of price supports for the production in excess of 15 bales on upland cotton, and provides that "beginning with the 1965 crop, price supports could be lowered below the statutory ceilings under a cost of production formula reflecting the research efforts" of USDA. pp. 22197-22200

By Rep. Cooley, to correct subsection lettering. pp. 22206-7

Rejected the following amendments:

By Rep. Jones (Mo.), 53 to 112, to amend the committee amendment providing that "the export acres could not go into effect until the national cotton allotment reached 17 million acres" which would now permit, under this amendment, "the export acres to be grown without any cost to the Government" and "it does not add to the national allotment." pp. 22194-7

By Rep. Hoeven, 122 to 184, which would eliminate everything in the bill except the McIntire amendment and the research section. pp. 22186-94

By Rep. Quie, 57 to 94, to provide that direct payments go to the producers. pp. 22200-1

By Rep. Grant, a substitute bill which would prevent discrimination against the domestic users of upland cotton and would authorize a special research program designed to reduce the cost of producing upland cotton. p. 22207

An amendment by Rep. Dole, providing a revised price-support and conservation program for wheat, corn, grain sorghum, barley, and at the Secretary's discretion, oats and rye, was ruled out of order as not being germane. pp. 22201-5

For other items of interest pertaining to this bill see Digest 86.

2. LANDS. The Interior and Insular Affairs Committee voted to report (but did not actually report) with amendment H. R. 8070, to establish a Public Land Law Review Commission to study existing laws and procedures relating to the administration of the public lands of the U.S. p. D956
The Interior and Insular Affairs Committee reported without amendment H. R. 8970, to revise the procedures established by the Hawaii Statehood Act for the conveyance of certain lands to Hawaii (H. Rept. 972). p. 22222
3. CIVIL RIGHTS. Rep. Celler announced that he would file a discharge petition on Mon., Dec. 9, to discharge the Rules Committee from consideration of H. R. 7152, the civil rights bill. p. 22158
4. STOCKPILING. Received from the Office of Emergency Planning the semi-annual report on the strategic and critical materials stockpiling program for Jan. 1 to June 30, 1963. p. 22222
5. RECREATION. The Interior and Insular Affairs Committee voted to report (but did not actually report) without amendment H. R. 4010, to provide an adequate basis for administration of the Lake Mead National Recreation Area, Ariz. and Nev. p. D956
6. LEGISLATIVE PROGRAM. Rep. Albert announced that the House would meet on Sat., Dec. 7. p. 22214

Mr. FULTON of Pennsylvania. Mr. Speaker, I rise this morning for another sad task as a result of the assassination of our beloved President. I rise to announce the death, unfortunately, yesterday of Capt. Michael D. Groves, the commanding officer of the Honor Guard Company of the 1st Battalion, 3d Infantry—Old Guard—Fort Myer, Va., who was in charge of the military arrangements at the funeral of the President. From the time President Kennedy's body reached Washington, D.C., Captain Groves worked day and night to handle these arrangements and he directed the military honors for the President's funeral. Unfortunately, Captain Groves overtaxed himself and died yesterday evening at supper, as a result of acute cardiac congestion, at the age of 27.

He was responsible for the training and supervision of the body bearers, death watch, rifle firing party and caisson escort for President Kennedy's funeral in Arlington Cemetery.

Born in Detroit, Mich., his legal residence was Ann Arbor, Mich. Captain Groves is survived by his parents, Mr. and Mrs. Donald W. Groves who live in Cleveland Heights, Ohio; his wife, Mary Frances, and a daughter, Kelly Ann, age 3.

This is another tragic incident that has flowed from this recent assault on the Government of the United States. It is a sad occasion on which we wish to console his family and send our sincere sympathy in their bereavement. Captain Groves has died in the service of our country in a job well done.

CALL OF THE HOUSE

Mr. HOEVEN. Mr. Speaker, I make the point of order that a quorum is not present.

The SPEAKER. Evidently a quorum is not present.

Mr. ALBERT. Mr. Speaker, I move a call of the House.

A call of the House was ordered.

The Clerk called the roll and the following Members failed to answer to their names:

[Roll No. 217]

Adair	Hall	Morton
Ashley	Hébert	O'Brien, Ill.
Becker	Jensen	O'Konski
Bromwell	Kelly	Passman
Cameron	Keogh	Powell
Clausen	Latta	Rivers, Alaska
Don H.	Long, La.	Robison
Dawson	McFall	St. Onge
Fulton, Tenn.	McLoskey	Shelley
Gibbons	Mailliard	Sheppard
Gill	Matsunaga	Trimble
Glenn	Milliken	Wright

The SPEAKER. On this rollcall 398 Members have answered to their names, a quorum.

By unanimous consent, further proceedings under the call were dispensed with.

CORRECTION OF ROLL CALL

Mr. LANDRUM. Mr. Speaker, on rollcall No. 215 I notice I am listed as not answering. I was in fact present and answered to my name, and I ask unanimous consent that the permanent Record and Journal be corrected accordingly.

The SPEAKER. Is there objection to the request of the gentleman from Georgia?

There was no objection.

Mr. WHALLEY. Mr. Speaker, on rollcall No. 214 I notice I am listed as not answering. I was in fact present and answered to my name, and I ask unanimous consent that the permanent Record and Journal be corrected accordingly.

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

REVITALIZE THE AMERICAN COTTON INDUSTRY

Mr. COOLEY. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the further consideration of the bill (H.R. 6196) to encourage increased consumption of cotton, to maintain the income of cotton producers, to provide a special research program designed to lower costs of production, and for other purposes.

The motion was agreed to.

Accordingly, the House resolved itself into the Committee of the Whole House on the State of the Union for the further consideration of the bill H.R. 6196, with Mr. ROONEY of New York in the chair.

The Clerk read the title of the bill.

The CHAIRMAN. When the Committee rose on yesterday, the gentleman from North Carolina [Mr. COOLEY] had 49 minutes remaining and the gentleman from Iowa [Mr. HOEVEN] had 37 minutes remaining. The Chair recognizes the gentleman from North Carolina [Mr. COOLEY].

Mr. COOLEY. Mr. Chairman, I yield 8 minutes to the Dean of the House, the gentleman from Georgia [Mr. VINSON].

(Mr. VINSON asked and was given permission to revise and extend his remarks.)

Mr. VINSON. Mr. Chairman, the bill H.R. 6196 is indispensable to the security of the Nation; vital to the future of our textile industry, and urgently necessary to the cotton growers of the Nation. If the textile industry and our cotton farmers are to survive, H.R. 6196 must be enacted.

Briefly, this is what the bill does:

First. It equalizes the cost of U.S. cotton between domestic and foreign mills.

Second. It authorizes \$10 million a year on special research to cut growing costs.

Third. It moves maximum supports to 30 cents in 1964, 29½ cents in 1965, and 29 cents thereafter.

Fourth. It approves 10-percent higher supports—up to 32.47 cents—on the first 15 bales raised.

Fifth. It provides that if allotments on the 1964–66 crops exceed 17 million acres, half the excess would be divided among base allotments—the other half would go to farmers who want to overplant by 20 percent, selling the overplanted production at world prices.

The textile and apparel industries play a leading role in the economy of our

Nation. One out of every eight manufacturing employees in the United States works in this industrial complex.

Additional thousands of employees are involved in the raising of cotton and other related activities. This industry clothes every man, woman, and child in the Nation. Its products are found in every room, in every home, and in every office of this land.

It has been frequently said that the textile industry, supplying over 10,000 separate items in support of our World War II effort, ranked second only to steel as an essential war industry.

When a condition develops that adversely affects such a vital segment of our economy, something positive must be done. Bad times have fallen upon this agricultural-industrial complex. It is so bad that its very future is endangered.

The causes for these difficulties and the circumstances surrounding them are several, but unquestionably the principal one is a direct result of acts of the Congress and Government policies resulting therefrom.

During the depression, the cotton farmers of America, along with all other major agriculture groups, needed and received Government help. The first step taken by the Government was to establish price supports.

The second step taken by the Government on their behalf was to eliminate foreign competition. Barriers against the importation of foreign-grown raw cotton into the United States were established, with the insignificant exception of less than 1 day's mill supply annually.

Price supports rose progressively so that in time they exceeded the free world market price of raw cotton. In other words, the assistance which our Government gave our cotton farmers in the form of price supports priced U.S. raw cotton out of the world market and resulted in drastic cuts in the export sale of American-grown raw cotton.

For 150 years, raw cotton constituted America's largest agricultural commodity sold overseas; it was responsible for our largest balance-of-payments exchange. In pricing cotton out of the world market by excessive price supports, our Government created a major economic threat to the United States.

Congress recognized this threat and in 1956, with the expressed intention of recapturing America's traditional position in the sale of world cotton, we enacted a statute directing the Secretary of Agriculture to subsidize the exportation of domestically grown raw cotton so that it might be sold at the world price in the international marketplace.

These three actions by the Congress and the executive branch of the Government:

First, establishing price supports for domestically grown cotton.

Second, prohibiting the importation of foreign-grown cotton into the United States.

Third, subsidizing exported raw cotton—when combined with the overall agricultural programs of the Government protected and stabilized our cotton growing economy.

For these steps our Government is to be commended. These same three actions, however, when coupled with the reduction, to the point of near abolition, of U.S. tariffs on foreign cotton textiles entering this country, have had a drastic and nearly chaotic effect upon the domestic textile industry. Foreign textiles have been allowed to flood the U.S. markets.

The import situation is only half the story, however, so far as the bad effects of this Government-created condition in which our domestic industry finds itself.

Another effect of the noncompetitive price of cotton is that since the end of 1960 other fibers have had an increase in consumption equal to 2,652,000 bales of cotton in annual rate while cotton has had a decline of 52,000 bales.

If cotton had no competitive loss in the market throughout this period it would have received 55 percent of this increase. Cotton consumption in the first quarter of 1963, instead of being down from the last quarter of 1960 would have been 1½ million bales higher. In other words, cotton has suffered a competitive loss of 1½ million bales in a little over 2 years.

To know these facts and to permit the situation to continue uncorrected is unthinkable.

The U.S. Government requires domestic mills to pay \$42.50 a bale more for domestically grown cotton than this same cotton is offered to foreign mills. This results in what is referred to as two-price cotton—the high price American mills have to pay for cotton and the lower price at which foreign mills may buy the same cotton.

When U.S.-grown raw cotton is sold to foreigners for \$42.50 a bale less than Americans must pay for the same cotton, our domestic industry is at a terrific raw product cost disadvantage.

And, since foreign mills pay their labor 75 to 90 percent less in wages than do American mills, this gives foreign mills a labor cost advantage in addition to the raw product cost advantage they have over our domestic mills. Other production costs in foreign lands are also much lower than in this country.

Clearly it can be seen that the plight of the domestic textile industry is U.S. Government imposed. This condition has prevailed since 1956. The situation the industry finds itself in today is not caused by inefficiency, business ineptness, or the inability to survive in the free and competitive environment of doing business in the United States.

Today's effort to remedy this affliction to the domestic textile industry is not the first that has been made.

In 1955 the American Cotton Manufacturers Institute petitioned the Secretary of Agriculture for action under section 22 of the Agriculture Adjustment Act to impose quotas on imports of cotton textiles at 150 percent of the 1953-54 average of such imports. The petition was turned down by the Department of Agriculture in February 1956.

In 1956, an amendment to the farm bill (H.R. 12) to impose import quotas on foreign cotton textiles was offered by Senator RUSSELL, of Georgia; it was de-

feated by a vote of 33 to 57. During the same session we saw the Senate reject two proposed amendments, in favor of import quotas, to the foreign aid bill. A fourth amendment, offered by Senator YOUNG of North Dakota, to limit imports of surplus agricultural commodities and their products not covered by a section 22 quota was narrowly beaten by a vote of 43 to 45. Another amendment applicable only to cotton textiles was offered by Senator JOHNSTON, of South Carolina; it too was turned down by a vote of 36 to 52. The only measure to aid our domestic industry that was passed by that session of the Congress was the inclusion of section 204 in the Agricultural Act of 1956. Section 204 authorizes the President to negotiate with foreign countries to limit imports.

Negotiations aimed at limiting imports from Japan which at that time accounted for the largest volume of cotton textiles imported into the United States began in 1956. In 1957 the negotiators agreed upon a 5-year plan for voluntary control of Japanese exports of cotton textiles to the United States. Since this agreement applied solely to Japan, when the Japanese restrained their shipments other textile exporting nations increased theirs.

In 1959, the domestic cotton growing industry asked the Secretary of Agriculture to seek a Tariff Commission hearing under section 22 to obtain relief from imports. The President asked that the case be limited to the effect of imports on the cotton export program. The Tariff Commission rejected the recommendations.

While these efforts were taking place cotton textile imports were climbing from 135 million square yard equivalents in 1952 to more than 1 billion square yard equivalents in 1962. Since 1955, despite a population increase of approximately 20 million, there has been a loss of nearly 200,000 jobs in the textile-apparel industries and consumption of domestic raw cotton and cotton products has failed to expand with the population.

It was against this background and with the knowledge of these conditions that President Kennedy took office in January 1961. He recognized the problem and its seriousness to our Government and our people, and he resolved to do something about it. He immediately appointed a five-man Cabinet Textile Committee, composed of the Secretaries of State, Labor, Commerce, Agriculture, and the Treasury, to inquire into the situation and to recommend to him what should be done. As a result of the committee's inquiries, President Kennedy on May 2, 1961, announced his seven point program for the assistance to the textile industry.

That very same month industry initiated action in the Office of Emergency Planning under the national security clause of the Trade Agreements Act. They presented the most detailed and extensive case ever filed with this office. The evidence was designed to establish the fact that the cotton textile industry is both essential to national defense and jeopardized by imports. Under the au-

thority of the national security clause, the President may impose import controls to protect an industry if the above criteria are met. The record in the case was closed in October 1961. No decision has thus far been announced.

There were those of us in Congress who had observed for many months these deteriorating conditions developing in the agricultural-textile economy. I called together some of my colleagues who are most directly affected by this situation so that we might confer with and advise with the late President on ways to alleviate the situation. One hundred and twenty-seven Members of the House responded and we have met over the past 2½ years. Representatives of this group upon several occasions discussed the matter with our late President.

There has been, I believe, general acceptance and support of President Kennedy's seven-point program. One of these seven points deals with the abolition of two-price cotton. That is the major purpose of H.R. 6196.

Prior to developing the reasons why the enactment of this bill is necessary to the Nation as a whole, and to the cotton, textile, and apparel industries in particular, I wish to take just a moment to report upon some of the other points of President Kennedy's program which will put into proper context the absolute necessity of the enactment of H.R. 6196, a bill which will not injure this highly complex and interrelated program, but will, instead, preserve this critical segment of our economy from further internal erosion and unfair external competition.

Our late President recognized that an unrealistic and inequitable tax depreciation schedule was imposed upon the textile industry. He directed the Department of the Treasury to study the situation to take corrective action. This was done. As a result, I am happy to report that intensified modernization and purchase of new and replacement equipment are taking place, thus further perfecting one of this Nation's most efficient and advanced industries.

The contribution to be made to the industry by intensified research was also recognized by President Kennedy, and in accordance with his wishes the Congress made initial funds available for this purpose. Encouraging reports have been received from competent experts in the Department of Agriculture and the cotton-growing industry that with increased research into the costs of growing cotton over the next 5 to 10 years a reduction in costs may be anticipated of 10 cents per pound.

In November 1961 the Department of Agriculture, for a second time, in accordance with the fourth point of the program, sought Tariff Commission action to limit imports under section 22. President Kennedy widened the scope of this investigation by extending it to cover the effect of imports on all U.S. cotton programs. In spite of these measures by the executive branch the Tariff Commission in September 1962 once more ruled against relief for the domestic textile industry.

A 19-nation, 1-year cotton textile arrangement was negotiated in 1961, and a 23-nation, 5-year arrangement was negotiated in 1962. Both of these arrangements sought to control the flow of cotton textiles into the United States, but satisfactory enforcement of the arrangements by the United States has been rendered extremely difficult because of the raw cotton costs advantage enjoyed by foreign mills. The windfall profits which accrue to foreign manufacturers and domestic importers are such that they encourage every conceivable device for circumventing the terms of the arrangements. The advantage two-price cotton gives foreign mills, at the expense of U.S. mills, was aptly described by President Kennedy as "the unique burden" borne by the domestic textile industry.

Developments of this present legislation to remove the inequity of the Government-established two-price cotton program began at the direction of President Kennedy in late 1962, following the adverse decision of the Tariff Commission.

It is evident that H.R. 6196 came into being against a background of complex and involved political and economic conditions which have developed over a period of several years. Two-price cotton was created by the Government; two-price cotton must be abolished by the Government. The passage of H.R. 6196 will do just that.

The ultimate success of our late President's entire seven point program will be greatly enhanced by the passage of this legislation.

This bill was not casually arrived at. It is the product of extensive hearings involving every interest in the vast agricultural-industrial cotton complex. A sincere effort, and I submit a successful one, has been achieved to strike a delicate balance between the various and sometimes diverse elements of this industry, without doing violence to any. It is, I think, a tribute to the very fundamental nature of the American industrial and governmental system to recognize the successful coordination of individual interests in H.R. 6196 for the purpose of breathing new life into a great and vital industry.

I urge that the bill with the committee approved McIntire amendment be passed. It is the considered judgment of the industry, the Department of Agriculture and the Agriculture Committee of this body that this legislation should be enacted in the form in which it has been presented to us. Such a delicate balance has been struck between all the diverse interests involved that to tamper with its present form will unquestionably seriously jeopardize the entire legislation. I encourage your support of H.R. 6196 with the belief that it is the best, if not the only, workable solution to abolish an injustice imposed by Government upon this indispensable segment of our domestic economy. I thank you.

Mr. COOLEY. Mr. Chairman, I yield to the distinguished gentleman from Massachusetts, former Speaker of the House, the gentleman from Massachusetts [Mr. MARTIN], 5 minutes.

Mr. MARTIN of Massachusetts. Mr. Chairman, I am pleased to join with my good friend and colleague for many years, the gentleman from Georgia [Mr. VINSON], in support of the bill H.R. 9196. I am hopeful that the Cooley bill will pass the House today because it maybe the last chance the many textile firms of this country have to live.

You who may be removed from the textile communities do not realize the hardship that has been imposed upon this industry in recent years. Only a month ago a large textile factory in my district closed, and I understand another one is threatened.

Mr. Chairman, these closings mean hundreds of people are going to be thrown out of work, hundreds of good, honest working men and women who only want a fair chance to earn an honest living. They are deprived of that opportunity because of intolerable conditions imposed by our Government.

These industries are not only forced to pay 8 cents a pound more for their cotton than the industries of Japan and European or Asiatic countries, but they are also forced to compete with the cheap wages paid abroad which are very much less than in this country.

Why are we forced to do this? It is due in large measure to our foreign policy which demands that we make these sacrifices. I am hoping that we may be able to solve this problem and remove these artificial conditions.

But, if we are forced to pay this extra amount for our cotton, the burden should not fall entirely upon the people who work in the textile industry. It is an expense for the whole country and they should share in the expense.

I do not like a lot of policies in these Various farm bills. Some of them have been very obnoxious to me. But we are faced today with one fact, and that is if we do not pass this bill the chance of survival of the textile industry is very limited. In view of that fact I make this plea on behalf of thousands of people who are employed in my district and whom I want to keep working. I believe it is good for the workers and I believe it will give American private enterprise a chance to flourish.

I join with my colleague, the gentleman from Georgia [Mr. VINSON], and the gentleman from North Carolina [Mr. COOLEY], chairman of the Committee on Agriculture, in support of this bill. It is the last chance of the textile industry to get a little justice from this Congress. I do not think anyone is so hardhearted or sectional minded that they would want to destroy the oldest industry in America. I live within a stone's throw of the place where the textile industry started. I know from the old citizens the start in the city of Pawtucket, R.I., just across the river. The first textile mill was formed immediately after the Revolutionary War. The people of the country at that time knew they had to have this type of industry, and they have made continued efforts in its behalf.

The prompt passage of this bill will be hailed with joy by the thousands of people who work in the textile industry.

The textile industry was needed in the

early days of our Republic. It is an absolute necessity both in peace and war. We must not sacrifice it.

Mr. HOEVEN. Mr. Chairman, I yield 5 minutes to the gentleman from Tennessee [Mr. BROCK].

(Mr. BROCK asked and was given permission to revise and extend his remarks.)

Mr. BROCK. Mr. Chairman, there is virtual unanimity on two facts about the current cotton situation: First, that cotton is in serious economic trouble, and second, that something must be done to prevent further inroads by competing fibers into its markets. The disagreement and the controversy is centered on the question of how to solve a critical situation.

At the outset, let me say that I intend to vote for H.R. 6196 if the amendment to be proposed by the gentleman from Maine is adopted. I am doing so in full recognition of the fact that the bill provides temporary additional cost to save the cotton industry.

It would serve no purpose for me to repeat the numerous facts which all add up to one thing—American cotton is in deep trouble. Most of its current problems stem from the fact that its price is too high to permit it to compete for markets. That its price is too high is the direct result of poor and unwise administration of existing cotton legislation by the current Secretary of Agriculture. To permit the present cotton program to continue as it is now being administered, would cost, in my judgment, far more than the cost of the program embodied in the legislation now under discussion.

H.R. 6196, if amended as proposed by the gentleman from Maine, offers the only practical and possible method for solving the cotton problem. It points the way toward a cotton program that permits the industry to realize its full potential and exist without dependence on Federal subsidy.

If we accept the fact that cotton's markets will not wait and that immediate action must be taken to prevent further loss of markets and contraction of the industry, there are virtually no alternatives to the proposed bill. I doubt that anyone seriously entertains the thought that price supports can be immediately lowered to a level that would allow American cotton to meet its competition at the "world price." Such a step would ruin the vast majority of cotton farmers across the entire belt. And the resulting economic consequences would be felt far beyond the farm level.

Likewise, elimination of the export subsidy would not solve the problem. Without the export subsidy, American cotton would be virtually eliminated from foreign markets. When we consider that cotton earns about \$750 million yearly in foreign exchange, we realize that the national interest militates against such a move.

H.R. 6196 is aimed at improving the economic well-being of the entire industry. But if there is any one branch that stands to benefit the most from the long-run effects of the legislation, it is the producer segment.

Under the existing cotton program, as it is being administered, farmers face a dreary prospect. They are directly confronted with sharply declining markets, and swelling surpluses. If these conditions are allowed to continue, a further reduction in the statutory minimum cotton acreage allotment is almost inevitable.

On the other hand, H.R. 6196, with the amendment of the gentleman from Maine, offers a real opportunity for farmers to produce for an expanding market and actually increase their income from farming.

The gentleman's amendment requires a reduction in price supports from the existing level of 32.47 to 29 cents by 1966. It puts a ceiling on the level of price supports. At the same time, H.R. 6196 directs the Secretary of Agriculture, beginning with the 1965 crop year, to lower price supports to reflect reductions in costs of producing cotton. It also directs that a special cotton research program be instituted to reduce production costs.

This is the only sound solution to the present cotton problem. Costs must be cut if cotton is to compete for its markets without a Federal subsidy and without sacrifice of farm income. The benefits that will flow to farmers from such a program are clear.

The only question is: Can costs be lowered? The answer, I believe, is "Yes," and here is the crux of the matter.

A real potential does exist for much faster progress in cotton technology, especially in lowering the cost of production. Currently an interesting case in point is the boll weevil, which has long stood as the symbol of cost and trouble for much of the Cotton Belt. This is a highly specialized insect which feeds on virtually nothing but the cotton plant and is found mainly in North America. Yet only in the past several years has a research effort of realistic scope been launched against the boll weevil. Already several highly promising leads have been developed, raising hopes that this insect can be brought under much better and cheaper control, possibly even eradicated. There are many comparable opportunities, but the total research effort on cotton is a small one for the vast complexity of problems which exist. Documented testimony before the House Committee on Agriculture shows that adequate research could open the way to an average cost reduction of 11 cents a pound in the next 5 or 10 years. Should this effort be successful, the hand of the Federal Government could be taken off the American farmers back. This must be our ultimate objective.

Cotton production costs must come down, so that prices can come down. Then we can have market expansion, not market contraction. If we assume a static market and try to squeeze all we can from it by the supply-management technique of high price and low production, we will wind up with little or no market.

All the land, labor, and capital now employed in producing and handling cotton stands in serious jeopardy of losing its employment. And this is not the threat, sometimes found in food and feed,

that one farm enterprise will be displaced by another. It is the threat that U.S. cotton will be displaced on its home market by industrially produced fibers and in the export market by these together with foreign cotton. In other words, we must contemplate the threat of a large net reduction in the markets served by American agriculture.

On the other hand, there is a great possibility of expansion in the markets for U.S. cotton, representing a net increase in the total output required of our agricultural system.

Of course, there are other competitive factors besides price in the contest for fiber markets. Quality and promotion are the most obvious of these. But on the current competitive scene the role of price is especially crucial.

Over the past 3 years cotton has lost about a sixth of its domestic market to competing fibers. It is clear that this shift was caused largely by a Government-supported rise in the market price of cotton, following and accompanying reductions in the prices of rayon and other manmade fibers. The shift is continuing, with no end in sight.

In exports, it is more difficult to measure the fundamental market changes which reflect real shifts in the competitive position of U.S. cotton. So many temporary factors obscure the basic trend. But at least this much is evident: A few years ago the trend was strongly upward, but today there certainly is no upward trend. There is much reason to fear that it is downward. Meantime the export market for U.S. cotton, even as it now stands, depends vitally upon a subsidy which causes a two-price system, making cotton available much cheaper to foreign than to domestic manufacturers and thus stimulating a tremendous expansion in imports of cotton products.

Our present export price for cotton may or may not be low enough to sustain a healthy continuation of this export market in future years. This is not as yet certain. But quite certainly this export price is part of a two-price system which is itself the target of ever-rising criticism and is unlikely to be tenable, politically or economically, beyond a limited time.

Thus the market for cotton, domestic and foreign, is in critical condition because of the domestic price level. It must be lowered, and the costs underlying it must be lowered.

I deplore the fact that even temporary and modest additional spending is required to provide the time needed for this industry to get on the road to the long-term goal. That it is needed is due to the unsound administration of the current cotton legislation.

But the fact remains that there is a compelling need to eliminate the two-price cotton system. Prices must come down quickly, but costs can only come down more slowly. To bridge the difference in timing, is the reason for a temporary Government program. There is little point in making the effort needed to reduce costs if our markets are to be irrevocably lost in the meantime. But likewise there is little point in further

Government subsidy if it merely prolongs the agony of a dying industry or—even worse—if it carries us permanently into deeper dependence upon handouts from Washington. Either the cost-cutting effort or the temporary subsidy would be rather futile by itself.

Fortunately, the legislation, particularly with the McIntire amendment appended, provides the means by which not only the new but also the present Federal subsidies can be eliminated. On balance the good features of the legislation outweigh the bad. If we can move in the direction of freeing the cotton industry from dependence on the Government, we will have done it a great service. This legislation is aimed at that goal.

Let us be honest about this bill. The only alternative to it is a continuation of the incompetence of current agricultural programs which are destroying the freedom and opportunity of millions of American citizens.

Mr. BAKER. Mr. Chairman, will the gentleman yield?

Mr. BROCK. I yield to the gentleman from Tennessee.

Mr. BAKER. I commend my colleague from Tennessee on his views and his statements. I join with him in support of this legislation and urge its passage.

Mr. BROCK. I thank the gentleman.

Mr. COOLEY. Mr. Chairman, I yield 5 minutes to the gentleman from Pennsylvania [Mr. DENT].

(Mr. DENT asked and was given permission to revise and extend his remarks.)

Mr. DENT. Mr. Chairman and Members of the Congress of the United States, many times in my 30 years of legislative life I have been in the position of standing on the floor and fighting for a cause that I knew beforehand was lost. I have that feeling today. It has been said that a speech never changes a vote, but persuasion does. I am afraid the speeches have been too few and the persuasion has been too much.

We have finally reached that stage where we have to make a decision on a far-reaching piece of legislation, one that I believe will kick open Pandora's box for many years to come in the most serious type of legislative demand ever made upon a legislative body in the history of this United States.

Never in our history have we been asked to subsidize profitmaking, profit-taking, and profit-corporate enterprise except in times of duress, emergency, and expansion where expansion was needed for the common welfare.

This legislation for the first time proposes that 35 mill operators in these United States will receive in cash—will receive 75 percent of a total of \$350 million. Do not be fooled by the phrase "payments in kind" because when a textile mill has to buy its cotton, it either pays for it in cash or pays for it with a certificate of payment in kind from the Government. It cannot operate without cotton and cannot operate without any other ingredient in its product. Therefore, if it gets the ingredient by certificate, it is in lieu of cash and the certificate is cash.

While not underestimating the cost one way or another of this legislation, I believe the decision goes to a principle far and beyond any that has ever been propounded or expounded on this floor.

We all know about the domestic cost differential between foreign cotton purchases. But the same group that is demanding the passage of this legislation demanded the foreign export to help the cotton farmer in the United States grow cotton for cotton export and the taxpayers in every other section of the United States have paid a subsidy of \$500 to \$750 million a year—every year in order that we could keep our cotton growers operating.

I want to say here and now that from the beginning of time agriculture has always had to be subsidized in one form or another. And I subscribe to that principle. I believe that agriculture has to be subsidized in one form or another. But I do not believe that this Congress can step from the necessity of subsidizing the cotton or the wheat or the dairy industry and then move over into subsidizing the processors, producers, and profit takers.

That is what we are doing. They are using strong and compelling arguments. They are saying that 45 mills have been liquidated in the past 5 years due to foreign competition. Who amongst all of us did not know a year ago that foreign competition was a disastrous, dangerous, and catastrophic thing in the economics of this Nation? If you did not know, it was because you did not listen, because I tried for hours, for days, and for weeks, talking in most cases to an empty hall, to warn you about the very danger that is contained in a foreign trade movement which has behind it the most unrealistic philosophy of trade ever conceived in the minds of any legislative body. The increase in imports has been from 100,000 in 1954 to 645,000 bales in 1962. They knew that, and they imposed that sickness upon themselves by their vote for the so-called will-o'-the-wisp of free trade.

Mr. Chairman and Members of this Congress, believe me, I have voted and I will vote again to support the cotton farmer, but in this instance the cotton farmer will be hurt. You are taking from the cotton farmers' share of the subsidy and you are going to give it to the mill operator. Any person in this Congress who has never read the story of cotton mills and their operations in this country had better read it before they vote today. I was told that the textile workers are for this bill and therefore I ought to be for it. I have a great deal of respect for the textile workers. In 30 years of legislative work it has always been my aim to vote for and to work for the lesser peoples and the little peoples of this Nation. I have yet ever to have had to apologize for any vote I have cast for any piece of legislation when it relates to the welfare of the farmer or to the welfare of the worker.

The textile workers were against my stand on trade last year, but here they have in their own letter a statement coming from their own president saying that

the increased imports because of our trade policy are the reason for the Maryland mill shutting down, throwing 453 workers out of work.

I want to tell you I am very, very, very appreciative of the fact that this is the first time in the history of my legislative career that the Farmers Union, and the Farm Bureau have gotten together in opposition to a piece of legislation on the floor of the Congress. And I want to tell you, that is no easy marriage.

Yesterday I heard a Member of this Congress talk about how the cotton workers wanted to stay in the economy. Believe me, my people want to stay in the economy. I have here a labor market letter received this morning from my district. Let me read one line. "A loss of 6,500 more jobs in this district caused the total employment to drop to an alltime low." And why were they out of work? Because subsidized oil killed off the coal mines; because plastics took the place of glass. And the cotton industry is in trouble today because synthetics are taking the place of the natural fiber, cotton.

This legislation is a war chest, and I say this for the RECORD and I defy any Member of this Congress to prove differently. I can prove it by the record that was made before the very committee that brought this bill out. This legislation provides a war chest of \$350 million to the cotton textile mills to fight the synthetic textile mills in America.

In our own report to this House, in a statement made by Mr. Hickman Price, the Under Secretary of the Department of Agriculture, he plainly and bluntly said:

Indeed, the issue here is whether the use of cotton is to dwindle as a result of our own self-imposed action, or whether the use of cotton is not only to be maintained, but to be increased.

The American farmer, in good times and in bad, has been the basic customer who is with us in peace and war. That customer now needs the only customer he has, the textile mills. Is that industry to continue to be discriminated against by allowing the test tubes and the chemical engineers to develop competition? Because, if you are anxious about the foreign competition, the result could easily have been achieved by creating an 8½-cent-a-pound cotton content component duty against imports. Only 8 percent of the textiles in the United States are imported and 92 percent are domestic. It would cost exactly \$27 million to equalize the cost of domestic cotton textiles to the American people with foreign textiles.

Why do we say that 6 million bales of cotton being exported at a subsidy of \$42.50 are to be equalized by paying \$42.50 on 8½ million bales of cotton?

We finally have arrived at that point where a decision is to be made on a very important question. While not underestimating the costs one way or the other on this legislation, I believe the decision goes more to a principle and a philosophy than it does directly to the dollars involved. We all admit that the present system of Government price supports for cotton create an inequity between Ameri-

can cotton users and foreign cotton users when they are thrown into trade conflict.

On one hand the domestic price is supported at 32½ cents a pound while at the same time the Government enables foreign mills to obtain American cotton at 24 cents a pound. This is roughly a 25-percent advantage given to foreign mills.

In dollars and cents it amounts to \$42.50 a 500-pound bale. Sponsors of this legislation are using the politically important argument that this inequity has led to a tremendous increase in cotton products. They say that the increase has been from 100,000 bales in 1954 to 645,000 bales in 1962. They go on to say that skyrocketing imports have contributed to the decline of the domestic industry. Employment has declined from 246,800 workers in 1958 to 223,400 in 1962. In August 1963, it was down to 216,000 production workers. Forty-five mills have been liquidated in the past 5 years wiping out 20,000 jobs.

These are very strong and compelling arguments, however, they deserve more than a passing inquiry. And so, I would like to say in the words of an old political leader—let us look at the record: From 1947 to 1961 industrial production in the United States increased by 50 percent while textile production declined by 2 percent. During the same period, textile employment decreased from 1,325,000 to about 940,000. You can see that while production dropped 2 percent, employment dropped 25 percent.

Most of this was due, of course, to technical advancement, automation and manmade fibers in the industry. The entire importation of cotton goods amounted to 8 percent of the domestic cotton used by our mills last year. It can be said that the proponents of this legislation are claiming that 8 percent of the domestic market supplied by foreign imports has disrupted the entire market so that U.S. mills, according to page 5 of the committee report is as follows and I quote:

The economic structure of the American cotton industry now is in jeopardy.

In spite of this, the Tariff Commission has found, again quoting from the committee report, the Tariff Commission has denied a request for relief through an import fee that would equalize the cost of raw cotton in foreign domestic goods. Let us examine just what this legislation really does. It will pay a subsidy direct to textile mills based on today's cotton prices and the last year's consumption of 8½ million bales of cotton of approximately \$350 million.

The proposal of our late, lamented President to assess 8½ cents per pound on imported cotton content in manufactured products would have been assessed as against approximately 650,000 bales of cotton in cotton content amounting to approximately \$27 million.

The real loss to the American economy, dollarwise, is the loss of \$42.50 on every bale of cotton exported from the United States, which according to the latest figures, is estimated at 6 million bales which means that American tax-

payers fail to collect from foreign cotton mills a sum of \$255 million.

The passage of this act will not alter this fact, nor will it change this phase of the cotton subsidy program. We will still lose \$42.50 on every bale of cotton we export, but this bill will add an additional loss of approximately \$350 million to the taxpayers by equalizing the so-called world price to the domestic price.

If this is done for cotton, it necessarily follows that it can, and perhaps should be done for the flour mills, the peanut candymakers, the users of feed grains, and all other subsidized products that flow in the world trade at prices lower than the U.S. support price subsidy.

It is interesting to note that while the impact of imports, and I believe every Member of this Congress knows how I feel about unfair, low-priced imports, I repeat—the impact of the cotton imports, while only 8 percent of our total cotton textile production—nevertheless, according to the sponsors of this act, are responsible for the loss of 45 mills, and 20,000 jobs in 5 years.

Anybody that knows the cotton content of textile fabrics and the finished products sold in the marketplace must realize that while the cotton content is one factor that determines the selling price of a product, it is by no means the major or determining factor, and so we must look elsewhere for relief for the cotton industry since the wages, taxes, necessary and essential services—such as power, heat, transportation are all components of cost, and in each of these areas the differential between the import and the domestic product is much greater and more of a factor than the cotton cost.

Whether we like it, whether we want to admit it, the simple economic facts of life are such that the promise held out to the textile workers to the consumer and to the cottongrowers that all their troubles will be over if they pass this textile mill owner subsidy legislation is but an empty promise and we will be right back where we started with a lot less money in our Treasury if we pass this legislation.

I have not the time to deal in the statistical figures that prove beyond a doubt this is unsound legislation that will not even approach the goal it is intended to reach. Namely, a competitive level with foreign products. We pay at the present time a subsidy of \$25 million on exported cotton and we also, using the same figures, are paying a subsidy on domestic cotton of \$350 million. Under the terms of this act we would pay an additional amount from \$320 to \$350 million depending on the success of the reduction in the price program which would make approximately \$900 million in total subsidy for the cotton industry.

This would be equal to, and above the total amount of the value of the cotton exports from the United States. In simple, plain language this House of Representatives is today asked to vote to add to an already burdensome program of subsidy, a sum that would make the total of the subsidy out of the pockets of the taxpayers greater than the

value of the entire cotton shipment from the United States.

This is some of the reward that we reap from an unsound trade policy which is responsible in the first instance for the two-price system.

No matter how much we add to the subsidy program the American cotton mills will never compete on a price basis with foreign cotton mills in foreign markets or in our domestic market. Once we have admitted this then we must look for a solution, or better still, let us look and see if there is some other reason for the great push on this legislation.

If the sponsors of this legislation wanted to equalize the import cotton cost in order to make American cotton goods competitive—as the proponents claim that we would—then the simple procedure would be to pass legislation charging a customs of 8½ cents a pound on all imported cotton content. This would not have cost the taxpayers a red cent; would have given us \$27 million-odd to put into the Treasury to help meet the domestic subsidy program and would have absolutely equalized the cost of the cotton content between imported and domestic cotton goods.

I find it hard to believe that this solution was discarded for the cumbersome, costly, and exorbitant program offered in H.R. 6196.

In searching for an answer to this provocative situation I read very carefully the committee report and on pages 7 and 8 I find the following excerpts from the speech of Mr. Hickman Price, then Assistant Secretary of Commerce, and a man whom I remember well as one of the prime promoters of the free trade philosophy, the seven-point textile agreement and the Trade Expansion Act. This is what he had to say:

We, in the Department of Commerce who are so keenly aware of the difficulties of our domestic textile industry in its struggle against competition, hope that the Congress will consider this legislative proposal favorably and enact it at an early date.

But the issues before the Congress, in considering the proposed legislation is, if I may suggest it, more far-reaching than that merely of the correction of a monstrous inequity. The stake here is the long-term survival of cotton itself as an industrial commodity. The American cotton farmer in good times and in bad times has one basic customer who is with us in peace and in war. That customer is our own domestic cotton textile industry. If the industry continues to be discriminated against as it now is by a very much higher cost of its raw material than its foreign competition, it is inevitable that in the long run, with all the technology now available in today's world, that great customer will progressively switch to other fibers in the manufacture of fabric and apparel. If it is the policy of the United States to substitute the products of test tubes and chemical engineering for the American cotton farmer, then let us continue on precisely the same road that we are now on, because that is where we are going. If, on the other hand, the Congress says that the economy of this Nation should be a balanced one, including a prosperous cotton sector of our agricultural life, then make it possible for cotton's largest customer to continue the use of the basic staple and to increase it.

Indeed, the issue here is whether the use of cotton is to dwindle as a result of our own self-imposed action, or whether the use

of cotton is not only to be maintained, but to be increased.

I cannot help but note that for the first time we see a new element introduced into the argument for the passage of this legislation and while the import problem as we admitted before, is one to be considered, it appears that the Commerce Department spokesman has finally admitted that this legislation is aimed at equalizing competitive prices of cotton and manmade fibers. In plain words, that while \$27 million would be sufficient to equalize the cost with imported cotton goods, the American taxpayer is going to be charged approximately \$350 million to put cotton in a competitive equality with test tubes and chemical engineering.

As Mr. Price says, to balance the economy and to eliminate what he calls the declining of the uses of cotton as a result of our own self-imposed action, meaning of course, that the subsidy program has increased the price of cotton to where it is no competition with synthetic fibers.

Now, if this is the purpose of the legislation, then we ought to discuss that and make a decision as to whether Congress is willing to set up industrial subsidies in order that steel can compete with aluminum and glass can compete with plastics and coal can compete with fuel oil and gas.

Are we entering a new phase of Government spending unwilling. I am sure, unwillingly, except for those few who—like Mr. Price—have stated it in plain language, that this legislation is intended to save the cotton industry from the disastrous affects of synthetic fiber competition.

I have no stated position on this phase of this legislation, but I do not believe that this Congress ought to pass this legislation without knowing exactly what can be the results of its passage. If this is a bill to help the cotton industry fight the chemical industry, it ought to be so stated. The facts and figures in the case strongly tend to corroborate this belief since the disparagement between the amount of extra subsidy paid directly to cotton mill owners cannot be justified solely on the impact of cotton imports.

The truth of the matter is that the remedy insofar as the import impact is concerned is simple, and requires no new legislation. If we pass this bill today, we are setting aside the findings and the opinion handed down by the Tariff Commission and we are declaring that the importation of cotton textiles is destructive to the cotton industry.

Personally, I lean toward that belief, but this legislation does not prove it.

Getting to that part of the report which tends to show the great advantages to the taxpayer who will be called upon to dig into his pocket to pay millions of dollars to textile mill operators, we find that the proponents of this legislation have put out information which has caused at least one large union in America to send out a fact sheet stating that the passage of this legislation will save the consumers \$500 million a year and will create some 35,000 jobs for textile workers.

I will say this, as a personal belief and opinion, that the millions of dollars given to the textile mills will not be reflected in any 2 for 1 savings for the taxpayer who is, after all, the consumer. Second, unless there is a greatly expanded use of textiles of all kinds, jobs created—if any—in the cotton mills will be lost to the textile workers in the synthetic textile mills.

Again, in searching for the logic or reasoning behind such an assumption that by charging the taxpayers \$1, we will return to him \$2 in savings.

I find on page 7 of the same report, and I quote the following language from Mr. Price, statements which I have difficulty in equating to simple arithmetic, let alone the science of trade economics:

We not only believe that this reduction will be passed on to the consumer, but we believe that because of the necessary distributive markups which are added as a percent on costs, the reduction will be magnified through the distribution channels. Such cumulative markups in the textile and apparel industries range between 100 and 135 percent.

Utilizing the more conservative markup of 100 percent, and using an annual raw cotton consumption figure of 4.5 billion pounds, each cent of reduction in cost would amount to \$45 million, thus magnified to a \$90 million saving to the consumer. And this could be higher than \$100 million per penny of reduction annually.

This would, of course, not occur overnight because of the variable inventory lag. It may run, for example, from 3 to 8 months, in the case of cotton apparel.

The intolerable inequity imposed on our domestic mills by the difference in cost of raw materials must be done away with, and the costs of payments, whatever they may be, to remove the inequity will find their way into the profits of the American taxpayer is, also, the American consumer. And I doubt that he would shirk the payment of \$1 to correct this obvious unfairness in order to receive \$2 back in his own purse.

I have difficulty, Mr. Chairman, in trying to equate a \$90 million savings to a 0.01-cent reduction in the cost of cotton. Since the textile mills would not be able to pass on to the consumer this reduced purchase price, since the plea is made that the mills cannot sustain their present price structure without this subsidy—and when you realize that the domestic mills sell 92 percent of the cotton content products in the United States—it is hardly conceivable that the mills will pass on to the taxpayer that amount of money doubled that he is paid in taxes as a subsidy.

If this were economically true, and sound, then, Mr. Chairman, why do not we pay a subsidy of a billion dollars and the taxpayer then would save \$2 billion in the purchase of cotton goods.

The only way that a subsidy can be used to reduce cost to the consumer at the marketplace is when the subsidy is absorbed by the National Treasury. This, I am sure, will be the ultimate results on any added subsidies passed by this Congress today, or any other time.

It might be interesting to know also, Mr. Chairman, that this subsidy plan will actually give more to the textile mills of the United States than they have been able to earn in any of the last 5 years. This is covered in an address by James E.

Robison of Indianhead Mills, entitled "King Cotton's Ransom," which I recommend to be read by every Member of Congress before he votes on this legislation. For purposes of bringing this matter to your attention, let me give you the figures that will demonstrate the point I have just made.

In 1957 the cotton industry used 8,496 million bales of cotton. They paid a premium through subsidy of 38.4 cents a pound, or a total of \$326 million. They show a profit on total textile mill products for that year of \$306 million.

Skipping then to 1961, and I assure you that the figures are relatively the same, fluctuating with the subsidy payment and total consumption—by taking the figures of 1961—the industry consumed 8,200,000 bales bearing a subsidy of \$30 a bale, amounting to \$246 million, and made a profit of \$261 million. Taking the figures of 1962 estimated at 8,750,000 bales at 42.5 cents, subsidy payment would amount to \$371 million. Using the ratio between profit and subsidy on past performance, we will find ourselves in a position of giving textile mill operators a payment in kind, equal to their earned profit for all textile mill products within 10 percent either way.

This means further, Mr. Chairman, that when the textile mills make their next purchases and payment in kind, certificates will buy \$371 million worth of cotton out of the surplus, adding that much surplus to the new crop. This is especially so since this legislation will allow increased acreage planting to flow into world trade at world trade prices without subsidy.

Are we to believe that with cotton surpluses already in our warehouses that we can sell more cotton and, in doing so, will we find ourselves faced with another appeal in a few years for an added subsidy for foreign shipments?

The claim of jobs needs a little more study before this Congress can accept a figure pulled out of the air. To say that this industry will increase employment by even one employee cannot be proven by the record because the total textile employment in the United States, including synthetics—as well as cotton textiles—is 940,000 with an industry producing within 2 percent of its 1947 figures when they employed 1,325,000.

When we realize that we will be taking employees from the synthetic plants, it is hard to believe that we will increase production in the cotton textile mills to provide jobs claimed by the sponsors of this act. The opposite may very well be true in that a combination of this windfall of 300-odd millions of dollars, plus the windfall given into industry under the expansion incentive plan, allowing tax credits for modernization and automation of plant facility may very well bring about a lessening of job opportunities in this industry.

I would gamble my reputation as a political prophet, and say to this House that if this legislation is passed as it is now written, it will go down in history as one of the most ill-conceived, ill-considered spending programs ever to pass the Congress. This, I believe, and I repeat as I did on this floor when the trade bill

was before us. I said then, that I did not believe the trade bill would create job opportunities in the United States, that it would not create a balance of payments, and it would not increase our exports in any significant amount unless they were subsidized. In closing, I said I pray I am wrong, but I believe I am right—and today I say to you again, I pray I am wrong, but believe I am right.

Mr. HOEVEN. Mr. Chairman, I yield myself 10 minutes.

(Mr. HOEVEN asked and was given permission to revise and extend his remarks.)

Mr. HOEVEN. Mr. Chairman, this bill is a bad bill, one of the worst in my memory as a member of the Committee on Agriculture and as a Member of the House of Representatives. Basically this is a mill subsidy bill and nothing else. The legislative history so discloses.

The American Farm Bureau is definitely against this bill. The Farm Bureau says in a recent letter addressed to Members of Congress as follows:

On behalf of the producers we earnestly recommend that you vote against this legislation. It will not solve the problems of cotton.

Here is a letter dated December 3, 1963, received from the Farmers Union. The first paragraph reads as follows:

Farmers Union respectfully urges your active opposition to H.R. 6196. The enactment of this cotton mill subsidy bill is not in the best interests of farmers nor of taxpayers.

This is the first triple subsidy bill in agricultural history as far as I know. It includes a subsidy for the producers, an export subsidy and now it is proposed to add a mill subsidy. Those of you who have talked about economy in Government—and a lot of you have, although you do not always vote that way. Here is an opportunity for you to stand back of our new President who said the other day that he wants to reduce Federal expenditures. I commend him for it.

This bill is going to cost over \$635 million more than the present cotton program over a 3-year period. How can anyone conscientiously vote for this costly bill when we are trying to cut down Federal expenditures? You are going to have a chance to go on record on a roll-call vote, and we will see who is for economy when the votes are counted.

This bill also contains back-door spending to which most of us have been opposed.

Mr. Chairman, this bill would encompass and adopt the oft repudiated Brannan plan of production payments or compensatory payments which we have fought against long and hard throughout the years. Here it is again for another trial run. It is a bad proposal. The worst part of the bill is really the precedent that we will be setting if we adopt the Brannan plan. I hope you fully realize just what you are doing.

Mr. Chairman, I am more concerned about the precedent involved than anything else. Have we gotten to the point where we are going to bail out and subsidize every industry that gets into trouble?

I sympathize with the cotton mills of this country. I know the problems in-

volved. However, the chickens are just coming home to roost; that is all. Those of you who so valiantly supported the Trade Agreements Act, well know what it is doing now to American industry. The proof of the pudding is in the eating and a lot of industries have already gone out of business. Those of you from the cotton belt who have gone all out for foreign aid are beginning to realize that something has happened to the cotton industry as a result of foreign aid. We have spent millions of dollars of the taxpayers' money to teach people overseas how to plant more and better cotton with American taxpayer money. You are in trouble, and it is now proposed to bail out the mills, this will not solve the problem and we will be again confronted with the same problem after 3 years.

Mr. Chairman, if we accept the Brannan plan in this bill, I want to predict right now that we will have the dairy industry asking for the same kind of relief. The dairy industry is in trouble in this country. Why not bail them out in the same way when they are in trouble?

What are you going to say to the dairy farmers, what are you going to say to the cheese manufacturers, the butter manufacturers when they also ask for help?

Just now those of us from the cattle-feeding areas of this country are hearing from our farmers about the importation of beef from foreign countries which is really reaching great proportions, and the administration is not doing anything about it.

Mr. Chairman, in order to be fair to all industries we will have to take care of all of them and not discriminate as it is proposed to do in this bill. One of the cotton mills, believe it or not, is going to get approximately \$20 million, even with the so-called McIntire amendment. They are going to be the real beneficiaries. The cotton farmer is not going to get much out of this. The consumer certainly is not. The cotton mills will get the gravy.

Mr. Chairman, a former Speaker of the House, John Nance Garner, once said, "Don't tell me what a bill says, tell me what it does."

The bill before the House today does this:

First. It increases the cost of the present cotton program by at least \$635 million over the next 3 years for a yearly average of \$212 million more than the present program.

Second. It adds new and expensive subsidies to "persons other than producers" in order to reduce the cost of cotton to U.S. textile mills.

Third. It authorizes these payments to be made in kind—that is, in surplus cotton. The Congress will not have control over the total amount of these payments or over the amount paid to any one recipient after this bill becomes law. This bill is both an authorization and an expenditure piece of legislation.

Fourth. It discriminates against areas of efficient cotton production—particularly in our Western States.

Fifth. It establishes a dangerous precedent for other commodities.

Sixth. It continues and expands Government domination over the cotton industry.

PRESENT PROBLEM SERIOUS

Mr. Chairman, I take a position in opposition to this bill because it is bad legislation, not because a serious problem does not exist. I believe that every member of the Committee on Agriculture recognizes that the cotton industry is in trouble at present.

The income of cotton farmers will be down this year for the reason that the Secretary of Agriculture has cut the national cotton acreage allotment from 18.1 million acres to 16.2 million acres without changing the level of support in dollars and cents.

Taxpayers' costs under the present program are heavy—some \$612 million in the 1962-63 marketing year—and the August 1, 1964, carryover of all cotton is now expected to be nearly 12 million bales. The taxpayers of this country have over \$1.6 billion tied up in surplus cotton.

The American textile industry is faced with a real dilemma. Foreign textile competition enjoys a price for its raw cotton at least 8½ cents below that available to American textile firms, and imported textile products have caused widespread hardship in the textile industry. The U.S. Tariff Commission has failed to grant relief to the industry, and the long-term agreement on textiles made in Geneva, Switzerland, has not been fully implemented by our Government.

In spite of our heavy export subsidy program, U.S. exports of cotton have dropped very sharply in 1962-63 and ran nearly 1.3 million bales behind last year.

Cotton as a fiber is rapidly losing its dominant place as king of the textile industry. Twenty-four years ago when the Government first became involved in the production control program on cotton, this commodity represented 81.6 percent of all fiber use. Last year, 1962, cotton held only 59.8 percent of total fiber use.

Because of dwindling cotton markets and the intense pressure on textile manufacturers to utilize automated equipment, many thousands of textile workers have lost their jobs. As the executive council of the Textile Workers Union of America said in its January 1963 policy statement:

The American people are paying three penalties for the outmoded cotton price-support program. First, they have to foot the bill for the Federal payments to cotton farmers in support of the inflated price of cotton. Second, they are taxed to provide subsidies amounting to \$200 million a year to exporters of cotton products. Finally, they have to pay at least \$600 million a year more for domestically produced cotton products than would be necessary in the absence of high support prices.

This bill seeks to solve the present problems of cotton by turning to the Federal Treasury for a new subsidy—a subsidy for the domestic textile industry to offset the effect of the other two subsidies in the cotton marketing structure. It will be, I believe, the first triple subsidy farm program ever enacted.

COST

Many times in the past when the House has debated farm legislation, there has been a great deal of argument about the cost of the pending bill. This time we can all agree, I believe, that the program

will cost taxpayers more than the present program.

The proponents of H.R. 6196 say it will cost \$118 million more in the first year, \$88 million more in the second year, and \$44 million more in the third year.

I contend the actual cost will average at least \$212 million more during each of the next 3 years.

The reason for the difference in my estimate is that the proponents of H.R. 6196 do not assign any cash value to 950,000 bales of Government-owned cotton to be used as payment in kind. This cotton is now held in the inventories of CCC.

I feel in all fairness that this cotton has a real value—a value of at least 24 cents a pound, which is the present world price of cotton.

In addition, the bill proposes to make payments on cotton now held in private inventories. This payment could be and probably would be 8½ cents a pound. If it were not that much, there would still be two-price cotton which supposedly is to be eliminated by this legislation.

COST OF THE COOLEY COTTON BILL, H.R. 6196

The Cooley cotton bill, H.R. 6196, proposes to add new and expensive subsidies to the cotton program.

Everyone concerned with this legislation, both opponents and proponents, agree that the cost to taxpayers will increase under the bill. The question is, "How much?" According to estimates prepared by the U.S. Department of Agriculture, the total additional cost would be \$635.9 million during the next 3 years.

In May 1963, Department of Agriculture witnesses appeared before the Senate Committee on Agriculture and Forestry to testify on cotton legislation. In its testimony the Department estimated that the cost of the cotton program with the Cooley bill would be \$779.4 million in 1964, or an increased cost of \$228 million over and above the cost of the program under present law.

The Department's estimate was based on a 6-cent trade incentive payment the same as what would be provided under the McIntire amendment.

The table showing the Department's estimate presented to the Senate committee appears at page 42 of House Report No. 366 on H.R. 6196.

On October 14, 1963, the Department of Agriculture published a new estimate of the cost of the Cooley bill which assumes the adoption of the McIntire amendment. A copy of that table is attached.

You will note that this table shows an increased cost of \$118.2 million in the first year, an increase of \$87.9 million in the second year, and an increase of \$44.3 million in the third year.

Please note that the table shows the additional cost of the trade incentive payments—\$283.5 million in the first year, \$259.9 million in the second year, and \$236.2 million in the third year—being offset by the domestic value of 950,000 bales of cotton during each year—29.25 cents per pound times 950,000 bales—thereby leaving a "net cost" of the trade incentive payments of \$144.6 million in the first year, \$123.3 million in the second year, and \$102 million in the third year.

This table also shows a "reduction in CCC stocks in addition to cash expenditures" of 950,000 bales each year. Stated another way, this means that in addition to the added cash costs of H.R. 6196, the value of 950,000 bales is added to the cost of the present program. Some proponents of the bill argue that these 950,000 bales of cotton have no value. Some opponents have said these 950,000 bales should be valued at \$162.50 each, the cost at which taxpayers acquired them under the price support program—32½ cents per pound times 500 pounds per bale.

It is certainly fair to value this cotton at the world price of \$120 per bale—24 cents per pound times 500 pounds per bale—because the Commodity Credit Corporation can always sell at the world price. It is not fiscally rational to assume no value whatsoever for this cotton.

Based on a valuation of \$120 per bale reflecting the world price of 24 cents per pound, the value of these 950,000 bales becomes \$114 million annually—\$120 times 950,000. Therefore, the USDA table which shows a direct additional cash cost of \$118.2 million in the first year, shows also an additional cost of \$114 million representing the value of the 950,000 bales.

This, of course, means a total additional cost of \$232.2 million in the first year.

The latest estimate of USDA showing additional costs of \$232.2 million in 1964, therefore, is comparable with that agency's estimate in May which showed an additional cost of \$228 million in 1964.

For the 3-year period, therefore, the additional costs of H.R. 6196 would be as follows:

[In millions of dollars]	
1st year:	
Additional cash cost.....	118.2
Value of 950,000 bales.....	114.0
Additional cost.....	232.2
2d year:	
Additional cash cost.....	87.9
Value of 950,000 bales.....	114.0
Additional cost.....	201.9
3d year:	
Additional cash cost.....	44.3
Value of 950,000 bales.....	114.0
Additional cost.....	158.3
3-year total: Additional cost during the 3-year period, 1964-66.....	592.4

You will note that the Department's table does not include the one-time transition expenditure. The bill provides for "trade incentive" payments on all cotton in private inventories on the date of its enactment into law. The latest report shows private stocks at 1,023,000 bales. At the full subsidy rate of 8½ cents per pound, this payment would be \$43,477,500. It could, of course, be lower if the Secretary set a smaller subsidy rate.

Grand total of additional cost

[In millions of dollars]

3-year additional costs during 1934-66.....	592.4
Additional cost in 1963.....	43.5

Total additional cost of H.R. 6193, as amended.....	635.9
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SUMMARY

As seen from the figures supplied by the Department of Agriculture, the total additional cost of this bill as amended by the McIntire amendment would be at least \$635.9 million for the next 3 years

or an average of approximately \$212 million per year.

The reason for this additional cost is simple. The bill with its proposed amendment would add a third subsidy to the present double subsidy structure for cotton. Under present law, U.S. cotton farmers are guaranteed prices 8½ cents a pound above world prices. Cotton exports are subsidized at 8½ cents. This bill proposes to subsidize the domestic textile industry to offset the effect of the other two subsidies.

Cotton: Comparison of major items of estimated expenditures under current legislation and H.R. 6196, based on assumptions listed below

Item	Current legislation, subsequent year	H.R. 6196		
		1st year	2d year	3d year
Support price:	Cents	Cents	Cents	Cents
Middling 1 inch.....	32.47	30.00	29.50	29.00
Average of crop.....	31.72	29.25	28.75	28.25
Export subsidy rate.....	8.5	6.0	5.5	5.0
Trade incentive rate.....		6.0	5.5	5.0
Increased support on 1st 15 bales of cotton.....		2.47	2.95	2.90
Estimated expenditures:	Million dollars	Million dollars	Million dollars	Million dollars
Export subsidy on 5,000,000 bales.....	212.5	150.0	137.5	125.0
Cotton products payments.....	17.0			
Public Law 480 (excluding export subsidy), 1,500,000 bales.....	180.0	180.0	180.0	180.0
Carrying charges, interest, etc.....	82.8	74.2	65.7	57.1
Increased support on 1st 15 bales of cotton (5,000,000 bales).....		61.7	73.7	72.5
Trade incentive payment:				
Gross amount (9,450,000 bales and payment rate).....		(283.5)	(259.9)	(236.2)
Less amount of payment-in-kind paid from CCC stocks with no offsetting expenditure (based on 950,000 bales times average support price).....		(138.9)	(136.6)	(134.2)
Net amount of trade incentive expenditure.....		144.6	123.3	102.0
Total of estimated expenditures.....	492.3	610.5	580.2	536.6
Net additional expenditures added by H.R. 6196, as amended.....		118.2	87.9	44.3
Reduction in CCC stocks in addition to cash expenditures.....		Bales 950,000	Bales 950,000	Bales 950,000

NOTE.—The data for H.R. 6196 does not include the 1-time transition expenditures that would be incurred under this bill.

Assumptions:

1. Minimum allotment, 16,200,000 acres.
2. Harvested acres same as in 1963.
3. Yield per harvested acre, 460 pounds (5-year average of 1959-63 yields; 1959, 461; 1960, 446; 1961, 438; 1962, 457; 1963, 500 (estimated)).
4. Domestic consumption:
 - Under current legislation, 8,600,000 bales (same as estimated for 1963).
 - Under H.R. 6196, 9,550,000 bales (950,000 bales increase because of reduced price); 100,000 bales will be from imports and city crop with no PIK payment.
5. Exports, 5,000,000 bales.

NOT IN INTEREST OF TEXTILE INDUSTRY

This bill is not in the interest of the American textile industry. I recognize, of course, that there is a great deal of interest and concern within the textile industry about the present serious problem and consequently, some in the industry are supporting this bill. The legislative history has already been made in our committee that these payments, which are called trade incentive payments, under the bill will be made to textile companies. As pointed out by Dr. Walter Wilcox, senior agricultural specialist of the Library of Congress, a number of textile companies in this country use more than 400,000 bales of cotton a year. I draw your attention to the fact that a textile company using 500,000 bales in a year and receiving these "trade incentive" payments, would realize at least a \$15 million subsidy from the Federal Government each year.

I also draw your attention to the re-

marks of the gentleman from Illinois [Mr. FINDLEY], a member of the Cotton Subcommittee, and the letter you received from the gentleman from California [Mr. LEGGETT], a member of the full Committee on Agriculture. Both of these Members have documented the effect of this legislation on individual textile companies.

I sincerely believe that the American textile industry should not be placed in a position of relying on direct Government subsidy for its economic survival.

BACK-DOOR SPENDING

This bill is, of course, financed by the device known as back-door spending. The Secretary under the terms of the bill would set price supports and make "simultaneous purchase and sale" payments to farmers and "trade incentive" payments to cotton processors, and then the following year come to the Congress with the request to reimburse the Commodity Credit Corporation for the losses

incurred in such an operation. The Committee on Appropriations would have no control in advance over either the total amount of the payments or over the size of individual payments.

EFFICIENT GROWERS HURT

This bill discriminates against the production of cotton in the more efficient areas of the Nation such as the Mississippi Delta area, west Texas, and the Far West. The hearings on this legislation showed clearly that many farmers in these areas would be willing to accept a lower price for cotton in return for an expanded acreage. The overplant provisions of this legislation would not even begin to come into operation until the national allotment reached 17 million acres.

When we recall that the present allotment is 16.2 million acres and there will be a surplus of nearly 12 million bales on August 1, 1964, it is obvious that it is going to be quite a long time, probably 2 or 3 years, before these growers could even hope for a chance to produce more cotton at lower prices. Western members of this House will, I predict, be very sadly disappointed if they support this bill in the hope of acquiring increased acreage for their cotton farmers.

BAD PRECEDENT

When we look at this bill in the cold light of day, Mr. Chairman, we see it simply as a processor subsidy. How many other farm commodities are there that could not use and will not hesitate to ask for similar treatment?

Some segments of the dairy industry are already seeking to establish a 10-cent processor subsidy on butter. If cotton processors receive these subsidies in cotton, how then will Congress be able to refuse wheat processors who ask for payments in wheat, a commodity even more in surplus than cotton? There will be no end to such demands if this bill is enacted into law.

GOVERNMENT CONTROL EXPANDED

In 1958 a Democratic Congress passed and a Republican President signed the Agricultural Act of 1958. The spirit of that statute was to lower cotton price supports to meet man-made fiber competition, to expand cotton acreage, to maintain farm income, to gradually eliminate the advantages of foreign textile manufacturers, and to lower Government costs and involvement in the cotton industry.

Secretary Freeman has chosen not to follow the spirit of that law, and in exercising his discretionary authority, raised price supports on cotton in 1961 and has held them there since.

In 1958 the textile industry was prominent in its support of the Agricultural Act of 1958. This legislation before us today, however, would undo all that has been done before to realistically meet the problems of the cotton industry.

It would bring the Federal Government even further into the cotton marketing and processing structure. For example, about one-third of the cotton crop will be covered under the "simultaneous purchase and sale" provision dealing with the first 15 bales of production of each farmer. Can you imagine the paperwork on this single provision which would

directly involve each and every cotton grower in this Nation? And common-sense dictates that the Government will have to supervise carefully the millions of dollars worth of "trade incentive" payments made to cotton processors, thus bringing the Department of Agriculture still further into the daily commerce of this great industry.

WILL CONSUMERS BENEFIT?

Consumers will not benefit from this bill. I realize that an argument is made that by cutting the cost of cotton to the mills by 8½ cents that taxpayers would save \$500 million in cotton products. While this point will be debated at length, I would like to make just two brief observations about such a claim.

First. It is entirely inconsistent with the earlier position of proponents of this bill who have told the House for years that an increase in the support prices will not adversely affect consumers.

Second. If a cut in cotton cost to the mills will now save consumers money, then Secretary Freeman's action 2 years ago in raising the cost of cotton to the mills must have cost consumers millions of dollars.

THE ALTERNATIVE

There is really only one alternative to this bill for Members of the House who seek to realistically meet the serious problems of cotton. That alternative is to enact legislation which would require the Secretary to follow the spirit of the Agricultural Act of 1958.

At the appropriate time in this debate I intend to offer an amendment to this bill which would set lower price supports for cotton starting in 1964 while authorizing an intensive research program designed to cut production costs.

SUMMARY

Yes, the problems facing the cotton industry are serious and something should be done to meet the current intolerable situation. We should not, however, turn to this exceedingly expensive and unwise proposal for a remedy. We should instead make the law that we now have work as it was intended to do when it was enacted 5 years ago.

Mr. COOLEY. Mr. Chairman, I yield myself 5 minutes.

Mr. Chairman, I want to point out that the gentleman from Pennsylvania [Mr. DENT], who addressed the House a moment ago, seems to be a little disturbed over the welfare and happiness of the glassworkers, but he is little concerned with the welfare of the cotton industry of this Nation.

I want to repeat again, there are about 10 million people in this Nation who are interested in the legislation that is now before us.

He mentioned the fact that the AFL-CIO was opposed to this legislation. I challenge the accuracy of that statement, because I know that the AFL-CIO is in favor of the legislation. I know we have in North Carolina more textile workers than in any other State of the Union. He is also in error in his statement regarding organized labor being in opposition to this legislation.

Mr. DENT. Mr. Chairman, a point of order.

The CHAIRMAN (Mr. ROONEY of New York). The gentleman will state his point of order.

Mr. DENT. Mr. Chairman, I have been misquoted, and I want the Reporter to read back what I said with reference to the AFL-CIO.

Mr. COOLEY. If I misquoted the gentleman I will give him an opportunity to correct my statement, and I yield to him now.

Mr. DENT. I said the Farmers' Union is opposed to this legislation. The Farmers' Union.

Mr. COOLEY. I did not know they were an offspring of the AFL-CIO. I am sure the gentleman is in error.

Mr. DENT. It seems from the way we are acting that a lot of Congressmen do not know a lot about a lot of things. I said the textile workers were for the legislation and opposed to my stand, and those in the gallery will substantiate that.

Mr. COOLEY. If the gentleman is speaking to the gallery, that is all right.

Mr. DENT. You are too.

Mr. JONAS. Mr. Chairman, will the gentleman yield?

Mr. COOLEY. I yield to the gentleman from North Carolina.

Mr. JONAS. Just to clear this matter up for the record, I quote the following concluding sentence of a letter I received from Mr. William Pollock, general president of the Textile Workers Union of America, an affiliate of the AFL-CIO, under date of November 11, 1963, as follows:

Because of its importance—

Speaking of the Cooley bill—

not only to textile workers, but to the consumer and the national interest in general, we earnestly urge you to vote in favor of this legislation.

Mr. COOLEY. Mr. Chairman, it seems to me that is an answer to the situation that the textile union is in.

Since they favor the bill, I hope the House will understand that the bill is important to those who work in the textile mills of our Nation.

Mr. Chairman, I yield 5 minutes to the gentleman from California [Mr. LEGGETT].

(Mr. LEGGETT asked and was given permission to revise and extend his remarks.)

Mr. LEGGETT. Mr. Chairman, I trust that my position as second man from the bottom on the Committee on Agriculture will be secure after I make this statement today.

I should like to point out that I oppose this legislation. I think it is an inordinately poor bill. I think that many of the things respecting the policy of the bill have not been fully brought to light since we have had a chance to study this bill in the last 5 months since it was reported by our committee.

I should like to point out very briefly the extremism in which the cotton industry is. If you will look at the chart, it starts in 1940 and ends in 1963, with the marking for next year extrapolated. It shows the cash receipts of the cotton farmers for cotton seed and cotton start-

ing down at the \$700 million level back in 1940. The green line is the line you are looking at, to the \$2.7 billion level at the present time. As you can see, this is the highest earnings they have ever had in their history, save and except for the inordinate marketing conditions during the Korean war.

If you look further at the number of farmers sharing this income, there were 1,600,000 allotments in 1940 and we now have some 700,000 farmers sharing this income at the present time. We have half the number of farmers sharing four or five times the income.

What has happened to the utilization? This is the red line. If you ignore the plateau where the line is, that is the Korean war again, ignoring the inordinate marketing conditions of the two peaks which led to the 1958 act, which corresponds with variations in the market conditions in cotton, you will see that projected for next year we are going to use in the cotton industry 13.8 million bales of cotton. This is a good average. It is more than we used in a lot of years prior to these inordinate conditions we have just passed. I do not think that points out that we have to spend \$300 million at the present time to beef up this industry.

We all believe in the Department of Agriculture in their extrapolations as to the health of this industry. If you look at the November issue that the Department of Agriculture put out on the cotton situation, they state here very simply that though our exports this year are 3.5 million bales, if the Cooley bill does not pass and if nothing happens the projections are that we are going to export 5 million bales of cotton next year.

They state that we are using in this market year 8.2 million bales domestically. If nothing happens and we do not pass the Cooley bill we are going to have 8.8 million bales of cotton utilized domestically next year. This does not demonstrate to me that the cotton producers are in extremis. They are in better condition than they have ever been in the history of the industry.

Whom are we trying to help? Our friends in organized labor say we have to keep these jobs and beef up the industry. If you look at the statistics with respect to industrial organizations, the thing we have been fighting not only in the cotton industry but in the petroleum industry and in the food machinery industry is technological unemployment.

This is the monster we are after. There are fewer cotton spindles today because there are bigger spindles working faster with less people on them than we have ever had.

Now what you want to do is to give Burlington Mills \$28 million so that they can buy some new spindles and put more guys out of work and confound and compound your problem and this is exactly what you are doing.

As a practical matter this bill should not be on the public calendar today. It ought to be on the private calendar because, really, this is a private bill.

I sent to you a long, complicated chart—I sent that to every Member. I had heard that 35 mills were going to

get the bulk of this subsidy after the bill passed out of committee. So then I got the Department of Commerce to give me the 35 leading mills of the country. I asked the Department of Agriculture what was the utilization of those 35 mills. They said they did not have this figure and that you have to get it from the Department of the Census. So we ask the Bureau of the Census to give you the figures. They say, "We cannot give that to you because it is secret information but we can give it to you by fours."

The CHAIRMAN. The time of the gentleman has expired.

Mr. HOEVEN. Mr. Chairman, I yield the gentleman 5 minutes.

Mr. LEGGETT. Mr. Chairman, they say, "We can give it to you by fours—the four greatest producers in the United States and then the next greatest four producers." This puts a burden on any kind of student who is really trying to find out what is going on in this industry. You have to extrapolate and interpolate this industry utilization to get the utilization of the number of bales by the individual 35 large mills.

Now then I find that the largest mill in the country, Burlington Mills, had a net operating income in 1951 of \$35 million.

In 1960 they had a net operating income of \$105 million.

It went down in 1961 to \$90 million—which led to the drive for this legislation.

But then this last year they had a net income of \$124,500,000. I checked Standard & Poor's Index for the first three-quarters of this year and I find their net profit this year is going to be the greatest profit in the history of this particular business.

They utilized last year 660,000 bales of cotton.

They are going to receive by this bill in its current form \$28 million—which by the way was 80 percent of what Burlington made in 1951.

The next largest firm—Stevens—are going to get \$16.2 million.

You might as well name these people right here in this legislation as to exactly what they are going to get.

I think this is the first time in history that we have a situation in an agriculture subsidization bill where we do not let the natural market forces play their hand.

Here \$205 million are going to 70 percent of the mills that operate 70 percent of the business throughout the country.

Mr. FINDLEY. Mr. Chairman, will the gentleman yield?

Mr. LEGGETT. I yield to the gentleman.

Mr. FINDLEY. Can the gentleman give us any guarantee that this \$28 million which would be authorized for payment to Burlington Mills would be translated into a bigger payroll for the textile workers?

Mr. LEGGETT. That is another thing. When you give \$28 million to this one firm, which by the way if you look at the U.S. News & World Report, which I do look at some times, you will find that textile industry stocks have gone up 30 percent since the Democratic adminis-

tration came into office. They are at the top end of the spectrum. They are not at the bottom end of the spectrum. If you want to help this industry, and there are probably some who need some help, it is not at this level as, perhaps, the gentleman from Illinois has inferred. There is a close correlation between the price of raw cotton and the price of gray goods, but there is extremely little correlation in spite of the fact that there are some little tips that correspond to the raw cotton price conditions. There is little correlation between the retail price of cotton and the raw material prices.

No matter how much correlation you have had at the gray cloth line that has nothing to do at all with the utilization. Utilization is established by the consumer demand—that is the ultimate consumer. By this piece of legislation, you are just throwing this money up in the air and if any of it gets down to the consumer level, it may help and it may not.

I think we are making a gross error in passing this kind of bill. I think we are digging the grave not only of the cotton industry and the cotton people, but the grave of practically every farm commodity. This will occur when the American public understands just exactly what we are doing here today and when they understand that this whole issue is because of an increased import of processed cotton cloth of about 200,000 bales. That is what we are talking about. The two-price cotton. In the last 2 years we have had a 200,000-bale increase of processed cotton cloth imports. We have had an \$8.8 million domestic utilization. This processed cotton cloth has to come back here from Japan and be reprocessed in our domestic mills to be cut up into material. This is semiprocessed goods that comes back into our country. When that cotton was exported we gave them 8.5 cents a pound and because of that we have to give everybody in the United States 8.5 cents for the next 3 years for every pound of cotton they process, plus the fact that it will cost us \$30 million also to buy their inventory, because we have to make this perfectly equitable. If you want to make it perfectly equitable, what we ought to do is go back 5 years and figure out how much these people lost since the act of 1958 and really make it equitable and give them a subsidization right back to scratch.

I do not think this is a good bill. Rather, it is a poor bill, and it is just unfortunate that we get ourselves into these situations.

Mr. Chairman, I acknowledge the fine leadership of the chairman of our Agriculture Committee, the gentleman from North Carolina, HAROLD D. COOLEY. I regret dissenting on a major piece of legislation which contains the hopes of many of our small cotton farmers throughout the Nation.

The test of good farm legislation is simply whether we are buying the best possible net farm income for the most reasonable Federal cost. Unfortunately, as far as I am concerned, I cannot justify the expenditures in cotton for the benefits derived to society and, more-

over, I see no real reason other than tradition, which I would like to break with, for giving cotton more favorable consideration than we give to poultry producers and some others.

My figures indicate that in the last 10 years we have expended the following

[In millions of dollars]

Fiscal year	CCC loss on cotton sales	Cotton export subsidy	Public Law 480 (food for peace)	Carrying charges on CCC stocks	Total costs
1955	(0.8)		11.2		10.4
1956	66.3		91.9		158.2
1957	420.4	14.2	300.0		734.6
1958	279.5	15.5	194.8		489.8
1959	101.4	22.0	153.9		277.3
1960	212.0	253.1	121.4		586.5
1961	162.6	191.9	223.8		579.3
1962	137.9	227.0	153.6	26.8	545.3
1963	195.5	165.7	204.0	46.8	612.0

¹ Pre-1962 costs based on losses realized by sales but fail to accrue approximately \$50 per bale losses on 3,000,000 bales, including storage, totaling about \$150,000,000. Post-1962 figures calculate losses to CCC on acquisition.

GET RID OF TWO-PRICE COTTON?

We are advised now by the cotton producers and the mills that they must now have even more favorable special treatment if the cotton industry is to survive. We are told we must get rid of two-price cotton; that the favorable consideration given to foreign importers is destroying our local markets. The per capita utilization of cotton, it is said, is going down every year.

The facts simply do not bear out the implications from these allegations.

While it is true that per capita use of cotton has gone down from 30.9 to 22.2 pounds per person in the past 12 years, what the cotton proponents do not say is that all fiber use in the United States has declined in the same period from 42.2 to 35.7 pounds per person. Lighter cotton fabrics and lighter synthetics are doing the job.

Also unspecified are the wool and rayon statistics showing reduced utilization of the former 4.2 to 2.2 pounds per person and of the latter 8.9 to 6.1 pounds per person per year.

The allegation that the foreign export preferential treatment is ruining the local cotton market is likewise unfounded. The simple facts are these. The United States produced an average of 14 million bales of cotton per year for 15 years prior to World War II; production went down during the war and has maintained the 14-million-bale yearly average figure since. With modern technology acreages have been steadily reduced to keep this production figure. It should be here noted that when farmer producers deliver the same number of bales on less acres that costs go down and net profits go up. Domestic mill consumption utilized from 6 to 9 million bales per year prior to World War II. Production went up during the war and has maintained a yearly utilization of about 8.5 million bales since that time. An increased population with a constant utilization results in the lower per capita utilization. The Department of Agriculture projects that an 8.2 million 1962-63 utilization will naturally expand to 8.8-million-bale use in 1963-64.

EXPORTS OF RAW COTTON DWINDLING

Exports of raw cotton varied from 6 to 10 million bales before the war, were

amounts in the cotton program considering Commodity Credit Corporation—CCC—purchases, the raw cotton export subsidy at 8½ cents per pound, the export subsidy on processed manufactured cotton goods, CCC storage and carrying charges, and Public Law 480 sales.

fractional during the war. Since the war exports varied from 6 million bales in 1960 to 2.8 million bales in 1958 when the 1958 cotton program was enacted resulting in a utilization of 7.3 million bales in 1959, 6.8 million bales in 1960, 4.9 million bales in 1961, and 3.5 million bales in fiscal 1962-63. Here again the Department of Agriculture in its November bulletin projects a 5-million-bale, natural-export cyclical expansion.

The plain facts are that the United States is a residual world producer and regardless of the export subsidy world markets cannot be maintained if foreign production continues to increase. The foreign cotton is going to be sold first. Free world utilization has risen in the past 10 years, but there has been a greater increase in free world foreign production particularly in Mexico. The point is that we need to keep the export subsidy to keep our diminishing share of the world market which buys and sells 25 percent below the U.S. market.

EXPORT SUBSIDY—LITTLE EFFECT ON LOCAL MARKETS

Does this export benefit deteriorate the American domestic market? I think not.

Respecting our exports of processed cotton goods, we have a further subsidy that has been costing us about \$17 million yearly. Our quantities exported of processed cotton are in fair shape and have remained relatively constant the last 10 years.

In 1930 we exported 375,000 bales.

In 1940 we exported 374,000 bales.

In 1950 we exported 538,000 bales.

In 1961 after we built up the foreign mill capacity by Marshall plan aid, we dropped to 498,000 bales.

In 1962 we exported 459,300 bales—1963 exports are lagging behind 1962 due only to a shipping strike last January 1963.

Conclusion: The foreign processed cotton goods market has not been substantially eroded. As a practical matter we should increase the export subsidy, if anything, if we are to keep our foreign markets. This is indicated by the following article from the United States-Japan Trade Council Bulletin.

U.S. cottongrowers suffered considerably in 1962 from the production cutback in the Japanese cotton textile industry, which is

one of the largest in the world and is the largest foreign buyer of American cotton. Between 1961 and 1962, Japanese production of cotton yarn and fabrics fell 12 and 9 percent respectively. Japanese textile mills reduced purchases of raw cotton from abroad and drew heavily from their inventory, which had increased to a high level in 1961 as the result of import liberalization and speculative buying. Japan's total raw cotton imports fell from the record level of 796 million metric tons in 1961 to 602 million metric tons in 1962, a decline of 24 percent.

Because the price of cotton remained relatively high while prices elsewhere throughout the world weakened, the inventory reduction in Japan cost the United States most heavily. U.S. raw cotton exports to Japan dropped from the record 1961 high of 1.7 million running bales to only 846,000 bales in 1962, a 50-percent drop. As a result, the U.S. share in this largest foreign market for cotton slipped from 51 to 32 percent. Mexico, the second largest source of Japan's cotton supply, increased its shipments to 30 percent of the market. Most other source countries of Latin America and the Near East increased their sales to Japan.

U.S. sales to Japan of mohair decreased by 63 percent; while, interestingly, U.S. exports of cotton and woolen apparel and related items nearly doubled and those of manmade fiber products rose from \$2.5 to \$3 million between 1961 and 1962.

IMPORTS ARE NO PROBLEM

A quota has always limited and allowed only nominal importation of raw foreign cotton. Thus raw cotton imports cannot affect local markets.

Imported processed cotton goods is allegedly the culprit that is destroying the local cotton market. Again the statistics do not substantiate this conclusion.

Imported cotton goods have expanded only at the following rates:

Less than 100,000 bales per year before 1954:	Bales
1954	101,000
1955	181,000
1956	225,000
1957	199,000
1958	233,000
1959	360,000
1960	525,000
1961	398,000
1962	645,500

Conclusion: Our exported cotton-processed goods are comparable to our imports of those goods.

Forty percent of current cotton imports are in the form of cotton cloth and assumedly would be processed at domestic mills, thus allowing for an equalization of even this competition.

It seems highly unrealistic to conclude that a 400,000-bale increase since 1957 in cotton processed cloth could destroy or seriously threaten a domestic market of 8,500,000 bales.

The purpose of the domestic subsidy allegedly is to allow domestic mills to meet foreign competition—if we are just to meet competition this should have no effect on demand and thus utilization of cotton.

Since September of 1963 a new bilateral agreement was executed through the Tariff Commission with Japan limiting imports of cotton to substantially the current figure.

Respecting competition of foreign and domestic cottons, the Tariff Commission stated in T.C. 69 as follows:

FINDING OF THE COMMISSION

On the basis of the investigation, including the hearings, the Commission (Commissioners Schreiber and Sutton dissenting) finds that articles or materials wholly or in part of cotton are not being, and are not practically certain to be, imported into the United States under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, the programs or operations undertaken by the U.S. Department of Agriculture with respect to cotton or products thereof, or to reduce substantially the amount of any product processed in the United States from cotton or products thereof with respect to which such programs or operations are being undertaken. Accordingly, the Commission concludes that a fee equivalent to the per pound subsidy rate on the cotton content of imported articles and materials wholly or in part of cotton or any other restriction on imports for the purposes of section 22 of the Agricultural Adjustment Act, as amended, is not necessary.

The proposed fee is popularly, though inaccurately, referred to as an equalization fee, on the theory that it measures the difference in the cost of raw cotton to domestic mills and to foreign mills that market some of their output in the United States. As shown in the body of the report, there is great variation in the cost of cotton to mills throughout the world. The application of such an equalization fee would therefore not equalize costs of raw cotton to mills in the United States with those in foreign countries.

No evidence was made available to the Commission in the course of its investigation that imports of articles containing cotton were adversely affecting the operation of any specific program of the Department of Agriculture for cotton or cotton products. On the contrary, it was found that the rising level of imports of articles containing cotton contributed to the success of several of those programs, notably, the export-subsidy program for raw cotton and the domestic price-support program. But for the expanding U.S. market for such imports, the tendency would have been for U.S. exports of raw cotton to be smaller or lower priced, or the export-subsidy or price-support programs to be more costly to carry out, or some combination of these.

The view that a restriction of imports of articles containing cotton would bring about an increase in domestic mill consumption of U.S. cotton equal, or nearly equal, to the cotton content of the excluded imports rests, in our opinion, on a mischievous denial of the most commonplace workings of the market.

In referring to the ratio of the cotton content of imported cotton articles to exports of raw cotton, the USDA stated in its brief that "we have simply swapped one bale for another." In each of the calendar years 1959-61, however, the cotton content of U.S. imports amounted to less than 10 percent of U.S. exports of raw cotton. In 1960, the peak year to date for imports of cotton articles and also the year when exports of raw cotton—amounting to 7.5 million running bales—were larger than in any preceding year since 1933, the cotton content of imported cotton articles was almost 7 percent of the exports of raw cotton.

Whereas average annual consumption of raw cotton in 1953-61 was 28 percent above that in 1935-39, the corresponding increase for all fibers was 57 percent. Thus, it becomes apparent that cotton has not benefited as greatly as other fibers from the enlarged total market for textiles resulting from the increased population and the expanded incomes since World War II. On a weight basis cotton's share of annual U.S. mill consumption of all fibers declined from 80 percent in the years immediately preceding World

War II to 63 percent in 1961. Inasmuch as the yardage of fabrics produced from a pound of manmade fiber is, on the average, about 50 percent greater than the yardage of similar types produced from a pound of cotton, cotton's share of the market for the total output of U.S. textile mills (measured in yards) declined to an even greater extent than that indicated above.

Since 1946 there has been a substantial expansion in the combined annual consumption of the three principal groups of textile fibers—cotton, manmade fibers, and wool. The raw-cotton equivalent of aggregate annual consumption of manmade fibers and wool, added to the annual mill consumption of raw cotton, increased from 12.8 million bales in 1946 to 15.3 million bales in 1960. Thus, while the total market for these fibers has obviously expanded, the relative importance of cotton in that market has declined. The principal explanation for that decline in an expanding market for textile fibers is that manmade fibers have enjoyed a phenomenal increase in usage during the postwar years. In terms of actual weight, consumption of manmade fibers in 1960 was nearly double that in 1946; when expressed in terms of raw-cotton equivalents, the increase was even more spectacular, as indicated by the following tabulation:

	1946	1960
Actual weight (million pounds).....	954.3	1,878.1
Raw-cotton equivalent:		
Million pounds.....	1,295.1	2,824.5
Million bales.....	2.7	5.9

During the 15-year period 1946-60, the raw-cotton equivalent of aggregate U.S. consumption of manmade fibers was approximately 68 million bales. The sum of the increments of annual consumption of manmade fibers in the period 1947-60 over consumption thereof in 1946 is 27 million bales of raw-cotton equivalent. Part of the increase in consumption of manmade fibers resulted from new or expanded markets for such materials, some of which were not suitable outlets for natural fibers primarily because of their physical characteristics. At least a third of the increase in the consumption of manmade fibers, however, probably represented a direct replacement of cotton. In the manufacture of tire cord alone, where manmade fibers have replaced cotton almost entirely, cottongrowers have lost an outlet for more than 7 million bales during the period since World War II.

In addition to the quantity of cotton displaced by manmade fibers, there has been displacement by other competing materials, such as paper and plastic. Although the aggregate displacement by these materials cannot be exactly determined, the total is known to be very large, as is indicated in the subsequent discussion of industrial uses of cotton.

MARKET SHIFTS FOR COTTON

Reduction in industrial outlets for cotton: The heaviest market losses for cotton since World War II have occurred in industrial uses, owing in large part to competition from

manmade fibers, plastics and paper. Immediately before the war, more than a third of the consumption of cotton in the United States was accounted for by industrial end uses. By 1960, less than a fifth of the total went into such uses. The heaviest losses were sustained in the tire cord and bag markets. In 1960 the production of cotton tire cord required only 70,000 bales of cotton. Cotton accounted for only 4 percent of all fibers used in tire cord in that year. Before World War II, the bag market used some 500,000 bales of cotton annually. This market shifted largely to paper and plastic; in recent years it has consumed only about 150,000 bales of cotton annually. The use of cotton also declined in the manufacture of electrical insulation, hoses, laundry and dry-cleaning supplies, and machinery belts.

Increased use of cotton in apparel: Total gains for cotton in the apparel market have exceeded the losses in industrial uses. Since the end of World War II, wearing apparel has accounted for a steadily increasing share of all cotton consumed—rising from 36 percent in 1947 to 53 percent in 1960. In terms of absolute quantities, the increase from 1947 to 1960 in the annual consumption of raw cotton by the apparel manufacturers was 1.7 million bales (63 percent). Not only has there been an increase in the quantity of cotton required for producing wearing apparel, but cotton provided a larger share of all textile fibers consumed in this end use in 1960 than in 1947—cotton's share being 62 percent in 1960, compared with 56 percent in 1947.

WOOL AND OTHER FIBERS HAVE PROBLEMS.

Other goods besides cotton have had problems over the past 12 years. The export-import figures on wool and manmade fibers are as follows:

WOOL
[In pounds]

	Exports	Imports
1950.....	7,535,000	63,804,000
1962.....	4,543,000	127,458,000

MANMADE FIBERS

1950.....	81,385,000	4,348,000
1962.....	118,954,000	23,491,000

Conclusion: Where in 1950 we had a 239-million-pound balance of trade on the export side, today we have merely a 23-million-pound export balance.

ARE MANMADE FIBERS CAUSING COTTON PROBLEMS?

The alternative ground is given as support for the domestic subsidy that regardless of the foreign competition we must have the subsidy to meet domestic competition in rayon and manmade fibers.

Since 1950 cotton, wool, rayon and manmade fibers, domestic mill consumption figures have varied as follows:

	Cotton		Wool		Rayon		Manmade fibers		Total consumption (million pounds)
	Million pounds	Percent	Million pounds	Percent	Million pounds	Percent	Million pounds	Percent	
1950.....	4,464.0	67.1	691	10.5	1,305	19.8	136	2	6,596
1962.....	4,278.0	59.8	568	7.9	1,238	17.3	1,074	15	7,159
1963 (estimated)---	4.4								

Conclusion: While cotton consumption has gone down slightly, so also has wool and rayon, and next year we will produce the average in cotton.

At least 60 percent of increased consumption of manmade fibers created new markets. The 12-year increase of 563 million pounds is largely as a result

of new markets created by manmade fibers, though admittedly some cotton markets have been taken.

SURPLUS PROBLEM

Respecting the surplus of cotton on hand there is no problem. In 1961 we had the smallest CCC stock in 10 years. The current supply is not the largest and can be depleted by pricing cotton supports in line with demand.

COSTS OF PROPOSED COTTON PROGRAM

The proposal is to reduce the support price for production over 15 bales over a series of years and pay a domestic subsidy arbitrarily to local mills to allegedly make them competitive.

Projected annual costs and savings are as follows:

[In millions of dollars]	
Export subsidy (payments in kind, CCC stocks to exporters)-----	150.0
Public Law 480 (exports in kind valued at \$161 per bale)-----	180.0
Storage charge (carrying and storage charges on 7,500,000 bales held by CCC)-----	74.2
Domestic subsidy (payments in kind, cotton valued at \$120 a bale allegedly to make 8.5 million bales in domestic cotton competitive with 400,000 bales of processed imported cloth)-----	292.5
10 percent premium on first 15 bales (payment of full support price of 32.7 cents per pound on 1st 15 bales to all producers)-----	68.0
Payment on cotton in inventory-----	30.0
Estimated 1st-year cost-----	794.7

I have projected on the appended chart which has been mailed to each Member the exact projection of how 34 mills will cut up a \$205 million pie in a shotgun effort to beef up this industry.

The largest firm, Burlington Mills, will receive \$28 million based on that firm's average cotton consumption over the past few years. This handout is 80 percent of that firm's operating income in 1951. Other absurd results are chartered showing a 370 percent increase in one firm's income. This chart was prepared with the assistance of statistics from the Library of Congress, Department of Commerce, Department of Agriculture, Bureau of the Census and a number of private organizations, including the cotton industry itself.

The Democrats have long stood for priming the pump at the bottom. The theory of the pending bill, I believe, is alien to our philosophy. Should the mill subsidy provision be included in the final version of the bill, I would ask you to consider seriously defeating this legislation.

In conclusion, Mr. Chairman, I would merely comment that the Agriculture Committee has worked diligently on the subject legislation, but due to inexperience some of us and pressure of representing our constituents on others of us, I do not in good faith believe that we have the best bill for this subject matter.

There is a need to do something for the cotton industry. My calculations based on State university cost reports for each cotton State and census data indicate that comparing cotton in the Carolinas and Georgia as opposed to Arizona and California is like comparing bicycles to Cadillacs. In one area cotton

presents a social problem with 150,000 small producers in a single State accounting for the bulk of the production netting each less than \$1,000 per year; in the other States due to better growing conditions, larger acreages, irrigation and mechanization, a few thousand producers account for 85 percent of the production and net in excess of \$50,000 per year each.

The need to subsidize the former is patent; the actuality of subsidizing the latter is scandalous. Cotton is produced in the Western States every day below 20 cents per pound.

If we are to maintain our worldwide markets to any degree we are going to have to move in a direction which recognizes competitiveness and allows that competitiveness to expand having due regard for the technologically displaced. Herein lies the deadlock of our system respecting the cotton commodity.

In summary it can be concluded as my colleague, the gentleman from Georgia, CHARLES WELTNER, showed the other day in his fine exposition that the cotton producer industry was never healthier. The chart attached shows the mills were never in better condition, consumers are not complaining and neither are our international competitors.

We have developed an export subsidy to protect a high support price. A domestic subsidy would appear to confound the matter in that we are seeking to protect us from ourselves.

Mr. COOLEY. Mr. Chairman, I yield myself 2 minutes just to attempt to answer in 2 minutes the speech you have just heard which is entirely erroneous, because the record will show that the Textile Manufacturers of America came before our committee and stated emphatically that they did not want any part of a subsidy paid to them. The farmers took the same position. So in that situation we authorize in this bill the Secretary of Agriculture to make such payments as may be necessary to eliminate this inequity. That is the record. Yet he comes here with a statement that the mills are going to pick up millions and millions and millions of dollars. That is just not true.

Mr. HAGEN of California. Mr. Chairman, will the gentleman yield?

Mr. COOLEY. I will be glad to yield to the gentleman.

Mr. HAGEN of California. All the mills are seeking is the right to buy cotton at the same price as their foreign competitors. Is that right?

Mr. COOLEY. That is exactly what is involved here.

I want to ask a question—Do you know of any industry in America that has borne on its back this unique burden which by law has been forced on the textile industry of this country—\$42.50 a bale? Cotton sells in Hong Kong and Pakistan and Portugal, and anywhere else in the world for \$42.50 a bale less than our own mills can buy it for. The present Secretary of Commerce said in a speech at Charlotte, N.C., some months ago that it was the silliest thing any government ever did on this earth.

I agree with that statement, and our

committee agrees with it, and I hope the Congress will agree with it. How on earth can you go home and say by Federal law you impose this burden on an American industry, which is a unique burden? You talk to me about coal miners and glass workers and other people in depressed areas. There are 10 million people interested in this bill, and yet somebody comes in here crying and bleeding their hearts out about the coal miners and glass workers in an effort to bring about its defeat.

The CHAIRMAN. The time of the gentleman from North Carolina has expired.

Mr. COOLEY. Mr. Chairman, I yield to the gentleman from North Carolina [Mr. TAYLOR] such time as he may desire.

(Mr. TAYLOR asked and was given permission to revise and extend his remarks.)

Mr. TAYLOR. Mr. Chairman, it is not right that foreign buyers should be permitted to continue purchasing American cotton on the world market 8½ cents per pound cheaper than American manufacturers can buy the same cotton on the domestic market and then sell the finished products on the American market in competition with the American textile industry. This bill would improve the competitive position of domestic cotton mills against imports and cheap foreign cotton goods. It would make American cotton available to domestic mills at world cotton prices.

In the past 10 years U.S. imports of cotton products have risen from the average cotton equivalent of 68,000 bales in 1952 to 225,000 bales in 1956, to 234,000 bales in 1958, to 526,000 bales in 1960, and approximately 672,000 bales in 1962. This upward trend in the main has occurred since 1956 when the two-price cotton system was created.

Since the advent of two-price cotton in 1956 active cotton spindles have dropped 9.1 percent. Textile employment has declined 176,000 workers. Mill consumption of cotton has declined and imports of cotton textiles continue an upward surge.

The textile industry is the second largest employer in the United States and has been hard hit by imports from low-wage countries. The American cotton farmer is being hurt by this decline in the textile industry on which he must depend. A bale of cotton has little value until it is processed. The export market is uncertain so the strength of our Nation's cotton production industry must depend on a healthy American textile industry. The two-price cotton system is not only weakening the textile industry but is hurting the American cotton farmer.

I have received numerous letters and telegrams from textile and garment manufacturers in my congressional district pointing out the necessity of early action to eliminate the two-price cotton system. We cannot afford to delay, with textile employment shrinking, and the number of cotton spindles being constantly reduced. Our textile workers deem it most unfair to suffer unemployment and shorter hours while their for-

elgn competitors are supplying so much of the American market.

All who have spoken on this bill have agreed that an inequity exists which should be corrected. There is disagreement as to the best method of correction. Those who have objected so forcefully to the legislation in speeches during the last hour have admitted that a wrong exists which should be corrected, but they have offered no solution to the problem.

I was among those who appeared before the Tariff Commission seeking a solution by an offset import fee but it was denied by a three to two decision. Our textile mills do not want a subsidy. They are just requesting the right to purchase American cotton at the same price that their foreign competitors are paying.

The late President Kennedy characterized the two-price cotton system as "a unique burden upon the American textile industry for which a solution must be found in the near future."

Enactment of H.R. 6196 would improve the competitive position of American produced cotton goods, would reduce government stocks of cotton, would save cotton goods consumers some \$500 million per year and would thus increase cotton consumption.

This bill is important because it deals with the livelihood of millions of American citizens and with the future of our textile plants, their management and employees. It is important because it corrects an inequity that should be corrected. I believe that the equity of this legislation should appeal to every Member of this House.

Mr. KYL. Mr. Chairman, will the gentleman yield?

Mr. TAYLOR. I yield to the gentleman.

Mr. KYL. Is it possible to repeal that unjust law which is now on the statutes and which has caused this problem?

Mr. TAYLOR. It may be possible to repeal it but I am firmly convinced that it will not be repealed. The only opportunity we will have to correct this inequity is to pass this bill during this session of Congress.

Mr. COOLEY. Mr. Chairman, will the gentleman yield?

Mr. TAYLOR. I yield to the gentleman.

Mr. COOLEY. The textile industry has tried to eliminate this inequity. They have spent tens of thousands of dollars presenting their cases to the Tariff Commission. There were two outstanding cases, one under the Eisenhower administration and one under this administration. They went to the Emergency Planning Board and received no relief there. This is the only way they can secure any relief.

Mr. KYL. Mr. Chairman, if the gentleman will yield further, in the last analysis, who has control over this matter, the Tariff Commission or the Congress?

Mr. COOLEY. The Tariff Commission under existing law has control over the problems involved. The Tariff Commission exercises that responsibility at the request of the President.

Mr. KYL. Do they not derive their authority from the Congress, from congressional acts?

Mr. COOLEY. Ah, yes; if you want to go back, we could abolish the Tariff Commission or probably put some law on the books. But this is the law that we have decided is best for all concerned; that is, to make our domestic industry competitive with foreign industry and with domestic synthetic textiles.

Mr. KYL. One other related question, if I may. Is it not true that the Secretary of Agriculture today can make the adjustments in subsidies?

Mr. COOLEY. He will under this bill make adjustments as are necessary to eliminate the inequity.

Mr. KYL. The question is, can he do it without this legislation? Does he have this authority today?

Mr. COOLEY. To adjust this?

Mr. KYL. The subsidy level, price supports.

Mr. COOLEY. Oh, yes; he can adjust price supports.

Mr. KYL. Without this legislation?

Mr. COOLEY. Price supports have been fixed on cotton at 32.47 cents a pound. That is not competitive with the world market price of cotton which is produced at 24 or 25 cents a pound. It cannot compete with synthetic fibers which sell at a price substantially below that.

Mr. BEERMANN. Mr. Chairman, I make the point of order that a quorum is not present.

The CHAIRMAN (Mr. GRAY). The Chair will count. [After counting.] Ninety members are present, not a quorum. The Clerk will call the roll.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 218]

Adair	Hall	Norblad
Ashley	Hébert	O'Brien, Ill.
Becker	Kelly	Passman
Brademas	Keogh	Powell
Bromwell	Latta	Rivers, Alaska
Celler	Long, La.	Robison
Collier	McLoskey	Rodino
Dawson	Mailliard	Shelley
Fallon	Matsunaga	Sheppard
Gibbons	Milliken	Shipley
Gill	Morrison	Trimble
Griffin	Morton	

Accordingly, the Committee rose; and the Speaker pro tempore [Mr. ALBERT] having assumed the Chair, Mr. ROONEY of New York, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee having had under consideration the bill H.R. 6196, and finding itself without a quorum, he had directed the roll to be called, when 390 Members responded to their names, a quorum, and he submitted herewith the names of the absentees to be spread upon the Journal.

The Committee resumed its sitting.

Mr. COOLEY. Mr. Chairman, I yield myself 2 minutes.

Mr. Chairman, I want to call the attention of the House to two or three communications which I hold in my hand and which I will insert in the Record at the proper time when we return to the House. One is from the United Textile Workers of America, from Crans-

ton, R.I., in favor of this bill. Another is from the Textile Workers Union of America from Lewiston, Maine. It ends up:

We plead with you to use your great influence to secure the passage of H.R. 6196 known as the one-price cotton bill in order to relieve the insecurity of many thousands of American cotton textile workers.

I have here another communication dated November 11, 1963, a two-page letter, of which I will read only one paragraph at this time. It concludes this way:

We in the Textile Workers Union of America are most anxious to see the Cooley bill enacted. We regard these payments as essential to remove the competitive disadvantage suffered by the domestic industry. On the basis of past experience with cotton price reductions, it is evident that competition will force the price level for cotton textiles to be lowered. This, in turn, should result in a \$500 million savings to consumers and lead to the expanded use of American-made cotton products. In addition, it should not only relieve the threat to existing cotton textile employment, but should create some 35,000 additional jobs for cotton textile workers.

I shall at the proper time insert the full text of these documents in the CONGRESSIONAL RECORD.

Mr. Chairman, at this time I yield 5 minutes to the distinguished majority leader, the gentleman from Oklahoma [Mr. ALBERT]:

Mr. ALBERT. Mr. Chairman, I rise in support of this legislation. I am not unmindful of some of the opposition to this bill.

Mr. Chairman, a large part of the cotton industry and the cotton textile industry in particular finds itself, as has been admitted here over and over again, between two Government programs which are making its situation very bad from the standpoint of foreign competition. These are, of course, the trade policy of the United States and the cotton price support program. The result of these two programs is that for the average pound of cotton the American miller has to pay roughly 8½ cents more than competing mills overseas. He is thereby placed at a competitive disadvantage not only with respect to the world market but also with respect to the American market.

Most Members have admitted this in their speeches, even those opposing the bill, but many Members have suggested other remedies.

The distinguished gentleman from Iowa with whom I served on the Committee on Agriculture for many, many years, and others, have criticized this bill on other grounds. As a matter of practical legislative fact every Member who has been around here a long time knows that we will either have to take this bill or we shall not get anything. That is the truth of the matter. We are not considering other forms of bills which Members think might be better.

The gentleman from Iowa knows also that some of the amendments which are going to be proposed, or substitutes which might be proposed in lieu of this bill, would be more objectionable to him

than is this bill itself. That would certainly be true I say, knowing the gentleman, if a complete Brannan-type bill were substituted for this bill and the farmers were given a direct subsidy. The gentleman knows that this is true.

So, if we start out trying to satisfy one group by amendment there will be nothing more certain than that ultimately we will not do anything, even though the situation cries out for remedy. This is a chance for remedy and I urge the Members of this House not to start voting for amendments, except the amendment of the gentleman from Maine. His amendment is one that has been cleared with the committee. It is a desirable amendment because it attacks directly one of the two Government programs which I mentioned in the beginning as having given rise to this difficulty, namely, the support program.

Now, there has been a lot of talk about the extent of the subsidy. But there is nothing in this bill to show or indicate that any mill will be given \$1. All the mill will be given is the right to bid on American-grown cotton at the same or comparable price at which its foreign competitor can bid on that cotton.

Mr. Chairman, that is the essence of this bill.

Now, there has been a lot said about the amount of the so-called subsidy. Well, I think we ought to recall again the practical situation. As of next August 1, the Government carryover will probably reach 12 million bales. We have no possible outlet for that cotton under existing law. It cannot be sold abroad without a subsidy. It cannot all be sold abroad even with a subsidy.

Mr. Chairman, this talk about the cost of this bill, when we consider the payment in kind, is really out of line with the facts. What are we going to do with this cotton? What are we going to do at the end of the next season when the amount of cotton in the warehouses of the Commodity Credit Corporation will probably reach 12 or 13 million bales?

Mr. Chairman, this proposal gives us a way to handle this problem with a minimum of cash outlay. It gives us a chance to do equity to the cotton textile industry of this country. It gives us an opportunity to move in before the cotton farmers of this country, by reason of the laws which we have passed, often with their support, are completely driven out of business, and one of the largest, most important industries in the United States comes to an end.

Mr. BELCHER. Mr. Chairman, will the gentleman yield?

Mr. ALBERT. I yield to my colleague.

Mr. BELCHER. I think the gentleman probably left the wrong impression here. The cotton mill buys the cotton at the American price which will be as much as 32.47, will it not?

Mr. ALBERT. The cotton mill will not necessarily do that. It could be the handlers. This statement that this subsidy is going to be paid to the mills is simply not correct.

Mr. BELCHER. No; the mill first buys the cotton in the marketplace and then the mill will be given the cotton at this price.

Mr. ALBERT. It may be the mill or it may be somebody else.

Mr. BELCHER. The mill will be given a subsidy in cotton to take up the difference between the cotton price here in the United States and the world price.

Mr. ALBERT. The point which I am trying to make, as I understand it, is that the so-called subsidy can be given to anybody except the producer. If I am wrong about that, the end result is the same in any event.

Mr. BELCHER. If the gentleman will yield further, the end result is the same but, still, this bill will only help the mill. The farmer does not get a dime out of it.

Mr. ALBERT. No. The only thing the farmer gets out of this is the salvation of the cotton farmer. The only thing the miller gets out of this is the right to buy cotton grown on American farms at the same price as someone 10,000 miles away can buy it.

Mr. Chairman, I yield back the balance of my time.

Mr. HOEVEN. Mr. Chairman, I yield 10 minutes to the gentleman from Oklahoma [Mr. BELCHER].

[Mr. BELCHER asked and was given permission to revise and extend his remarks.]

Mr. BELCHER. Mr. Chairman, I am sure it was not by design that I was put up here to follow my colleagues from Oklahoma. This came about purely by accident. The gentleman from Pennsylvania [Mr. DENT], said he stood in the House today fighting for a lost cause. I am glad the gentleman has joined me, because, Mr. Chairman, I do not recall ever standing in the well on an agricultural bill that I was not fighting for a lost cause. I am glad to have a colleague on the Democratic side who has also had the experience of fighting for a lost cause.

Mr. Chairman, the Committee on Agriculture of this House apparently can bring more embarrassing bills to the floor of the House than any legislative committee of the House. They never bring a bill here that does not put a whole group of you gentlemen over on that side right square on the spot. You will recall my statement concerning the wheat bill last year. You will recall at that time I told you that there was nobody in America who wanted the wheat bill except the Secretary of Agriculture. You Members were put on the spot to support your administration and vote for the wheat bill. I did not ask anybody to vote according to my viewpoint. I simply would like to have you have the facts. That is all I did in connection with the wheat bill.

I told you at that time the taxpayers did not want the bill, the consumers did not want the bill, and I told you the wheat raisers did not want the bill. I do not think there is any doubt that the taxpayers wanted to pay that subsidy and the consumers of your district were not shouting over the increased cost. The only thing I could have been mistaken about was the fact I was wrong concerning the wheat farmer. When the referendum was put out to the wheat farmer and the Secretary of Agriculture went out to sell the farmer on the idea that

this was a good bill, they shouted "No" just like you gentlemen over there shout "No" when we offer an amendment. That was the kind of "no" that was indicated. The wheat farmer did not want it, the consumer did not want it, and the taxpayers did not want it.

Mr. Chairman, there has been a lot said about correcting an inequity. This inequity was brought on by the Committee on Agriculture. We brought a bill to the floor providing for an export subsidy. We brought a bill to the floor that gave the Secretary of Agriculture the power to set price supports, and while this cotton industry was in serious condition just a few months ago the Secretary increased the export subsidy by 2.4 cents a pound, and this is the same administration that is here today asking you to vote \$600 million of your taxpayers' money—for what? To pay for the damage which the last bill we passed caused.

It just occurs to me it is not sensible to create a situation that causes damage, then come back because you loyal Democrats were loyal enough to support your party in creating that damage, and ask you to go back to your taxpayers for \$600 million more to pay for the resulting damage.

Why not just stop the cause of the damage? That is a very simple thing to do. We hear that there is no way to get that done. We can reduce price supports and stop this inequity.

Mr. COOLEY. Mr. Chairman, will the gentleman yield?

Mr. BELCHER. I yield to the gentleman from North Carolina.

Mr. COOLEY. Did not former Secretary Benson and former President Eisenhower approve this plan?

Mr. BELCHER. I do not know who recommended it. I may say to the gentleman I did not follow Eisenhower in everything.

Mr. COOLEY. I did not know how the gentleman feels about that.

Mr. BELCHER. The gentleman now addressing the House did not recommend it. That is the only man I can speak for. It was your bill, not my bill. You created the inequity you are asking us to correct.

Mr. COOLEY. Did not Benson recommend it?

Mr. BELCHER. I do not recall that. If Mr. Benson caused this damage there is no reason for us to remove the cause of the damage.

Mr. McINTIRE. Mr. Chairman, will the gentleman yield?

Mr. BELCHER. I yield to the gentleman from Maine.

Mr. McINTIRE. On the point the gentleman is making as to the level of price support, would the gentleman agree with me that the amendment I propose to offer goes directly to this particular point?

Mr. BELCHER. I would say that the McIntire amendment does attempt to correct some of the inequity, and does to the extent of about \$2 or \$3 per hundred. It does attempt to correct the inequity brought about. But now this is the situation with which we are confronted.

The Japanese mills are the principal exporters of cotton products into the United States. I have a lot of respect for the Japanese nation. I think they are great allies. I had a lot of respect for the Japanese nation, and all of us did, prior to World War II. We gathered up every pound of scrap iron we could find in this country and sent it to Japan, and Japan shot it back at us.

We are now subsidizing Japan with our cotton. We are sending our cotton over there and subsidizing it at 8.5 cents a pound. Do you know what Japan is doing? It is shooting it right back at us just as they shot the scrap iron back at us in World War II. The only thing is today they do not kill anybody, they merely put American workers out of work.

That can be corrected by the Tariff Commission. That can be corrected by this House of Representatives. But apparently the only remedy we are ever able to offer is to spend more money. This Committee on Agriculture every time it has come to the floor has provided for additional Government expenditures, never to reduce Government expenditures.

We are now asking for \$600 million to correct a bill which we passed last year. Next year we are going to be back here and we are going to say the bill we passed last year was bad, it was not good, and now we want to correct the inequity which the last bill created.

I want to say one thing in closing to you very loyal liberals on that side. I admire you. You are liberal. You are generous. Year after year you have voted against the best interests of your constituencies for farm programs and farm expenses. You are good, loyal Democrats, and I admire you for that. But being a loyal Democrat in the wheat bill did not help the Democratic Party. Being a loyal Democrat today is not going to help the Democratic Party. Some day, I do not know when, you are going to get an opponent against you and you will have to explain why you voted \$600 million of the taxpayers' money. What for? To correct another bill that you voted for that created the damage of \$600 million. Maybe you have a good explanation for that, I do not know, but I believe you are in the same spot I was in for 8 years. The gentleman from North Carolina just pointed out to me something about what Mr. Benson did. Of course, Mr. Benson embarrassed me at times. I was not able to follow Mr. Benson all the time because the people in my district sometimes did not believe in Mr. Benson's program. But I tell you one thing, and I plead guilty, I am sure I am not as loyal a Republican as you are loyal Democrats, because when it came to a proposition of whether I voted for the constituents in my district or Mr. Benson or Mr. Eisenhower, some way or other, I strung along with the people of my district. If you are loyal enough to come down here and vote \$600 million out of the pockets of your own taxpayers here, just to be loyal Democrats, I admire you, I respect you for your loyalty, but I do have to admit I am going to doubt your politi-

cal judgment a little bit. Loyalty is a wonderful thing, but it makes a whole lot of difference what that loyalty is to. Is your loyalty to the administration or to the people that year after year send you down here to represent your constituencies?

If there is a single, solitary Member on the Democratic side or on the Republican side of the aisle who does not have a textile mill in his district who is going to get a part of this subsidy, you are not representing the best interests of your people if you vote for this bill. You are taxing your people to send the money somewhere else.

The CHAIRMAN. The time of the gentleman has expired.

Mr. HOEVEN. Mr. Chairman, I yield the balance of the time remaining on this side to the gentleman from Oklahoma [Mr. BELCHER].

Mr. BELCHER. Mr. Chairman, just yesterday we heard the gentleman from Texas [Mr. MAHON] say that he hoped we could approach this bill from a non-partisan, unselfish position. Well, now, I can understand why the gentleman can do that very easily. In the first place, he has two-thirds of the Members on his side so that nonpartisanship would be fine. In the second place, his district is going to get one of the biggest subsidies in the United States. Gentlemen, I can readily understand why he can be completely unselfish. I think all the rest of us could be unselfish, but unselfishness alone is not going to pass this bill. If this bill is approached from a nonpartisan angle, as the gentleman from Texas wants, you have not got a chance on earth to pass this bill. If the Democrats are not held in line through partisan loyalty, you have not got a chance. There is not a single Democrat over there whose district does not get part of this subsidy can possibly approach this thing from a nonpartisan angle and vote for it. That is the only excuse you have. Maybe in your district you have the excuse that you are doing what the administration wants you to do, and that is all you need to do when you explain your actions to your constituents. But, ladies and gentlemen, when I go back to my district—and it just so happens that the big majority in my district are Democrats—I just cannot go back to them and say, Well, I followed the Republican administration and whatever they told us to do I did. I have to go back and explain to them why I vote the way I do. I have to be in a position to defend the merits of the legislation that I vote for or vote against. It must be nice to be in a position where all you need to do is to go back to the people and say, I was just doing what my administration asked me to do and I was just doing what the Secretary of Agriculture asked me to do. But that would be no excuse for me. If I followed that policy, gentlemen, I would not be on the floor of this House here today.

Ladies and gentlemen, I am not telling you how to vote on this bill. Vote your own sentiments.

Mr. COOLEY. Mr. Chairman, I yield such time as he may require to the gentleman from Alabama [Mr. GRANT].

(Mr. GRANT asked and was given permission to revise and extend his remarks.)

Mr. GRANT. Mr. Chairman, I want to be helpful to all segments of the cotton industry, to the farmer, the textile worker, the textile operator, and last but not least, the consuming public.

The cotton industry is in a plight, not because of any one individual group, but mainly by reason of the encroachment of synthetic fibers. The textile mills have in the main turned to synthetic fibers because of their having to pay a higher price for the cotton consumed by the mills than that paid by foreign competitors. This is known as a two-price system because the foreign mills who use our cotton are subsidized to the extent of approximately 8½ cents a pound or \$42.50 a bale. When this cotton is made into a finished product it is exported back to this country and then enters competitive trade with the products made by the domestic mills who have to charge a higher price and are thus penalized to the extent of the amount that the foreign mills are subsidized.

The bill before us with the McIntire amendment seeks to place most of the burden on the farmer. The farmers realize that in order for them to grow and sell cotton that they must of necessity find a cheaper way to produce cotton; however, the McIntire amendment drops the support price too much. We should have a one-price system and in order to carry this out some contribution must be made by all segments of the industry and because this amendment does not equitably distribute the burden it should be amended.

Mr. COOLEY. Mr. Chairman, I yield 1 minute to the gentleman from North Carolina [Mr. KORNEGAY].

Mr. KORNEGAY. Mr. Chairman, the future economy of our Nation is at stake here today. This cotton bill, which we now consider, has not had the publicity of some of the other legislation before us this session, but it is of the utmost importance to millions of Americans. What we do with this cotton bill today will be reflected in the earnings of textile workers and cotton farmers and, yes, even our Government in the years ahead.

Perhaps all of you here today are not from textile manufacturing areas and are not aware of the size and scope of the American textile industry. Few of us thought of its importance to the Nation this morning when we donned a cotton shirt or cotton socks. The cotton industry is among the largest manufacturing industries in the United States. One of every eight persons employed in manufacturing works in cotton textiles. The more than 2 million workers are employed in more than 8,000 plants of all types scattered through 43 States from Maine to Texas.

This is only part of the picture, however. There are thousands of farmers who grow cotton. There are other thousands who depend for some or all of their income on processing and marketing cotton and furnishing materials and supplies to the raw cotton industry. And, after the weavers, doffers, and dyers have turned the raw product into cloth and

that has been turned by cutters and seamers into finished products, it provides jobs of other thousands of salesmen and deliverymen.

The American textile industry provides millions of American families with livelihoods. The payroll for workers in the textile manufacturing and apparel industry this year will reach an estimated \$3.5 billion. This, in turn, helps to keep the wheels of progress turning in other industries throughout the country. And, governments also are large beneficiaries of the American textile industry. The textile mill products industry annually pays around \$320 million in Federal income taxes alone. State and local governments are other beneficiaries.

The textile industry accounts for a significant portion of our national income. In 1958, the manufacturing groups comprising the textile industry accounted for about \$9.1 billion of the \$104.1 billion of the national income originating in all manufacturing activity in the United States. This was about 8.7 percent of the national income originating in the manufacturing sector of the U.S. economy. In addition, the textile industry is essential to the national security. Of vital importance in peacetime, it has proved indispensable in time of emergency.

So important, so vital to all Americans, and, yet, right now the economic structure of the American cotton industry is in jeopardy. Despite attempts to supply some relief, there is a continuing flood of low-priced textiles coming in from abroad which is displacing the goods produced by our own workers and is demoralizing the domestic markets for our textile industry. The advantage to the foreign mills is that they can buy American produced cotton at 8½ cents a pound cheaper than American mills can buy this same American cotton. This two-price cotton system is killing our textile industry.

Since 1946, imports have increased at an average annual rate of 22 percent. In recent years, cotton textile imports have continued to reach new record highs despite duties on such imports and agreements with governments of other countries to restrict their shipments to the United States. In 1956, some 450 million square yard equivalents were imported into this country. This figure has reached 1 billion square yard equivalents in 1960, and last year, in 1962, some 1.2 billion square yard equivalents were imported. And, the imports are running a little higher thus far this year.

What does this mean for the American textile industry? Of course, it can mean only one thing. Despite the increase in population, less American-produced cotton goods is being used. The population of the United States has jumped from 168 million in 1956 to 187 million in 1962. During this same period, American mills production dropped from just over 10 million linear yards in 1956 to just over 9 million linear yards last year. This has been keenly felt by textile workers. In 1950, there were 1.2 million persons employed in the textile mills products industry. In 1955, this was down to just over 1 million persons, and, in September

of this year, the number of persons employed was down to 886,000.

This then is the serious situation which today confronts the cotton textile industry. For Congress to ignore this situation could well mean the eventual ruin of this industry, with all the grievous implications for those who work in and with the industry. What would the United States do if its gigantic textile industry were suddenly more seriously impaired? Where would all the textiles workers go to look for jobs? What could the farmers grow in place of cotton? What would happen to the modern mills, to the business districts and shopping centers that have grown with the industry? In other words, can the United States afford a weak and crippled cotton industry?

Such a situation must not be allowed to come to pass. This deterioration of the American textile industry must be stopped. This is the object of the cotton bill before us today. Perhaps this is not a perfect bill, but it at least eliminates a gross inequity foisted upon one segment of our economy by the Government. The two-price cotton system, so unfair and so unnecessary, would be terminated.

This cotton bill is necessary legislation. Under it the producers will be protected, the cotton textile industry will be given a fair chance to prosper and expand, the livelihoods of millions of persons associated with cotton will be protected, and consumers will be doubly repaid for their tax investment. Seldom has a single piece of legislation benefited so many. I hope it will pass.

Mr. COOLEY. Mr. Chairman, I yield to the gentleman from Georgia [Mr. HAGAN] such time as he may require.

(Mr. HAGAN of Georgia asked and was given permission to revise and extend his remarks.)

Mr. HAGAN of Georgia. Mr. Chairman, I am going to vote for this bill before the House today, not because I think it is the answer we are seeking to the cotton problem, but because I think it is better than nothing.

This bill might help a little in bringing down the price of cotton textiles to the American consumer. It might make it possible for our cotton textile industry to compete better in the domestic and world markets.

Hopefully, this bill might protect the remaining jobs in the American textile industry for workers who are faced with the threat of losing their jobs because of the unfair competition of foreign mills.

But this bill does not go anywhere near solving the dilemma of the cotton textile industry that has seen American fiber losing out on the world markets and our mills closing down in the face of cheap textile imports.

This bill does not go anywhere near providing a solution to the problem of mounting cotton surpluses piling up in the storage warehouses at the expense of the taxpayers.

There is pending in the other body, Mr. Chairman, a bill that I believe goes much further than this bill toward meeting our cotton problems.

I refer to a bill authored by the junior Senator from Georgia, Mr. TALMADGE, and cosponsored by the senior Senator from Minnesota, Mr. HUMPHREY.

The bill to which I refer is designed to maintain the income of cotton producers, to permit cotton producers to grow and market cotton on a free enterprise basis, to protect the welfare of the consumers, and of those engaged in the manufacture of cotton textiles, and to encourage the exportation of cotton.

The Talmadge bill, Mr. Speaker, seems to me to be admirably suited to accomplish its avowed purposes, and I think it is far better than the proposal before us today.

The bill before us might do some good, but mainly it would pile another subsidy on top of a subsidy, at greater cost to the taxpayers and would not go to the heart of the problems of cotton.

Mr. Chairman, the Talmadge bill not only would not require an additional subsidy to the mills, as this one does, it would eliminate altogether the necessity for the costly export subsidy which has helped put our mills in such a dilemma.

The Talmadge bill would free the cotton farmer from acreage controls. It would give the small cotton farmer adequate price support to maintain a fair and adequate income. It would permit the large cotton producer to grow as much cotton as he likes and sell it on the world market. It would restore American cotton to a competitive position in the world.

And most importantly, Mr. Chairman, the Talmadge bill would take the Federal Government out of the business of buying, handling, and storing cotton.

I say we need the Talmadge bill, Mr. Chairman, and the best way and the quickest way to get it is to pass this bill before us and quickly send it to the Senate so that we can begin promptly to work out a compromise version of the two proposals. The time to act is now.

Mr. COOLEY. Mr. Chairman, I yield to the gentleman from Oklahoma [Mr. WICKERSHAM].

Mr. WICKERSHAM. Mr. Chairman, in the State of Oklahoma, 180,000 people live wholly or in very substantial part upon incomes earned directly from cotton. These include 79,000 people living on cotton farms and 66,000 others whose breadwinners are seasonal workers on cotton farms. The remaining 35,000 consist of people whose income earners work in gins or for apparel manufacturers, plus cotton's pro rata share of those living on incomes from farm supply stores, merchandising operations, and so forth.

This by no means tells the whole story because statistics are not available on the many people working in oil mills and cotton warehouses; and there is no way to compute the number of employees concerned with cotton in banks, insurance agencies, department stores, motor freight lines, and many other fields.

The average annual cash receipts from cotton and cottonseed by Oklahoma farmers during calendar years 1960 through 1962 was \$58.5 million. About three-quarters of the cotton raised in Oklahoma is in my district. This makes cotton the second most important crop next to wheat. It provides nearly a fourth as much cash income as all other crops combined, and a sixth as much as

all meat animals, dairy products, poultry and eggs combined.

The total payroll of all manufacturing establishments in the State of Oklahoma was \$470 million in 1961, the latest year reported. In that year, farmers' receipts from cotton and cottonseed alone were \$59 million, or one-eighth as much as all wages and salaries of all industrial employees.

Thus the inevitable conclusion: If the cotton economy is crushed, Oklahoma will lose one of its big income producers, which will have a depressing effect on the State's whole economic structure. If cotton survives and goes forward, it will provide a stimulant to the industry and commerce of the State as a whole.

Mr. ADDABBO. Mr. Chairman, I rise in support of H.R. 6196. When the so-called trade bill was before us for consideration I stated that if the great expounded principles of that bill did not work in practice we would be forced to subsidize our industries to compete with world trade in order to offset the lower wage scales of the foreign countries. Today we have reached that point. New York City has long had one of the largest textile industries, but unemployment in this industry has continually increased in a large part due to the lower cost of imported finished cotton products—possibly due to other nations buying cotton at the lower price and their paying lower wages.

I do not believe in subsidizing, but today, because of existing subsidization in the production of cotton and in foreign exports, we must also consider our own home manufacturers. The possible solution and end to this spending will come when subsidization is stopped at the source—that is to stop paying for non-production and permit the market to regulate its own production by supply and demand.

This legislation, I believe, will also be an aid to consumers for there can possibly be a reduction in the cost of the finished product, based on the lower cost of the raw material. Though this amount may be very small, the greater benefit will come in increased domestic employment in this industry, thus giving more people buying power which will aid and add to our economy. Thus, what is spent as a subsidy to industry under this legislation will, in a great measure, be returned to the Government in taxes.

Mr. FOREMAN. Mr. Chairman, I have continually worked for, spoken for, and voted for a reduction in Federal Government control and regulation of our free enterprise system. I still believe in the thinking and reasoning of Thomas Jefferson when he said, "That government

is best which governs least, providing every American with the opportunity to manage his own affairs."

In order to maintain and preserve a healthy, dynamic agricultural industry in our country today, I believe we must work toward a free-market-controlled economy for our farmers and relieve them from oppressive Federal controls and regulation. Former Secretary of Agriculture Ezra Taft Benson made, and was making, some tremendous strides in this direction during his office tenure.

Basically, the present cotton problem has been created by the failure of Secretary Freeman to carry out the philosophy of the Agricultural Act of 1958. Under this act, cotton prices, through a series of steps, would be adjusted to a realistic and competitive level. Because of this legislation, there was a substantial improvement in the cotton situation during the 1959 and 1960 marketing years. If Secretary Freeman had stayed with this act and the program set forth, he could, and should, have strengthened the competitive position of cotton by reducing the support price in 1961 and 1962. Apparently, it was politically more expedient to raise the support price; and thus came a tremendous increase in surplus cotton in storage, a reduction in the national cotton allotment, a serious reduction in both exports and the domestic consumption of cotton, and an increase in the export subsidy from 6 to 8½ cents per pound.

We need to move toward freeing the agriculture market from these conditions—toward a supply and demand market. Mr. Freeman and his advisers have not indicated a willingness to take the necessary steps to do this; in fact, they have gone the other way. The Congress must take action to get back to the basic philosophy of the 1958 Agricultural Act.

H.R. 6196, the Cooley bill, does not provide the best solution that will answer the problems, but it does, in my opinion, take some desirable steps by reducing the price support by the McIntire amendment from 32.47 cents per pound to 30 cents the first year, 29.50 cents the second year, and 29 cents the third year; and this is mandatory upon the Secretary of Agriculture who has demonstrated that he does not intend to lower support unless he forced to do so by the Congress.

A particularly objectionable provision of this bill is the 10 percent additional premium support, with a maximum of 32.47 cents per pound for the first 15 bales produced—thus, in some instances, a sustaining subsidy for inefficient operations. However, it has been pointed out, most of the smaller farms, 30 acres or less, have been declining in number very

rapidly even under the 32.47-cent support.

There are many acceptable and objectionable features to this bill. After careful study of this problem and weighing all the facts, in my considered judgment, the good slightly outweighs the bad in H.R. 6196, and I am therefore inclined to support its passage. It does not present an ideal solution of this problem, but it will probably be the only possible step we might have the opportunity to take to help cushion or stem the rapidly deteriorating condition of our very vitally important cotton industry.

Mr. PHILBIN. Mr. Chairman, while I am not in favor of some of the subsidization measures provided by this bill, I feel very strongly that it is the only present prospect and opportunity for saving the cotton textile industry in the Nation.

It should not require much argument to demonstrate the plight of this once great industry. Attacked on all sides by unsound and unwise economic policies of this Government, victimized by the incredible two-price cotton system, the one-way-street trade programs flooding the market with cheap goods, cutthroat, unfair competition from foreign nations and all points of the compass, harried by production differentials pricing its products out of many major markets, the cotton textile industry is on the financial and economic ropes. The cotton industry itself is under an unprecedented threat.

Unless prompt relief and encouragement is forthcoming in this bill, the future of the cotton textile business, North, South, East, and West, wherever it exists in this country, not to speak of the great cotton-producing industry, will be in greatest jeopardy.

For these reason, and because I believe that the interests of our consumers, our American economy, the cotton textile and related industries and the very many workers employed in these industries whose livelihood for themselves and their families is definitely at stake, I believe the Congress should pass this bill in the national interest.

I will support the amendments designed to improve the bill and will vote for its passage. And I earnestly hope it will help to relieve the very distressing conditions existing in the cotton textile and related industries.

Mr. LEGGETT. Mr. Chairman, in further amplification of my remarks this date I include at this point in the Record a statistical analysis of the exact effect of the pending legislation on the 34 leading mills of the United States.

Plain facts on cotton mill subsidy

(Dollars in millions)

	1951 sales	1960 sales	1961 sales	1962 sales	1962 sales		1962 net income		1963 sales		1963 net income		Operating income				Cotton consump- tion (esti- mated bales)	Share in \$292,000,000 subsidy ¹	Compar- ison increase in 1961 or 1960 operating income by sub- sidy (percent)
					6 mos.	9 mos.	6 mos.	9 mos.	6 mos.	9 mos.	6 mos.	9 mos.	1951	1960	1961	1962			
Burlington Mills.....	\$310	\$913	\$866	\$1,010									\$35	\$105	\$90	\$124½	660,000	\$28.0	80
J. P. Stevens.....	349½	513	496½	585	2		2	\$4	2		2	\$3	49½	49½	40½	56	384,000	16.2	33
United Merchants & Manufacturers.....	215	468	471	502½	(2)			4	10	(2)		6	31½	36	29	39½	330,000	14.0	45
M. Lowenstein & Sons.....	144½	253	261½	270	74		1		71		1		13½	18	12½	14½	178,000	7.6	57
Cannon Mills.....	199	203	218	231	(2)		(2)		(2)		(2)		20½	26	28	31	274,000	11.6	67
Cone Mills Corp.....	154	188	214	220	122		3		115		2		26	13	13	14	268,000	11.3	44
Spring Cotton Mills.....	(3)	187	188	197.6	(3)		(3)		(3)		(3)		(3)	(3)	(3)	14.4	234,000	9.9	(7)
Dan River Mills.....	112	163	157	173½	91				85		3		15	20	18	19½	197,177	8.4	56
West Point Manu- facturing Co.....	137	157	145	173		131		5	131			5	20	20	15	17½	209,000	8.7	43
Kendall Corp.....	97	112	124	134	62		2		63		2		12	13	13	14	159,000	6.8	56
Beaunit Mills.....	96	124	109	121	31		2		33		1		24	20	13	17	143,000	6.2	26
Indian Head Mills (1952).....	13	82	102	152	74		2		73		1		(2)	36	6½	10	176,881	7.5	270
Erwin Mills, Inc. (1952).....	61	64	68		(2)		(2)		(2)		(2)		(2)	(2)	(2)	(2)	115,000	4.9	
Pepperell Manufac- turing Co.....	88	100	91	102	(12)		(12)		(12)		(12)		(2)	(2)	(2)	(2)	154,091	6.2	
Riegel Bros.....	58	91	86	87	63		2		61		2		(2)	8	6	8	133,000	5.7	72
Graniteville Co.....	57	62	68	74	38		1		41		1		6	8	7	8	111,000	4.7	78
Bibb Manufacturing Co.....	(2)	80	74	85	(2)		(2)		(2)		(2)		(2)	8	7	7	131,000	5.5	68
Reeves Manufac- turing Co.....	67	72	66	77		55		1	59		1		8	7	3	6	114,000	4.8	60
Collins Aikman.....	58	65	65	90	26		1		27		1		4	4	4	8	133,000	5.8	115
Avondale Mills.....	15	48	61	66	(2)		(2)		(2)		(2)		(2)	6	7	7	98,149	4.2	70
Fulton Industries.....	(2)	52	52	49	24		.93		24		17.66		(2)	(2)	2	2	87,000	3.7	185
Berkshire Hathaway.....	61	63	48	53		41		2	38		17.712		(2)	(2)	2	17.114	94,000	4.0	200
Belding-Heminway.....	20	40	44	49	25		.575		25		.465		1	2	3	3	87,000	3.7	370
Thomaston Mills, Inc.....	42	41	38	42	(2)		(2)		(2)		(2)		7	6	7	7	75,106	3.2	46
Duplan Corp.....	31	31	37	43		34		1	35		.784		3	2	3	4	72,000	3.1	110
Mount Vernon Mills, Inc.....	63	37	37	43	21				22				11	3	2	3	72,000	3.1	28
Bates Manufacturing Co.....	60	36	36	38	(2)		(2)		(2)		(2)		(2)	(2)	2	2	72,000	3.1	155
Fabrex Corp. ²	(2)	39	36	(2)			(2)		(2)		(2)		(2)	(2)	(2)	(2)	72,000	3.1	
United Elastic Corp.....	26	30	32	35	18		1		19		1		6	6	7	6	64,500	2.8	47
Textiles, Inc.....	30	29	28	32	16		18.705		16		18.568		(2)	4	3	4	64,500	2.8	70
Monarch Mills.....	(2)	(2)	10	(2)	(2)		29.63		(2)		20.42					(21)	64,500	2.8	
Standard Coosa- Thatcher.....	26	26	23	27	(2)		(2)		(2)		(2)		(2)	(2)	(2)	(2)	64,500	2.8	
Wyandotte Worsted.....	31	24	22		10		.85		9		17.48		2	2	2	2	64,500	2.8	140
Stonecutter Mills.....	(2)	(2)	10	(2)	(2)		(2)		(2)		(2)		(2)	(2)	(2)	(2)	64,500	2.8	
Total.....																		22 205.0	

¹ \$42.50 per bale.² 13 weeks; month ending in May of each year.³ Not available.⁴ Includes \$588,000, or 10 cents a share net capital gains.⁵ 1952.⁶ Companies experienced reduced income, 1951-63.⁷ 1962, 395,000 bales, 16.8 percent increase.⁸ Includes gross income from commission selling operations; 1961, \$2,017,523; 1962, \$2,164,712.⁹ 24 weeks ending June 15, 1962, and June 16, 1962.¹⁰ After \$229,000 (11 cents a share) charge due to devaluation of Canadian dollar.¹¹ Quarter ended June 30.¹² Year ending June 30.¹³ 40 weeks ended July 7, 1962, and July 6, 1963.¹⁴ Quarter ended June 2, 1962, and June 1, 1963.¹⁵ 8 months.¹⁶ 28 weeks ended Mar. 10, 1963.¹⁷ Deficit.¹⁸ 6 months ended March.¹⁹ Total assets; sales not available.²⁰ Canadian dollars.²¹ Merged Dec. 31, 1962, with other companies, including Paelet Manufacturing Co.²² 70 percent of parity.

Sources: Standard & Poor's Corp. records; Moody's Industrials; Daily News Record, Jan. 25, 1962, p. 22, Daily News Record, May 14, 1962.

Mr. LINDSAY. Mr. Chairman, first I wish to state my strong support for the McIntire amendment to H.R. 6196. The amendment will force a gradual reduction in cotton price supports from the present 32.47 cents per pound to 29 cents over the life of the bill. The amendment compels these reductions; the Secretary of Agriculture has no choice in the matter.

With the McIntire amendment the bill, it seems to me, is worthy of support. It is fair and reasonable. I do not see how one can justify two-price cotton and low tariff rates at the same time without making some adjustments. I strongly supported the Trade Expansion Act. I believe in reciprocally low tariffs. I also believe in Americans selling cotton abroad in international markets. This means that we must sell overseas at the world market price. The world market price is 8½ cents per pound below the U.S. domestic price. The

United States must sell abroad at this price in order to compete. This same cotton then comes back into the United States in manufactured goods form. What is the answer? Do we end international selling of raw cotton? Of course not. The Government already owns over 8.2 million bales of cotton. This is almost six times the amount owned in 1961. By 1964 it may increase to 10 million bales. The Government investment in this cotton will be \$1.6 billion and the storage costs will approximate \$83 million annually. We must sell as much as we can and we must stay in world competition. The choice then is to lower the price support for cotton, which this bill does by the McIntire amendment, and to make surplus cotton available to manufacturers at a price which will enable them to stay within the range of competition of foreign manufacturers. Foreign buyers of American cotton still will manufacture more

cheaply than we can, but at least American manufacturers will not be prejudiced before they begin. The American consumer will be able to buy domestic cotton-made goods of cheaper prices. It is estimated that 35,000 jobs can be saved. In the past 5 years 45 cotton mills have been liquidated, wiping out approximately 20,000 jobs. How long can this continue? Most assuredly it will continue indefinitely unless some adjustment is made.

I would like to see larger cuts in the cotton price support than that provided by the McIntire amendment, but my distinguished friend from Maine, who is committed to the gradual elimination of the whole price support system, went as far as the practicalities indicated he could go in his amendment. On balance, then, I will support this bill.

Mr. ALGER. Mr. Chairman, I would like to take this opportunity to commend the minority members of the

Agriculture Committee and to join with them in opposition to this bill.

I would like to make it clear that I share the concern for the serious problems facing the cotton industry. Cotton plays a most important part in the economy of Dallas, the district I have the honor to represent. I agree that a vigorous and prosperous cotton industry is vital. This bill does not assure such a result, rather, in my opinion, it merely postpones the day when the cotton industry is liquidated unless we take proper measures to create a climate in which it may be restored to health.

The weakness of this bill is that it does not move cotton closer to a free market and less Government controls, but actually imposes a triple subsidy program for cotton, as pointed out in the minority report. This bill proposes, in addition to the subsidies for producers and exporters, a third subsidy for the mills. This is wrong and can result only in higher prices to consumers while providing no solution to the problem the cotton industry faces.

The way out of the dilemma faced by cotton is clearly outlined in the minority report on page 40 which is summed up as follows:

It is therefore our general recommendation that the Secretary of Agriculture be required by law to follow the mandate and the authority which he has failed to use under the provisions of the Agricultural Adjustment Act of 1938 and the Agricultural Act of 1949, both of which were amended by the Agricultural Act of 1958. We propose that these acts be amended to effect an orderly transition over a period of years toward lower price supports for cotton which would allow increased markets and the development and reestablishment of a one-price cotton system while lowering Government costs, maintaining farm income, and recapturing cotton's historic preeminence as the king of textiles.

This is the goal of all of us truly interested in maintaining the cotton industry and this bill makes the attainment of such a goal almost impossible. Finally, there is only one proper solution to the problems of cotton and all of agriculture, ultimately we must get the Government out of the farm business.

Mr. COOLEY. Mr. Chairman, I yield myself the balance of the time remaining on this side.

Mr. Chairman and colleagues, as we come to the end of this long debate, I want to impress upon the House just a few facts and figures. My dear friend, the gentleman from Oklahoma [Mr. BELCHER], made a speech that was something of a tirade. He seems to think this House is not aware of certain things that have happened.

The fact is that for 20 long years under Democratic administrations, and I know that my colleague is very, very partisan, we operated a cotton program so successfully and so well that when we turned it over to the Eisenhower administration in 1953 we did not show a loss of a single dime nor of a single dollar but had a net profit of \$268 million in the cotton program over a 20-year period.

When it got into the hands of unfriendly administrators, within a few short months that profit had been lost. Now we have lost up to date through the Commodity Credit Corporation on cotton \$1,858 million—almost \$2 billion. Yet the gentleman from Oklahoma comes here to oppose us when we are trying to do something about the losses and to minimize the costs and gives you a figure which is misleading. He says that this program costs \$600 million. That is the total cost. He does not point out what the cost will be if you do not pass this bill. The additional cost for the first year is only \$118 million. The second year it goes down to \$87 million, and the third year \$44 million, but during those 3 years it is estimated by experts that we will save the consumers of America \$500 million and save the jobs of textile workers.

Let me go now to wheat. Our colleague had a lot to say about wheat, and that is the principal crop in his district. Do you know what their losses have amounted to on wheat to date? Under the 20 years that we ran the program for wheat we lost only \$76 million.

Mr. BELCHER. Mr. Chairman, will the gentleman yield?

Mr. COOLEY. No. I am sorry. I cannot. But I will give you some information I do not think you know. Losses on wheat in the 20 years prior to 1953 were \$76 million, which amounts to nothing compared to the subsequent losses we have incurred to date on wheat, his principal commodity, which amount to \$10,931 million. And I challenge you to deny the accuracy of those figures. It is all right to lose on wheat, but you cannot lose on cotton. I have voted for wheat legislation, and you griped and growled about the last program we gave you. You went out to the country and told everybody to vote down this program. You said, "We will get you another wheat program. The wheat farmers rejected it. And I am willing to abide by their decision. Whenever the cotton farmers and the rice farmers and the peanut farmers and the tobacco farmers reject our programs I have no complaint to make. But I do have a complaint to make when fallacious statements and erroneous statements are made here in the last minutes of this debate in an effort to lead the Members to vote against this bill.

I can tell you this is the last clear chance to save the cotton industry of this country. This is the vote that you will cast. That is how important it is. I am pleading not only for the cotton farmers. We have about 230,000 textile workers in my State—more textile workers than any State in the Nation—more textile spindles than any State in the Nation.

This is a bill that will bring relief to everybody in the textile industry from Boston to Houston or Boston to Austin or whatever you want to say—from Ocracoke in North Carolina to the Golden Gate of California.

So I think this bill should be enacted

and you should not be frightened or intimidated by the gentleman from Oklahoma [Mr. BELCHER] because he does not want to vote it out. He has a perfect right to believe so.

Mr. BELCHER. Mr. Chairman, will the gentleman yield?

Mr. COOLEY. Yes, I will yield.

Mr. BELCHER. If you did not yield to me, you need not ever ask me to yield on the floor, whether I was for your case or not, because I have never, since I have been a Member of this Congress, refused to yield to you. When you give me some information I do not know, that will be a novel experience. But I will say to the gentleman I admit those wheat losses. Every single one of those bills was passed by your committee and it was your support that cost that money.

Mr. COOLEY. And signed by your President and recommended by your Secretary of Agriculture and voted for by you.

Mr. BELCHER. I voted against the bill that you passed that cost \$8 billion. Your committee brought these bills up and not I.

Mr. COOLEY. No. It was your administration that weakened the program so much and accumulated these losses which are now constituting a great and intolerable burden on the taxpayers of this Nation.

I ask you to give careful consideration to the implications involved in this legislation. I have resolutions and letters here that will go into the RECORD from Rhode Island and up in Maine and all over this country where the people are begging for this legislation. Yet we see it wrapped up here in partisan politics.

I am inserting certain letters and resolutions at this point in the RECORD:

TEXTILE WORKERS UNION OF AMERICA,
New York, N.Y., July 30, 1963.

HON. HAROLD COOLEY,
U.S. House of Representatives,
House Office Building,
Washington, D.C.

DEAR CONGRESSMAN COOLEY: I have read with a good deal of interest an article in the Daily News Record of July 24 which indirectly quotes you as saying that the Textile Workers Union of America can be of help in rallying support for one-price cotton legislation.

Specifically, the article says: "Mr. Cooley is known to believe that the Textile Workers Union may be able to muster help from other segments of organized labor to work for the bill on behalf of textile mill workers."

My purpose in writing is to assure you that, as in the past, we will do all we possibly can to promote the passage of legislation which eliminates the inequities of the present two-price cotton system. We shall, of course, use all of our influence and persuasive powers to convince "big city" Congressmen of the pressing need for such legislation.

As for any attempt to enlist the rest of organized labor behind this legislation, I feel I must warn you and all other interested parties that this is no small or routine task.

It is very difficult, indeed, to arouse any sympathy on the part of other segments of labor, and the public in general, for a low-wage, nonunion industry, such as textiles, which fanatically resists the efforts of its workers to organize and improve their working and living standards.

It is hard to sell the proposition that an industry which will not even sit down with the representatives of its workers to discuss joint efforts to promote beneficial legislation deserves any consideration of this sort.

However, because textile workers have a stake in eliminating the inequities of the two-price cotton system, we shall make a vigorous attempt to mobilize support. But these are the facts of life we have to face, and they do not make this task an easy one.

Sincerely,

WILLIAM POLLOCK,
General President.

TEXTILE WORKERS UNION OF AMERICA,
New York, N.Y., November 11, 1963.

Hon. HAROLD COOLEY,
Old House Office Building,
Washington, D.C.

DEAR CONGRESSMAN COOLEY: Over the years, the Textile Workers Union of America has devoted a good deal of its energy to enlisting the aid of the Government in developing remedies to help restore the economic health of the textile industry. We have pursued this course not only in the interests of nearly 1 million American workers who depend upon it for their livelihood, but also because this industry is essential to the Nation's welfare.

Textile imports have always been a threat to our industry because the emerging, underdeveloped, low-wage nations always turn to this commodity in their efforts to industrialize quickly and to secure dollar-exchange for international trade.

To compound the difficulties which stem from this practice, our own Government makes it possible for foreign manufacturers to purchase raw cotton from the United States at 8½ cents a pound (or 25 percent) less than domestic manufacturers are compelled to pay for the same cotton.

In turn, these foreign manufacturers, who already enjoy the advantage of low wages, convert the raw cotton into consumer goods and ship them into the same markets upon which our own industry depends. The result has been a drastic shrinkage in the jobs of American textile workers and a continuing threat of further shrinkage.

As a result of this unfair competition, imports of cotton products have skyrocketed. In 1962, they were equivalent to 645,000 bales of raw cotton. This amount is 64 percent greater than in 1961 and four times as great as the annual average of the last decade. Moreover, they continue to increase.

This vast influx of imports has seriously aggravated the unemployment problems of cotton textile workers. Employment in broadwoven fabric mills declined from 246,800 production workers in 1958 to 216,700 in August of 1963. In this 5-year process, 45 cotton mills have been liquidated and approximately 20,000 jobs have been wiped out.

What prompts this letter is the fact that, at long last, a remedy for this situation is about to be considered by the House of Representatives. The Cooley one-price cotton bill (H.R. 6196) will shortly be before you. This legislation would eliminate the two-price cotton system which has been depressing the domestic textile industry. It would enable domestic manufacturers to purchase raw cotton at the same price that foreign buyers pay.

This would be accomplished by gradually reducing the support price from 32½ to 29 cents a pound and, by making payments to the mills (in the form of cotton from the stocks of the Commodity Credit Corporation) to make up the difference between the support price and the 24-cent world price of cotton.

We in the Textile Workers Union of America are most anxious to see the Cooley bill enacted. We regard these payments as essential to remove the competitive disadvan-

tage suffered by the domestic industry. On the basis of past experience with cotton price reductions, it is evident that competition will force the price level for cotton textiles to be lowered. This, in turn, should result in a \$500 million savings to consumers and lead to the expanded use of American-made cotton products. In addition, it should not only relieve the threat to existing cotton textile employment, but should create some 35,000 additional jobs for cotton textile workers.

The Kennedy administration is supporting the Cooley bill and the Speaker of the House has agreed to bring it to the floor shortly after November 11, 1963. Because of its importance not only to textile workers, but to consumer and national interests in general, we earnestly urge you to vote in favor of this legislation.

Sincerely,

WILLIAM POLLOCK,
General President.

LEWISTON JOINT BOARD, TEXTILE
WORKERS UNION OF AMERICA,
Lewiston, Maine, October 28, 1963.

The Honorable HAROLD COOLEY,
House of Representatives,
Washington, D.C.

DEAR CONGRESSMAN COOLEY: I am enclosing a copy of a resolution adopted by the delegates to the Lewiston joint board of the Textile Workers Union of America at a meeting held on Sunday, October 27, 1963.

The joint board represents approximately 4,000 textile workers in Maine at the present time.

Only a few years ago, we represented over 8,000 workers. The decrease has been due principally to competition caused by increased imports of cotton products.

We plead with you to use your great influence to secure the passage of H.R. 6196 known as the one-price cotton bill in order to relieve the insecurity of many thousands of American cotton textile workers.

Very truly yours,

DENIS A. BLAIS,
Manager.

Whereas the cotton textile workers and manufacturers in this country have been burdened for many years with unfair competition from foreign made products; and

Whereas the action of our own Government in permitting foreign manufacturers to purchase American-grown raw cotton at prices substantially lower than those prevailing for American mills; and

Whereas the combination of low foreign wages and lower priced cotton has resulted in greatly increased imports of cotton-made products with a corresponding decrease in employment in the American cotton textile industry: Therefore be it

Resolved, That the Lewiston joint board of the Textile Workers Union of America, representing workers in the areas of Lewiston-Auburn, Augusta, Waterville-Winslow and Old Town, in the State of Maine, urgently request the Congress of the United States to pass H.R. 6196, known as the one-price cotton bill now pending in the House of Representatives; and be it further

Resolved, That copies of this resolution be sent to the President, the Speaker of the House of Representatives, the majority and minority leaders of the House of Representatives, the chairman of the House Agriculture Committee and members of the Maine congressional delegation.

Unanimously adopted October 27, 1963.

UNITED TEXTILE WORKERS OF AMERICA,
CRANSTON, R.I., September 8, 1963.

RESOLUTION PERTAINING TO ECONOMIC HARD-
SHIP OF THE AMERICAN TEXTILE WORKER

Whereas it is a matter of record that the economic plight of the American textile worker has become so acute, each week thousands are forced on relief rolls because

their employers are compelled to shut down their plants, or are forced out of business due to unfair foreign competition; and

Whereas it is also a matter of record that the price differential of 8½ cents per pound of cotton allowed foreign competitors is economically unsound, and eventually will cause more textile mills to close their doors, thereby making a graveyard of an industry which was once the backbone of the Nation: Therefore be it

Resolved, That Local 2459, United Textile Workers of America, Cranston, R.I., respectfully memorializes Congress to pass remedial legislation to end price differential discrimination against the American textile industry, and give to the American textile worker the inalienable right to work at his chosen trade; be it further

Resolved, That our international president, George Baldanzl, be consulted on the propriety of a peaceful march to Washington, D.C., by members of our international union, for the purpose of presenting our petition to the Members of Congress, and to provide documentary proof that legislative inactivity is causing irreparable harm to thousands of textile workers in the United States; and be it further

Resolved, That copies of this resolution, and supporting data, be forwarded to our delegates to Congress from Rhode Island, to John H. Chafee, Governor of Rhode Island, and to President John F. Kennedy.

This resolution was passed at a regular meeting, Sunday, September 8, 1963.

JAMES LENEHAN,
President.

EXCERPTS, PROVIDENCE SUNDAY JOURNAL BUSINESS WEEKLY, AUGUST 25, 1963

The two-price system centers around an export subsidy program established in 1956. Foreign competitors buy American grown cotton 8.5 cents cheaper, or the equivalent of \$42.50 for each 500-pound bale.

American Textile Manufacturers Institute report on imports of cotton products including grey goods and yarn.

Square yards

1955-----	363,487,000
1962-----	1,165,878,000

At the moment, there are three bills in Congress. Two are in the Senate, Cooley bill in the House. Apparently, the Cooley bill has the best chance of passage.

Berkshire Hathaway operated four textile plants, and a finishing plant in 1961. Now only one plant remains.

Cotton inventories are exceedingly low, business is being done on a hand to mouth basis, because Congress is not saying whether it will grant relief or not.

The CHAIRMAN. The time of the gentleman from North Carolina [Mr. COOLEY] has expired.

All time has expired. The Clerk will read the bill for amendment.

The Clerk read as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Agricultural Adjustment Act of 1938, as amended, is amended by adding the following new section:

"SEC. 348. In order to maintain and expand domestic consumption of upland cotton produced in the United States and to prevent discrimination against the domestic users of such cotton, notwithstanding any other provision of law, the Commodity Credit Corporation, under such rules and regulations as the Secretary may prescribe, is authorized and directed for the period beginning with the date of enactment of this section and ending July 31, 1967, to make payments through the issuance of payment-in-kind certificates to persons other than producers in such amounts and subject to such terms

and conditions as the Secretary determines will eliminate inequities due to differences in the cost of raw cotton between domestic and foreign users of such cotton, including such payments as may be necessary to make raw cotton in inventory on the date of enactment of this section available for consumption at prices consistent with the purposes of this section: *Provided*, That beginning August 1, 1964, payments shall be made to persons other than producers in an amount as will make upland cotton produced in the United States available for domestic use at a price which is not in excess of the price at which such cotton is made available for export."

The CHAIRMAN. The Clerk will report the committee amendment.

The Clerk read as follows:

Committee amendment: Page 2, line 13. Insert the word "such".

The amendment was agreed to.

Mr. COOLEY. Mr. Chairman, I ask unanimous consent that the remainder of the bill be considered as read and open for amendment at any point.

The CHAIRMAN. Is there objection to the request of the gentleman from North Carolina?

Mr. GROSS. Mr. Chairman, I object.

AMENDMENT OFFERED BY MR. JONES OF MISSOURI

Mr. JONES of Missouri. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. JONES of Missouri: On page 2, line 12, substitute a period for the colon and add closing quotation marks; then strike the remainder of line 12 and all of lines 13 through 17.

Mr. JONES of Missouri. Mr. Chairman, I hope it will not be necessary to take even 5 minutes to explain this amendment. All it does is to insure that we will not go further than making a payment which will eliminate the inequity. That is supposed to be the purpose of this bill. The first part of this section takes care of that by giving the benefits to the mills of any inequities that exist because of the export payment. The proviso beginning on line 12, however, says:

That beginning August 1, 1964—

The Secretary can go further than remove the inequities and make the payment exactly what the foreign payment is. It is not necessary in the opinion of many of us and in the opinion of the Department to do this. The Under Secretary of Agriculture, Mr. Murphy, who appeared for the Department of Agriculture before our committee said that it might take 5 cents, it might take 6 cents, it might be as low as 4 cents, to remove that inequity. The difference is because of the transportation cost, handling, and insurance and other relevant items like that. So by adopting this amendment you would be merely providing what the proponents of this bill say that they want. You would be prohibiting the possibility of a windfall to anyone.

(Mr. JONES of Missouri asked and was given permission to revise and extend his remarks.)

Mr. COOLEY. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, this amendment, of course, would ruin the pending bill. It

would take the heart out of the bill. I think the author of the amendment is well aware of the fact that no provision in this bill requires the Secretary of Agriculture to make an 8½-cent-a-pound payment to anybody. The payment to be made is the same that is necessary to eliminate the inequity, whatever it happens to amount to. If under the amendment which will be offered by the gentleman from Maine [Mr. McIntire], the price of cotton comes down to 29 cents a pound over a 3-year period, naturally the payment would come down.

Mr. JONES of Missouri. Mr. Chairman, will the gentleman yield for just a brief question?

Mr. COOLEY. Yes.

Mr. JONES of Missouri. Can the gentleman tell me why they would put a proviso in here to the effect that beginning August 1 there would be different rules followed than would be followed upon enactment of the bill?

Mr. COOLEY. The gentleman knows exactly why.

Mr. JONES of Missouri. No, I do not.

Mr. COOLEY. I will tell the gentleman if the gentleman will just listen.

Mr. JONES of Missouri. I will listen.

Mr. COOLEY. We promised to eliminate this inequity. At that time when the promise was made the inequity was 8½ cents per pound. Everyone in the industry came before our committee and supported my original bill. My original bill contemplated the elimination of the inequity in toto. Then, when the administration people came before our committee they told you and told me that because of the budgetary situation they could not go the full 8½ cents per pound in 1963, but would try to reach it in 1964. I think the Under Secretary said under the budget they might be able to go as much as 5 cents a pound.

When that word came out all of the people in the industry just left Washington and went home. I think they were heartbroken and upset.

Then we finally got them together again in Washington and the officials convinced the industry that they could take less than full and complete elimination of the inequity in the first year under this legislation.

So, that is the reason we put this date in the bill.

In August of 1964 we are proposing to go all the way to eliminate this injustice.

If there is an injustice and if there is an inequity, it should be eliminated in toto and not partially. That is the reason it is in there and I thought, certainly, that the gentleman from Missouri knew that.

Mr. JONES of Missouri. Mr. Chairman, will the gentleman yield further?

Mr. COOLEY. I yield further to the gentleman.

Mr. JONES of Missouri. Does not the first part of the section there say that in order to make such payments as will eliminate the inequities—it does not place any restriction upon it, does it?

Mr. COOLEY. That is right exactly.

Mr. JONES of Missouri. Why have they not suggested that instead of coming down here and saying it has to be the exact amount, when the Under Secre-

tary in all of his testimony did not say this. The only people who said it took a full 8½-cent reduction were the mill people. I do not blame them for saying it.

Mr. COOLEY. Oh, no.

Mr. JONES of Missouri. But, I think they got a little greedy.

Mr. COOLEY. The Department officials admitted it.

Mr. JONES of Missouri. No, the Department officials never did admit that. The gentleman cannot show me a place in the hearings where they admitted it.

Mr. COOLEY. Is there anything in here that calls for 8½ cents? If there is, show it to me. It is not in here.

Mr. JONES of Missouri. If it were not in that proviso, you would not object to taking it out.

Mr. COOLEY. It is not in there. The language says whatever it takes to eliminate the inequity. That is what we want to do and that is all we want to do.

Mr. QUIE. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I would like to ask the chairman of the Committee on Agriculture a question, in order to clarify the amendment that the gentleman from Missouri [Mr. JONES] has offered here.

As I understand it, with the striking of this language, beginning on line 12, the Secretary could decide to pay only—and let us say—a 2-cent subsidy to the mill if he wanted to, rather than be required to bring the price to the mill down to the world market price; is that correct?

Mr. COOLEY. If he wanted to break faith with the intent and purpose of the law, of course, he could do that. But I have no reason to believe that the Secretary of Agriculture would issue any such order.

Mr. QUIE. When the Secretary of Agriculture, or someone who represented him, appeared before our committee, he indicated that the disparity or the difference between these prices was not 8½ cents, because there is some transportation cost involved.

Mr. COOLEY. Why there was some talk about transportation costs. If the Secretary finds a disparity of 8½ cents, there is nothing to require him to pay 8½ cents. If he is right, it might be something substantially less than 8½ cents.

The point is the inequity. I do not believe in trying to partially eliminate inequity. I think we should go all the way and be fair to this industry which is so vital to the welfare of the people of our country.

Mr. QUIE. In other words, even with the language in the proviso which the Jones amendment would strike, the Department of Agriculture could consider transportation. Say transportation was 1 cent, then he could make the payment 7.5 cents instead of 8.5 cents?

Mr. COOLEY. He has all the flexibility in the world, it seems to me. He must look to the intent and purpose of the law, and that is to eliminate inequities, and I think the gentleman will recall that because of the budget situation they could not go all the way.

Mr. QUIE. In other words, if we agree to the amendment offered by the

gentleman from Missouri, there is a likelihood in 1964 the Department would not go all the way either?

Mr. COOLEY. That is right.

Mr. HARDY. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, the point raised by the gentleman's amendment seems to me to be a rather important point. Although I am not sure I understand what the bill's objective is, in one place it says the objective is to eliminate inequities due to differences in the cost of raw cotton between domestic and foreign users. I am not sure what that means, but I suppose it means to equalize the cost of cotton at the mills, both foreign and domestic. The bill says "eliminate inequities." It does not say that the Department would be authorized to make a lesser payment immediately upon the enactment of this act simply because of a limited budget. It says the Secretary is required to eliminate the inequity.

Mr. COOLEY. Here is the difference between us. The gentleman from Missouri I think understands that to eliminate inequity we must have this subsidy.

Mr. HARDY. Let us get away from the 8.5 cents, or any specific amount. Let us talk about what an inequity is. I do not know whether it is 8.5 cents or what it is you have been talking about.

Mr. COOLEY. Eight and one-half cents is not mentioned in the bill.

Mr. JONES of Missouri. You are misquoting me. I did not say it required 8.5 cents to remove the inequity.

Mr. HARDY. I did not mean to promote an argument between my two friends. This thing has me a little bit confused, too, because there is nothing in the bill about "cents." It says "to eliminate inequities." I do not understand how under the language of the bill the Secretary could make a payment of less than the amount required to eliminate the inequity as of the effective date of the bill.

Frankly, I think I have to agree with the gentleman from Missouri. As I read the language in the proviso, its meaning differs substantially from the earlier language in the section. In one case it says "difference in the cost of cotton between foreign and domestic users." Under the proviso it says "the price at which such cotton is made available for export." So in the proviso the Department would be required to take into consideration the cost of transportation and any other incidental expenses. Frankly, I think the proviso ought to be stricken if you are going to promote equity.

Mr. COOLEY. In the proviso the language is "at a price that is not in excess of the price at which cotton is made available for export."

Mr. HARDY. That is right.

Mr. COOLEY. I think the whole thing does make sense. That is, if there is an inequity it should be eliminated. We do not tie the Secretary's hands.

Mr. HARDY. That is not what you are saying in this language, as I read it. You are saying in this language that the American competitor is going to have an advantage because he is going to get his cotton at the mill cheaper than the foreign importer can because the foreign

importer has to pay handling and storage and transportation costs. In the proviso you relate it to price for export.

Mr. COOLEY. That is not related to price. It is related to an inequity in price.

Mr. HARDY. I cannot read inequity in the last part of the proviso to save my life. The proviso relates to price and it proposes to equalize the price of cotton to mills in the United States with the export price of cotton to which still must be added transportation and other costs before it reaches foreign mills.

Mr. MEADER. Mr. Chairman, will the gentleman yield?

Mr. HARDY. I yield to the gentleman from Michigan.

Mr. MEADER. It seems to me clear that the proviso puts the domestic mill in a very much better position than his foreign competitor.

Mr. HARDY. That is it exactly.

Mr. MEADER. This adds transportation costs, insurance, and all the other costs.

Mr. HARDY. That is my point. The amendment of the gentleman from Missouri ought to be adopted.

Mr. OLSON of Minnesota. Mr. Chairman, I rise in support of the amendment.

Mr. Chairman, during the discussion in committee, if I recall properly and I am sure I do, the purpose of this language was the Department testimony that it could not make an 8.5-cent payment to remove the so-called price inequity between the export cotton and the domestically consumed cotton. It testified the inequity was somewhat less. You could determine it was 5, 5.5, or 4.5 cents. But the proviso that this would strike would insure that if the McIntire amendment is adopted and the price support of cotton is reduced you would carry the gage relating what the transportation cost is, you would not continue the payment, if it were 5 cents or 15 cents after August 1, 1964, regardless of what the inequity was. So it does bring about a higher payment after August 1, 1964 than it does before, in relationship to the 1963 crop.

Mr. McINTIRE. Mr. Chairman, I move to strike out the requisite number of words.

Mr. Chairman, my purpose in rising is to inquire of the gentleman from Missouri what his definition would be in relation to equity under the amendment which he proposed. I think for the legislative record it would be very helpful if the gentleman would say what he thinks of in terms of equity that would be attempted under the legislation if his amendment were adopted.

Mr. JONES of Missouri. I think the wording in the bill, the part that I do not strike, gives an adequate definition. It says here very plainly:

The Commodity Credit Corporation, under such rules and regulations as the Secretary may prescribe, is authorized and directed for the period beginning with the date of enactment of this section and ending July 31, 1967, to make payments through the issuance of payment-in-kind certificates to persons other than producers—

Of course, the mills may not get it. in such amounts and subject to such terms and conditions as the Secretary determines

will eliminate inequities due to differences in the cost of raw cotton.

In the hearings, when Under Secretary Murphy was before our committee he was raked over the coals quite a bit. We were trying to pin him down to a point. He indicated that the payment might be different in different areas due to the difference in the cost of transportation, due to the cost of handling, insurance, and all the other factors that go into it. We discussed that in the committee and we finally wrote the language and said we were going to leave it up to the Secretary of Agriculture to decide what the equity was. That is what he still does and would still do if my amendment is adopted. Unless my amendment is adopted, we get into paying the exact figure. The reason I say the exact figure is that the differential between the domestic mills and the foreign mills should not be the same, because the difference in transportation costs and other relevant factors would be ignored.

According to the American Cotton Association, it cost 35 cents to get cotton from Memphis to Bremen by the Gulf ports as against 35.12 to get it from Memphis to a Carolina mill. It depends on where the cotton is going as to the amount of subsidy that mill should collect at that time.

That is what the Secretary would do. That is what he would be permitted to do under this bill, if my amendment is adopted. But if my amendment is not adopted, then we are going to say that this payment to the domestic mill has to be the same as the payment to the foreign mill. I say that would provide a windfall.

Mr. COOLEY. Mr. Chairman, will the gentleman yield?

Mr. McINTIRE. I yield to the gentleman.

Mr. COOLEY. The gentleman from Missouri said that during the hearings there was a discussion of such an amendment in the committee. The gentleman never offered such an amendment in the committee. Now he comes here and offers this amendment and confuses the issue. You know the clear purpose and intent of this bill is to eliminate the inequities. Here we are making legislative history and if the amendment before us is adopted all we will be saying is that the purpose of it is not to give our domestic mill any advantage. You know that as well as I do.

Mr. JONES of Missouri. I think the chairman will admit that we had considerable discussion. There were amendments offered in committee at the time this was under discussion.

Mr. COOLEY. But it was not your amendment.

Mr. JONES of Missouri. It was not my amendment, no. But I have supported a lot of amendments on the floor that I did not offer. As a matter of fact, I offer very few amendments.

Mr. COOLEY. But no amendment with the same purport and intent as your amendment was offered in committee.

Mr. JONES of Missouri. There were amendments with the same purport offered—yes, I beg to differ with the chairman. I am not trying to confuse the

issue. I am trying to bring the issue out and make it clear.

Mr. McINTIRE. Mr. Chairman, I think the point has been thoroughly discussed. I think the objective we have in mind is that there shall be equity, and I feel that the language that is in the bill makes this intention very clearly.

I want to say I oppose the amendment offered by the gentleman from Missouri.

Mr. DENT. Mr. Chairman, will the gentleman yield?

Mr. McINTIRE. I am happy to yield to the gentleman.

Mr. DENT. If the purpose is equity based upon the cost to both the domestic and foreign consumer, then I can vote for the bill because the rule of thumb on exports into the United States as contained in the hearings and the information that we got in hearings that I held for 2 years at the instance of the House of Representatives is that approximately 25 percent of the American purchase price is added.

The CHAIRMAN. The time of the gentleman from Maine has expired.

Mr. DENT. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I am serious about this. I would be happy to vote for this bill, if the purpose is to really create equity between the American purchase price of cotton and the foreign purchase price. Because if they purchase at \$139.50 the rule of thumb is that 25 percent of the American purchase price is added for insurance and transportation. That will mean that the added price to the \$139.50 would be \$35 making it \$164.50, which is the cost of a bale of cotton, let us say, to the Japanese. That is if they charge the rates of transportation provided under the international rate board schedules. But since the Japanese own and control their own transportation, I can guarantee you that they will increase the price of their transportation so that it will equalize the cost at the figure of \$172. As this now stands, if we accept the amendment that has been offered by the gentleman from Missouri, the total available amount that can be retained or claimed by American industry and American textile mills will be \$7.50 a bale instead of \$42.50 a bale.

Mr. MOORHEAD. Mr. Chairman, will the gentleman yield?

Mr. DENT. I yield to the gentleman.

Mr. MOORHEAD. As I understand it, the gentleman is saying that with the proviso eliminated, the bill would provide for equity whereas with the proviso included in the bill, it would go further than that and might involve a wind-fall.

Mr. DENT. Yes, and it would go further. I say that the gentleman is right in that assumption.

Furthermore, you must remember that the entire cotton content imported into the United States is less than 8 percent of the American consumption of cotton content products or textiles. Therefore, if it is only 8 percent of the total U.S. consumption, how can you justify giving a so-called equity of \$42.50 on 11 million bales to American textile maker? The impact upon his production and sales in American is 8 percent of his total sales.

Now, I am not one who believes in imports. If I thought this bill would close the door to imports, I would be the first to vote for it, and every person here knows that. But it will not, because the cotton content of a shirt is less than 4 ounces of cotton. So the cotton content makes no difference when you are paying \$2.15 an hour average wage in South Carolina and are paying 15 cents as an average wage in Hong Kong and Japan. The question of equity here has to be based on four factors. I would vote for a bill that would undertake setting up a factor of wages, a factor of raw material, a factor of taxes, and a factor of services where the costs are mandated by law. If you do that, you put your industry in competition not only here but all over the world. Until you do that, do not do it this way, piecemeal, because the cotton States will suffer the most. Those of us who are your friends are telling you frankly this is unsound. It will hurt you when you have to come back to the House within a year or so.

Mr. COOLEY. Mr. Chairman, will the gentleman yield?

Mr. DENT. Yes; I yield to the gentleman from North Carolina.

Mr. COOLEY. We are told—whether accurately or not I do not know—that if this inequity is eliminated and our mills are authorized and able to purchase cotton at the same price as foreign mills purchase cotton then we will substantially increase the use of cotton here at home. That will benefit the cotton farmer and it will benefit the cotton textile man and it will benefit everybody including the consumer. All of this will bring down the price to the consumer to the extent of about \$500 million a year. That is what the record shows.

Mr. DENT. Mr. Chairman, I respect you and respect what you are trying to do, but let me tell you something. While all other commodities in the United States increased in volume from 1947 to 1962 by 50 percent in production and use, the textiles in the United States diminished by 2 percent. The textile industry is the victim of its own advancement as well as the advancement of manmade fibers. When they started to product shrinkproof materials and started to Sanforize cotton and make cotton so that it lasted longer and a housewife could buy a cotton dress for a dollar and throw it into a washing machine instead of having five dresses that she had to scrub and scrub away on and scrub them into the sewers, that is what caused the decline in textiles. This is a national decline. There is an increase in the foreign countries because they do not have washing machines and they do not have detergents and other washing materials and do not have our processes for making cotton so durable.

Mr. FINDLEY. Mr. Chairman, I rise in support of the amendment of the gentleman from Missouri [Mr. JONES].

Mr. Chairman, I believe that this amendment would have the effect of tightening up on the possible abuse of the direct payments to mills under the provisions of this bill. The latest quotation I have seen on the price of Middling inch upland U.S. cotton at London, for ex-

ample, was somewhere around 27 cents a pound and not the 24 cents a pound price at which I presume the differential payment or trade incentive payment could be computed under the definition which appears in lines 12 to 17, page 2, of this bill.

I just discussed the amendment of the gentleman from Missouri with the gentleman from Minnesota [Mr. QUIE], who spoke a few minutes earlier. I believe I speak for him in stating that he is definitely in support of the Jones amendment, and I join him in urging my colleagues to support it.

Mr. BOGGS. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, I do not have the high privilege of being a member of the Committee on Agriculture, but I have followed this problem very closely for a great many years. There is not a bale of cotton produced in my district, and there is not a textile mill located in any of the areas that I represent, but I have worked for many years on our trade agreements program and I have been one who has recognized this inequity which exists as a result of the laws enacted by the Congress. As a matter of fact, I headed a subcommittee which went to Japan about 4 or 5 years ago. We met with the Japanese textile industry for about a week. We discussed these problems in the friendliest fashion possible. A year or so ago when we considered the passage of the new Trade Agreements Act, the cotton textile people came before us and pointed out what was obviously an inequity. They then went to the Tariff Commission and filed a complaint there, and the Tariff Commission said that there was an inequity but that it was created by law and could not be solved by a tariff.

Obviously there is an inequity. Mr. Chairman, I listened with great interest to what the gentleman from Pennsylvania [Mr. DENT] had to say. The textile industry is a great variety of industries. It is not limited to cotton. The synthetic fiber industry is fast moving into the textile industry. The synthetic trade is moving ahead of the normal cotton fiber phase of the industry, which is falling behind, as everybody knows.

Mr. Chairman, I am the last person on earth to say that this is a perfect bill. I know that all of the bills that come before this body lack perfection, as everybody else knows. But I do know that a sincere effort has been made to perfect a bill. I do know that this bill has one primary objective and only one primary objective and that is to correct the inequity, namely: the price differential that an American mill has to pay as compared to someone operating a mill in England or in Tokyo or in Hong Kong.

Mr. Chairman, I am a great admirer of the gentleman from Pennsylvania. I listened to his remarks here earlier today with great interest. He and I usually have been on different sides of the export-import trade question. The only exception I would take to what he had to say was in connection with support for this bill. I know that the labor people in the textile industry are supporting the bill because they are fast losing their jobs.

Mr. JONAS. Mr. Chairman, will the gentleman yield?

Mr. BOGGS. I yield to the gentleman from North Carolina.

Mr. JONAS. Mr. Chairman, I want to associate myself with the remarks of the gentleman from Louisiana. I think this amendment should be defeated. This bill was carefully considered by the committee. It represents a majority viewpoint of the members of the committee who carefully considered it over many days and many weeks. I think it would be a mistake to start amending it now in this fashion.

The CHAIRMAN. The time of the gentleman from Louisiana [Mr. Boggs] has expired.

(Mr. BOGGS asked and was given permission to proceed for 3 additional minutes.)

Mr. DENT. Mr. Chairman, will the gentleman yield?

Mr. BOGGS. I yield.

Mr. DENT. I notice it has been bandied around here that I, for some reason or other, intimated that there has not been a loss of jobs and that unions are not for this legislation. Certainly they are for it. They were for the trade bill. But that does not mean that I have to follow exactly everything that any union labor leader wants or what every farmer wants, or anybody else wants. I do want to say that in the publication of October 26, 1961, from the press of Indianhead Mills, Inc., Mr. James E. Robison—a person whom I do not know—takes exception to the gentleman's remarks when the gentleman suggested that the textile industry has been increasing. From 1947 to 1961 industrial production in the United States increased 50 percent while textile production declined by 2 percent. Employment was 1,325,000 in the textile industry in 1947 and employment now is 940,000.

Mr. BOGGS. Mr. Chairman, may I proceed?

Mr. DENT. Yes, you may.

Mr. BOGGS. The facts are that the textile industry employs a great many people in New England, and in the southeastern part of the United States. There is not a single person in my congressional district who is employed in the textile industry.

What this bill is designed to do, if it has any merit at all, is to correct the differential that exists. One does not have to be an economist to understand this problem. An American mill goes out to buy a bale of cotton and that American mill has got to pay x number of cents for that bale of cotton more than does the Japanese mill.

The gentleman made some point a moment ago in support of the amendment which has been offered by the gentleman from Missouri [Mr. Jones] that we should not take into account shipping costs and all the other things that go into the movement of cotton. But, if we did not look at this thing on an overall basis, then we would have to go into the whole competitive situation between the American cotton industry and, let us say, the Hong Kong cotton industry. As all of us know, the wage differential, the fringe benefits and all

of the rest of these items are quite different in Hong Kong as compared to the situation in Massachusetts, North Carolina, or Georgia, or some other place in the United States.

As I understand the amendment which has been offered by the gentleman from Missouri [Mr. Jones], what he seeks to do is to strike out the language on page 2, beginning at line 12 which, in effect, says in modifying the definition of "inequity," that it should not be in excess of the price at which such cotton is made available for export.

If we strike that out, what it really means is that there will be no requirement to equalize this inequity.

I say, Mr. Chairman, if there be an inequity—and there is one—and if we are going to legislate in the field, let us face up to it realistically and recognize the inequity and try to do something about it.

Finally, Mr. Chairman, one other point: This cotton is paid in kind, cotton in storage costing the taxpayers money to store it.

The idea that these payments are made out of the Treasury of the United States is just not so.

I say, in conclusion, that this is a long way from a perfect bill. But it is a step in the right direction. By the time this bill has been passed by the other body and has been perfected in conference between the two bodies, I think we will have taken a step in preserving the great American textile industry, and I think we should do it.

Mr. Chairman, I yield back the balance of my time.

Mr. GROSS. Mr. Chairman, I move to strike the requisite number of words.

(Mr. GROSS asked and was given permission to revise and extend his remarks.)

Mr. GROSS. Mr. Chairman, I wish that some of those who go over to Japan so frequently would talk to the Japanese about some of the facts of life in this country. They should be told that we cannot forever absorb their imports at the cost of jobs for American workers and damage to our industries.

Mr. Chairman, I recall, after World War II, how this country moved into Japan. We gave the Japanese modern equipment. We sent technicians to teach them how to use this modern knitting and textile equipment. We loaned them some \$1.8 billion. About a year and a half ago that loan was settled and we got back somewhere around \$470 million in full payment for a billion-800-and-some-odd-million-dollar handout.

There is only one way that we are ever going to cure situations of this kind, not only for the cotton people but for the raw materials producers and processors of this country, and that is to somehow or other get out of the Committee on Ways and Means, of which the gentleman from Louisiana [Mr. Boggs], who has just addressed you is a member, a tariff that represents the differential in the costs of production as between foreign producers and American producers.

Mr. Chairman, we are engaged in a chicken war with the European Com-

mon Market. It has not yet been settled, and we are on the way to taking another shellacking from the Common Market nations.

A blue ribbon U.S. Commission was established and it reported there was \$46 million worth of damage to American producers by virtue of the loss of the poultry market because the Common Market virtually tripled its tariff on our frozen poultry.

Incidentally, Arkansas, the home State of the chairman of the Committee on Ways and Means, is one of the largest poultry producing States in the United States. Then U.S. and foreign negotiators got busy and the other day we were told the \$46 million damage has been reduced to \$26 million. Somehow or other, overnight, the damage to American producers shrunk to \$26 million.

This is but one example, Mr. Chairman, of how we are getting whipped all over the world. In South America they expropriate our property, the American-owned telephone company in Brazil, for instance. Sure, the Brazilian Government is going to pay for it, and pay more than the telephone company was worth. But how are they going to pay for it? With the dollars we dump in through various forms of foreign aid. They expropriate American investments, then we give them a soft loan that will never be paid, or we give them foreign aid in outright dollar grants. In other words, they use our tax dollars to pay for their larceny.

How long are we going to continue with this fleecing of American taxpayers for such purposes?

This bill is but another device for victimizing the American people for the benefit of a few. American textile manufacturers, according to the sponsors of this bill, are being damaged by foreign textile imports. So the answer is easy, as this bill provides—simply raid the U.S. Treasury and compensate the textile corporations for the damage they allegedly sustain.

Well, what do you propose to do for all others—farmers, processors, manufacturers, and labor—who are also hurt by the importation of low-cost foreign products? How many billions will it take to compensate all those who are being damaged on the same basis?

In the debate yesterday, it was stated that President Johnson supports this legislation. He is also being touted in the newspapers these days as being an advocate of frugality and economy. If it is frugality and economy to advocate spending an additional \$600 million on the cotton program, with a substantial part of this money going as a windfall to the textile corporations, then I do not know the meaning of the words frugality and economy.

We are witnessing an attempt to put the raw materials producers on a world price level. The only sane answer is to get back immediately to tariffs—tariff schedules that represent the differential in the costs of production of foreign and domestic products.

Mr. COOLEY. Mr. Chairman, I ask unanimous consent that all debate on

the pending amendment close in 5 minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

(Mr. BELCHER asked and was given permission to revise and extend the remarks he previously made.)

Mr. CONTE. Mr. Chairman, I move to strike the requisite number of words.

(Mr. CONTE asked and was given permission to revise and extend his remarks.)

Mr. CONTE. Mr. Chairman, it is very difficult for me to stand in the well today, coming as I do from New England, and speak against this bill. However, I feel I have no alternative. As a Member of the House for some 5 years, and having taken the well of the House on many, many occasions against subsidies and the principle of subsidies, I cannot see how I can, in good conscience, vote for a triple subsidy in this bill. We must vote with our conscience, whether it affects our own backyard or not. We must rise above politics.

In questioning the tone and intent of this bill, Mr. Chairman, I am questioning mainly the serious and continuing problems of subsidies which go against the grain of the American democratic system.

And yet many of my colleagues who are concerned with the increased spending on countless issues, are saying that this is not a subsidy program, and that it is a sensible solution to a serious problem.

We cannot fool anyone in this country, Mr. Chairman, with this program, a so-called panacea to abolish two-price cotton which will increase the agriculture expenditures in this one commodity from the \$500 million level to the \$775 million, at a subsidy cost of \$283 million a year.

It is quite possible, as the gentlemen from California [Mr. LEGGETT], who serves on the Committee on Agriculture said in a letter to his colleagues, to "oppose this measure not because I am not interested in a healthy cotton industry, but because I wish to see this industry expand and prosper in a healthy way."

First, Mr. Chairman, how ridiculous can this problem of subsidies become? Here we see the evolution of a three-barreled subsidy to, first, the farmer, second, the importer and third, the manufacturer.

Instead of pouring money into a situation that will not improve at the termination of this act, this Congress has had the time and the talent to look into the serious problem and arrive at a better solution than this.

Instead, by injecting a philosophy of supply management, so odious to the American farmer, the Congress would, by the passage of this bill, continue to damage the laws of supply and demand and by doing so, damage agriculture more than the natural and terrifying forces of nature ever could.

We are, in effect, admitting that the subsidy program has been a failure and we are attempting to correct that failure by still another error in judgment.

This reminds me of the old golf pro in Massachusetts who guaranteed that he could cure anyone's slice, which he did. Everyone began to hook.

And like the damaging hook, Mr. Chairman, this bill is out of bounds.

One of the strangest features, it seems to me, is the kind of handout it provides to an area of our country that has been responsible for pilfering many of our textile industries in New England.

All of these things considered, Mr. Chairman, I do not think that Congress will pride itself on the passage of this legislation at a time when we should be considering issues of a national and world importance.

At a time when we should be national, we are being sectional. At a time when we should be united, we are splitting ourselves apart on a piece of legislation that, upon deep reflection, rips through our free competitive system. It should not be supported by anyone who has any concern for the tightening of our fiscal system at a time when spending is getting out of hand.

Mr. Chairman, a colleague from New England said yesterday he could not understand for the life of him why anyone from New England could not vote for this bill. I bleed for the textile industry; however, it was not two-price cotton that came in and stole the textile industry from New England. It was the South. It was the cheap labor in the South, the sweatshop conditions, the tax inducements, and the lack of fringe benefits. These were the causes that took our textile industries from New England to "greener pastures" in the South. Now you want us to bail out the South so that they can finish the job and take what remaining industries we now have—but not with my vote.

The CHAIRMAN. All time has expired.

The question is on the amendment offered by the gentleman from Missouri [Mr. JONES].

The question was taken; and on a division (demanded by Mr. JONES of Missouri), there were—ayes 102, noes 90.

Mr. COOLEY. Mr. Chairman, I demand tellers.

Tellers were ordered and the Chairman appointed Mr. JONES of Missouri and Mr. ABERNETHY as tellers.

The committee again divided and the tellers reported that there were—ayes 125, noes 122.

So the amendment was agreed to.

AMENDMENT OFFERED BY MR. HOEVEN

Mr. HOEVEN. Mr. Chairman, I offer an amendment which is in the nature of a substitute to the bill.

The Clerk read as follows:

Substitute to H.R. 6196 offered by Mr. HOEVEN: Page 1, line 3, strike out all after the enacting clause and insert the following:

"Section 103 of the Agricultural Act of 1949, as amended, is amended by inserting '(a)' at the beginning of the first paragraph and adding the following:

"(b) The Secretary of Agriculture is hereby authorized and directed to conduct a special cotton research program designed to reduce the cost of producing upland cotton in the United States at the earliest practicable date. There are hereby author-

ized to be appropriated such sums, not to exceed \$10 million annually, as may be necessary for the Secretary to carry out this special research program. The Secretary shall report annually to the Committee on Agriculture of the House of Representatives and to the Committee on Agriculture and Forestry of the Senate with respect to the results of such research.

"(c) In establishing the level of price support to cooperators for each crop of upland cotton beginning with the 1965 crop of such cotton, the Secretary, notwithstanding the provisions of section 103(a), shall make such reductions in the price support level as will reflect reductions in the costs of producing cotton. The level of price support for the 1964 crop of upland cotton shall be the national average support price which reflects 30 cents per pound for Middling inch. For 1965 and subsequent years, the level of price support shall be the level in effect for the preceding crop adjusted as provided in this section to reflect reductions in the costs of producing cotton; *Provided*, That the maximum level of price support shall be the national average support price which reflects for Middling inch 29½ cents per pound for the 1965 crop and 29 cents per pound for the 1966 crop."

Mr. COOLEY. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. COOLEY. Mr. Chairman, I would like to ask whether or not the document just read is offered as a substitute for the first section or as a substitute for the whole bill.

The CHAIRMAN (Mr. ROONEY of New York). It is offered as a substitute for the entire bill.

Mr. COOLEY. Then, Mr. Chairman, I make a point of order against it.

The CHAIRMAN. What is the gentleman's point of order?

Mr. COOLEY. That the bill has not been read and a substitute is not in order to the bill until it has been read.

The CHAIRMAN. The gentleman from Iowa is attempting to offer it at this time for the reason that if the first section is stricken he may take subsequent action.

(Mr. HOEVEN asked and was given permission to revise and extend his remarks.)

The CHAIRMAN. The gentleman from Iowa is offering it at this time and if the first section is stricken he may subsequently move to strike out the remaining sections as they are read.

The gentleman from Iowa may move to strike out section 1 at this point and insert new language. If that motion is adopted he then may move as the remaining sections are read to strike them from the bill.

Mr. COOLEY. Mr. Chairman, I respectfully submit, while I do not disagree with the statement of the Chairman, I am looking at the situation as it is. Previously I requested unanimous consent that the bill be considered as read and open to amendment at any point, but objection was made to that request. Then we adopted the Jones amendment on page 2, line 12. The rest of the bill has not been read and I say the gentleman is out of order in offering a substitute until we finish reading the bill.

The CHAIRMAN. Technically the gentleman is correct. The gentleman

from Iowa may offer an amendment at this time to strike out section 1.

Mr. COOLEY. But he has not offered an amendment to that effect. I am not talking about what he may do hereafter, but up to this time he has made no such offer, and therefore my point of order should be sustained.

The CHAIRMAN. The Chair at this time is indicating what the gentleman from Iowa should do.

Mr. COOLEY. That is right. He has indicated that three times, but he has not done it yet.

The CHAIRMAN. The Chair is constrained to sustain the point of order made by the gentleman from North Carolina [Mr. COOLEY]. The gentleman from Iowa [Mr. HOEVEN] will be required to change the language presently offered.

Mr. HOEVEN. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. HOEVEN. Do I understand that it is not in order to offer a substitute to the bill as such until the entire bill has been read?

The CHAIRMAN. No; that is not so. The gentleman must first move to strike out section 1 of the bill and insert the language he has offered.

Mr. HOEVEN. Will it also be necessary to move to strike all of the succeeding sections?

The CHAIRMAN. It will, if the amendment is adopted.

Mr. COOLEY. Mr. Chairman, I cannot hear what is going on.

The CHAIRMAN. The Chair is responding to a parliamentary inquiry of the distinguished gentleman from Iowa [Mr. HOEVEN].

Mr. COOLEY. May we ask what the parliamentary inquiry is?

The CHAIRMAN. The gentleman is inquiring as to how he should proceed.

Mr. HOEVEN. Mr. Chairman, may I say to the Chair that the gentleman is proceeding according to information which he had received.

The CHAIRMAN. Of course, the gentleman from Iowa could offer his amendment at the conclusion of the reading of the entire bill as a substitute for the bill.

Mr. HOEVEN. Will the gentleman be recognized for that purpose at the proper time?

The CHAIRMAN. Yes.

Mr. HOEVEN. Then I shall defer action until that time.

Mr. COOLEY. Mr. Chairman, I now renew my request that the remainder of the bill be considered as having been read and open for amendment at any point.

The CHAIRMAN. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

The remainder of the bill follows:

Sec. 2. Section 385 of the Agricultural Adjustment Act of 1938, as amended, is amended by adding at the end thereof the following: "This section also shall be applicable to payments provided for under section 348 of this title."

Sec. 3. Section 104 of the Agricultural Act of 1949, as amended, is amended to read as follows:

"(a) The Secretary of Agriculture is hereby authorized and directed to conduct a special cotton research program designed to reduce the cost of producing upland cotton in the United States at the earliest practicable date. In carrying out this special research program, the Secretary is authorized to utilize not to exceed \$10,000,000 annually of the funds of the Commodity Credit Corporation. The Secretary shall report annually to the Committee on Agriculture of the House of Representatives and to the Committee on Agriculture and Forestry of the Senate with respect to the results of such research.

"(b) In establishing the level of price support to cooperators for each crop of upland cotton beginning with the 1965 crop of such cotton, the Secretary, notwithstanding the provisions of section 103, shall make such reductions in the price support level as will reflect reductions in the costs of producing cotton."

Sec. 4. Section 407 of the Agricultural Act of 1949, as amended, is amended by inserting after the first proviso in the third sentence thereof the following: "Provided further, That beginning August 1, 1964, the Commodity Credit Corporation may sell upland cotton for unrestricted use at not less than 105 percentum of the current loan rate for such cotton under section 103(a) plus reasonable carrying charges:"

Sec. 5. Section 103 of the Agricultural Act of 1949, as amended, is amended by inserting "(a)" before the first sentence thereof and by adding at the end of such section the following new subsections:

"(b) For the 1964, 1965, and 1966 crops of cotton, the Secretary, notwithstanding any other provision of law, may provide to cooperators price support on not to exceed fifteen bales (standard five hundred pounds gross weight) of the production from their allotments at a level up to 10 per centum in excess of the basic level of price support established under subsection (a) hereof but not in excess of the level of price support for the 1963 crop.

"(c) Notwithstanding any other provision of law, in order to keep cotton to the maximum extent practicable in the normal channels of trade, if the level of price support to cooperators for the 1964, 1965, or 1966 crop is increased under subsection (b), price support for cotton at the level established under subsection (b) shall be carried out through the simultaneous purchase of cotton at the support price therefor under subsection (b) and sale of such cotton at the support price therefor under subsection (a) or similar operations, including loans under which the cotton would be redeemable by payment of the amount for which the cotton would be redeemable if the loan thereon had been made at the support price for such cotton under subsection (a)."

The CHAIRMAN. The Chair recognizes the gentleman from Iowa [Mr. HOEVEN]. Does the gentleman offer an amendment?

AMENDMENT OFFERED BY MR. HOEVEN

Mr. HOEVEN. Mr. Chairman, I offer an amendment in the nature of a substitute.

The Clerk read as follows:

Substitute amendment offered by Mr. HOEVEN: Page 1, line 3, strike out all after the enacting clause and insert the following: "Section 103 of the Agricultural Act of 1949, as amended, is amended by inserting '(a)' at the beginning of the first paragraph and adding the following:

"(b) The Secretary of Agriculture is hereby authorized and directed to conduct a special cotton research program designed to reduce the cost of producing upland cotton in the United States at the earliest practicable date. There are hereby authorized to be appropriated such sums, not to exceed

\$10,000,000 annually, as may be necessary for the Secretary to carry out this special research program. The Secretary shall report annually to the Committee on Agriculture of the House of Representatives and to the Committee on Agriculture and Forestry of the Senate with respect to the results of such research.

"(c) In establishing the level of price support to cooperators for each crop of upland cotton beginning with the 1965 crop of such cotton, the Secretary, notwithstanding the provisions of section 103(a), shall make such reductions in the price support level as will reflect reductions in the costs of producing cotton. The level of price support for the 1964 crop of upland cotton shall be the national average support price which reflects 30 cents per pound for Middling inch. For 1965 and subsequent years, the level of price support shall be the level in effect for the preceding crop adjusted as provided in this section to reflect reductions in the costs of producing cotton: *Provided*, That the maximum level of price support shall be the national average support price which reflects for Middling inch 29½ cents per pound for the 1965 crop and 29 cents per pound for the 1966 crop."

(Mr. HOEVEN asked and was given permission to revise and extend his remarks.)

Mr. COOLEY. Mr. Chairman, will the gentleman yield for a brief question?

Mr. HOEVEN. I yield to the gentleman from North Carolina.

Mr. COOLEY. The reading of the amendment was not very clear. But permit me to ask a question: Is it the purpose of the gentleman's amendment or substitute to eliminate the whole bill, except the research provisions, and then to insert the McIntire amendment?

Mr. HOEVEN. Exactly. This incorporates the McIntire amendment and the research section of the bill before us and eliminates everything else.

Mr. COOLEY. Everything else. All right.

Mr. HOEVEN. Mr. Chairman, it was said on this floor a while ago that this was the last chance to enact cotton legislation. I do not think there is ever a last chance. My substitute gives you a chance to do something about it. Several people from the Cotton Belt have confided in me, that the answer to their problem is the reduction of price supports for cotton. I wish they would practice what they preach by supporting my substitute.

My substitute would amend the Agricultural Act of 1949 to change the operation of the cotton price support law.

It is identical to the price support language of the bill with the amendment which may be offered by the gentleman from Maine [Mr. McINTIRE] if my substitute fails. It is also identical to the language on research contained in the committee amendment to the bill.

The effect of the substitute would be to delete from the bill all provisions dealing with payments, including both trade incentive payments to cotton processors and simultaneous purchase and sale payments on the first 15 bales. It would also delete from the bill provisions dealing with CCC release prices and overplanting of allotments at the world price.

The purpose of my substitute is to require the Secretary to make adjustments in cotton price supports starting in 1964.

It would set a maximum support price of 30 cents a pound in 1964, 29½ cents a pound in 1965, and 29 cents a pound in 1966. Thereafter supports would be related to production cost research.

It would achieve these results:

First. It would cut the cost of the present cotton program substantially. Since the current support price is 32½ cents, it would save taxpayers 2½ cents a pound in the first year, 3 cents a pound in the second year, and 3½ cents a pound in the third year on every pound of cotton acquired by the Commodity Credit Corporation under the price support program.

According to the Department of Agriculture, CCC took title to 4,744,000 bales of the 1962 cotton crop on August 1, 1963. On August 1, 1962, CCC took title to 3,246,000 bales from the 1961 crop. For the last 2 years, therefore, CCC has taken title to an average of about 4 million bales.

Assuming a drop of 2½ cents a pound or \$12.50 per bale next year under my substitute along with a drop of 3 cents a pound or \$15 a bale the following year and a drop of 3½ cents a pound or \$17.50 a bale in the third year, we can forecast substantial savings to taxpayers.

Based on a 4 million bale takeover by CCC, taxpayers would save \$50 million the first year, \$60 million the second year, and \$70 million the third year below the cost of the present program under my substitute.

It would also cut the present cost of the export subsidy. At a 5 million bale export level, this alone would amount to a \$62.5 million savings next year, \$75 million the following year, and \$87.5 million during the third year.

Second. It would eliminate the proposed "trade incentive" payments which the Department of Agriculture assigns a gross cost of \$283.5 million next year, \$259.9 million the second year, and \$236.2 million the third year under H.R. 6196 as reported to the House.

Third. It would eliminate the "simultaneous purchase and sale" provisions of the bill which the Department of Agriculture estimates would be \$61.7 million the first year, \$73.7 million the second year, and \$72.5 million the third year.

Fourth. It would make cotton available to mills at 2½ cents a pound cheaper next year than at present, 3 cents a pound cheaper the following year, and 3½ cents a pound cheaper the third year. While it would not eliminate completely the present two-price structure for cotton, it would make a long step toward that goal.

Fifth. It would relate future cuts in cotton price supports to the results of an intensified research effort. My substitute authorizes the annual expenditure of \$10 million per year for this purpose.

Sixth. It does not change the Secretary's authority under the Agricultural Adjustment Act of 1938 to increase cotton acreage as expansion in the use of cotton occurs.

Seventh. It protects the income of cotton farmers by gradually lowering price supports rather than by dropping

them abruptly. Even though the support price would be lower, the individual farmer would be growing more cotton in the future, thus maintaining his income.

Eighth. It also would be in the interest of consumers of cotton who would be able to purchase cotton goods made from raw cotton costing the textile mills from 2½ to 3½ cents a pound less.

Ninth. It would begin to close the competitive gap between cotton and man-made fibers. This gap must ultimately be closed or at least substantially narrowed some day if cotton is ever going to be economically justified as a source for fabrics.

My substitute, Mr. Chairman, is, of course, not the total answer to every segment of the cotton industry. But, I submit, neither is H.R. 6196 as reported to the House. My substitute, however, represents a balancing of the equities between the public treasury, the income of cotton farmers, the welfare of the textile industry, the competitive realities of manmade fibers and the interest of consumers.

It is in accord with the spirit of the Agricultural Act of 1958 which passed this House with bipartisan support and I sincerely urge its adoption today as a realistic alternative to either doing nothing or adopting the committee bill.

Mr. POAGE. Mr. Chairman, I rise in opposition to the substitute amendment.

Mr. Chairman, we set aside this day of debate for the purpose of considering methods of equalizing the inequity which has so long existed between the American mills and the foreign mills.

I am delighted that the ranking minority member of our committee is pleased with my handiwork, because his research section is a word-for-word copy of the section I offered and put into the bill in committee. I am delighted he approves of it. Still, I regret that he should have overlooked entirely or he has deliberately abandoned every effort to bring about an equalization on behalf of the American mills.

Of course you have had no opportunity to read his so-called substitute amendment, but he simply strikes out a large part of the bill and keeps the research section that I have put in the bill, and adds the McIntire amendment which the committee has agreed to accept and that is all there is in it. The research section I think is good, and I am committed to the support of the McIntire amendment, as are a great many Members of the House. But we did not come here to pass a research bill, much as we need research. We have not worked a year and more simply to bring to you an amendment to lower the support price on cotton. I want every one of you from the South to understand that this substitute would lower the support price on cotton, lower it by some 3.5 cents without any compensating increase in your market.

I think that if we can increase our markets, if we can expand the uses of cotton, it is perfectly logical to say that we may be able to take a somewhat less price for it, because if you are able to

sell 100 bales of cotton instead of 50 you can afford to sell it at something less. But the Hoeven substitute does not offer you one single new outlet for cotton, not one bale increase in the consumption of cotton, but it does lower the price your farmers would get—not 2 or 3 percent but close to 15 percent.

I ask my friends from industry how many of you could stand a cut in wages of 15 percent? That is what the Hoeven amendment does to the cotton farmer.

What does it do to the cotton worker in the mills? It takes his job away from him because it does not make cotton available at a price which will enable American cotton to compete with either foreign textiles or domestic synthetics. Every cent we lower the price to the mills must, under this Hoeven substitute, come out of the farmer. Every penny by which this substitute would reduce costs to the mills must come out of the farmer's hide.

What does it do for the consumer? The committee has brought you a bill which the Secretary of Commerce has said will effect a saving to the consumer of at least \$2 for every \$1 we spend. But this substitute offers you no such opportunity. It offers nothing to the farmer but still lower prices. It offers nothing to the mills but what it takes out of the hide of the farmer. It offers nothing to the consumer except the infinitesimal drop which might come out of the farmers' already inadequate income.

Should we consider here at this late hour something that was not suggested in the committee, something that has not been considered by industry, producers, or consumers, something on which hearings have not been held, or should we consider the legislation which the committee has worked on for a full year?

There have been few pieces of legislation which have come before this House which have had more full consideration than this has. I urge the Members of the House, regardless of your interest, whether it be that of the farmer, the mill man, mill worker, or the consumer, to defeat this substitute.

The CHAIRMAN. The Chair recognizes the gentleman from Illinois [Mr. FINDLEY], a member of the committee.

(Mr. FINDLEY asked and was given permission to revise and extend his remarks.)

Mr. FINDLEY. Mr. Chairman, in a moment a chart will be brought into the Chamber which will set forth the value of payments to mills that are authorized in the bill now before us.

There has been some discussion today as to whether this really is a mill subsidy bill.

The question is—Who would get the payments?

Here are some typical answers and I invite your attention to this chart.

Burlington Mills, for example, would be authorized to receive payments worth up to \$16,500,000 a year.

Stevens Mills would be authorized to receive payments worth up to \$13,500,000 a year.

Springs Mills would be authorized to receive payments worth up to \$11,250,000 a year.

Dan River Mills would be authorized to receive \$9 million a year.

West Point Mills would be authorized to receive payments worth up to \$7 million a year.

And, of course, other mills would be represented by the same typical figures, based on their use of cotton—the mills that would get the payments. You can say that they do not get a subsidy, but they certainly get these multimillion-dollar payments.

The Hoeven substitute would get rid of this nonsense. It would take it completely out of the bill. It would also eliminate this nonsense of simultaneous purchase and resale of cotton, a premium to the farmer himself. That too does not belong in this legislation.

The Hoeven substitute would get the cotton program back on the right track—the same track built by the Agricultural Act of 1958. An act which intended a gradual reduction of price supports, accompanied by an increase in acreage limits as demand for the lower priced cotton rose.

The act of 1958 reached a final vote in the other body on July 25, 1958. In the CONGRESSIONAL RECORD of that date the name of U.S. Senator Johnson of Texas—now the President of the United States—is listed as voting “yea.”

At that time he was majority leader of the U.S. Senate.

The then Senator Johnson helped to steer this legislation to final passage.

The Agricultural Act of 1958, containing the cotton program, was cited by the Senator from Texas as one of the “most important achievements” of the 85th Congress.

On page 19453 of the RECORD of August 23, 1958, the then Senator from Texas was quoted as saying:

I believe this Congress rose to great heights.

I am placing in the RECORD some of our most important achievements. On page 19493 of the same date, the gentleman enumerated these achievements, including a detailed review of the Agricultural Act of 1958.

The President of the United States is thus on record in behalf of the approach to the farm problem set forth in the Hoeven substitute. In his message to a joint session of the Congress just last week, the President urged “thrift and frugality.”

The Hoeven substitute is an example of thrift and frugality, and no doubt that is one of the reasons for President Johnson's support of the Agricultural Act of 1958 when he was in the other body. The bill before us is not an example of “thrift and frugality.” It is an example of waste and lavish spending.

We can all give President Johnson a resounding vote of confidence by supporting the Hoeven substitute, because we thus endorse and reestablish the same approach to the cotton problem President Johnson then advocated as a U.S. Senator and majority leader of the Senate.

Mr. COOLEY. Mr. Chairman, will the gentleman yield?

Mr. FINDLEY. I yield to the gentleman.

Mr. COOLEY. Using these charts and interpreting the charts, does it not actually mean that these domestic mills have been paying that many more million dollars than the foreign mills have been paying for the same kind of cotton?

Mr. FINDLEY. No, not at all, due to shipping. In fact, the latest quotation, as I have mentioned earlier today, on the Middling inch upland U.S. cotton in the London market, the same basic item we are talking about today—the latest quotation I have seen—is over 27 cents a pound. The bill before us now would authorize up to 8.5 cents, which is partly taken care of by the simultaneous purchase and resale gimmick and partly by the trade incentive gimmick.

Mr. COOLEY. You are not using 27 cents but are only using about 24 cents.

Mr. FINDLEY. If you will repeat your question, I will come back to it.

Mr. COOLEY. Does not that chart indicate clearly the burden being borne by the domestic industry and the number of millions of dollars listed on that chart.

Mr. FINDLEY. It does not accurately set forth the burden.

Mr. COOLEY. What does that chart mean, then, if it does not show that?

Mr. FINDLEY. It represents the big payments, the subsidies, the multimillion-dollar payments that textile mills will get under this bill.

Mr. JONAS. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, if I thought the figures on this chart reflect the true situation, I would not support this bill myself. I think the chart is misleading and that the so-called subsidies to domestic mills will not occur. My colleague from North Carolina pointed out the actual situation when he said these so-called subsidies more accurately reflect the degree of discrimination against domestic mills since the two-price system began.

What the chart fails to show is that we are currently subsidizing foreign cotton mills to the extent of from \$150 to \$200 million a year. Instead of subsidizing domestic mills, this bill simply makes it possible for our own mills to receive the same kind of treatment we give their competition abroad.

May I bring this debate back to proper perspective. The substitute offered by my friend from Iowa [Mr. HOEVEN], does not even touch the serious problem involved here. It would not take one bale of cotton out of storage. It only applies to future crops.

My friends, you must remember that this Government owns today, stored in warehouses around the country, nearly 10 million bales of cotton, for which the American taxpayers paid \$1.5 billion. Now what are you going to do with that cotton if this bill does not pass and if you do not make it possible for the American mills to begin using some if it at the world price? You cannot eat it.

It is one agricultural commodity that is not edible. That \$1.5 billion worth of cotton is not worth 5 cents unless some

cotton mill spins it into cloth or yarn. The only customers for this cotton are the cotton mills at home and abroad. In the sale of this cotton, are you going to continue to discriminate against the domestic American mills upon whose successful operation 10 million American citizens depend for a livelihood? Are you going to continue to subsidize foreign competitors for our mills? If you do that with 10 million bales, do you know what the subsidy will be? Nearly a half of a billion dollars in export subsidy, which will further put out of balance the competitive situation between our mills and foreign mills.

There are only three alternatives. There are only three ways in which we can get rid of this 10 million bales of cotton. We can continue to export it with the current subsidy of \$42.50 a bale and thereby perpetuate the discrimination which now exists and which this bill would undertake to try to correct. I call your attention to the fact that we are in a declining trend with regard to exports, anyway, even with the heavy 8.5-cent subsidy. Last May the Department of Agriculture testified before the committee that up to that time in this marketing year only 3,059,333 bales had been registered for export as against more than 4,350,000 during the preceding year. So our cotton exports declined more than a million bales in just 1 year—even with the heavy subsidy. Even if we can push our annual exports up to 5 million bales again, we will be paying out \$212 million a year for the sole benefit of foreign competitors of our cotton mills who furnish employment to our own citizens. This is an actual subsidy to foreigners but the opponents of this bill never refer to that.

Second, we can give some of it away under the aid program, or sell it abroad under Public Law 480 for unredeemable currencies. Or we can make some of it available to our own mills at the price we sell it abroad, and I do not call that a subsidy but simple justice to a domestic industry and to millions of American citizens who make their living from it.

Mr. HAGEN of California. Mr. Chairman, I want to speak in opposition to this substitute amendment, and I wish to address myself to my Democratic colleagues. I think if this amendment carries we might well predict that we can write off the South as a voting area for any Democratic presidential candidate we might have, because this amendment knocks the price support for cotton down to 29 cents without any compensating feature.

The bill that we have written recognized the realities of cotton production in the South. They have some inefficient producers. They have some very small producers. Although our bill basically provides for a reduction of price supports it eases the blow with respect to those who produce 15 bales or less and has certain political values, believe me, to the Democratic Party. We in California could well accept the Hoeven amendment. In fact, a great majority of my farmers would be perfectly willing to abolish all price supports. I want to say that it ill behooves

anyone to get up here who supports high price supports on rice, high price supports on wheat, on corn, on dairy products and complain about the price support levels on cotton and the equalization payment feature of this bill, because, believe me, it is not the most expensive farm program that we have. But it is an extremely valuable farm program. Cotton annually earns about \$750 million in foreign exchange to help in the balance-of-payments problem. It supports a vast manufacturing industry which relates directly to such cities as New York, Boston, Los Angeles, and other areas all over the United States. It supports machinery, fertilizer, and many other industries all over the United States. It is not just the welfare of the cotton growers that is involved here or the welfare of a few spinning mills in the South. It is the welfare of a much broader industry which is represented in almost all of the areas of the country and specifically in the New England States and in the garment centers around the country.

This is a very delicate mechanism that the committee has put together. It recognizes some of the political realities in the cotton situation as well as the economic realities.

Mr. ALBERT. Mr. Chairman, will the gentleman yield to me?

Mr. HAGEN of California. Certainly.

Mr. ALBERT. Of course, the Hoeven amendment would really cut the heart out of this bill, so far as the inequity which the present law has created is concerned. But the bill as we now have it before us will do everything the Hoeven amendment seeks to do and also cure the inequity.

Mr. HAGEN of California. The distinguished gentleman is correct. In other words, what the Hoeven amendment would do is reduce the price support to the farmer without any of the other necessary provisions of the Cooley bill. The mills would receive some advantage, but not enough advantage to eliminate or to substantially diminish the inequity which they suffer now in competition with foreign mills. So this is a rather perfect device that we have put together here.

We in California would like to see some special proviso in there to correct inequities which we feel exist in the cotton law. But we realize the political reality of the situation and we cannot get them except for the rather limited overplant privilege contained in it.

Mr. Chairman, I would urge all of the Members to vote against this substitute amendment and not upset this delicate compromise which is contained in this bill and which has been arrived at after a year of deliberation.

I want to say that as far as the timing of this legislation is concerned I am not an illiberal Democrat. This bill was read for floor action and it was scheduled for such action before our late great President died, President Kennedy. It has been kicking around the House of Representatives since July.

Mr. Chairman, its immediate passage is a matter of urgency because the mills do not know what the price of cotton

is going to be and there has been a lot of uncertainty in the cotton trade because of the failure to act on this legislation.

Mr. SHORT. Mr. Chairman, I rise in support of the amendment.

(Mr. SHORT asked and was given permission to revise and extend his remarks.)

Mr. SHORT. Mr. Chairman, I do not have very much cotton acreage in my State. So my interest in this bill is a little bit remote, perhaps, but it is very deep because I happen to represent one of the most agricultural States in the Nation. I am also a member of the Committee on Agriculture and I would like to be a part of enacting some farm legislation that will finally, at long last, make sense and get to the root of the real farm problem.

Mr. Chairman, the amendment which the gentleman from Iowa has offered would make a reasonably good bill out of a bill that, in my opinion, is nothing more or less than bad legislation. I say that the bill before us is bad legislation because it provides for an expensive means of continuing a program of cotton price supports which has been responsible for getting the cotton industry into the trouble about which we have heard so much these last 2 days.

Mr. Chairman, little has been said during the debate so far to identify the fact that the reason for the trouble is that the Secretary of Agriculture has insisted upon maintaining a price-support level that is a few cents per pound above the cost of synthetics and above the world price of cotton.

Mr. Chairman, the Secretary of Agriculture has the authority to adjust this inequity. I have not heard anyone deny that on this floor during this debate.

Now, I am a farmer. I have a sympathy for farmers. But I have little faith in the ability of Congress to improve the economic lot of farmers. We have been trying for some 30 years and yet we find today that agriculture, partially at least, according to the statistics, is a depressed portion of our economy. The important part of this picture of adversity for agriculture is that it is the small farmer who is still experiencing adversity.

It is too often overlooked that the benefits for our farm program accrue to the larger farmers rather than the small. A price support that is a limited benefit to a little farmer is a windfall to the bigger one. We should keep this in mind: that 39 percent of the farmers of America produce 89 percent of the total agricultural production of this Nation.

Mr. Chairman, we have got to start recognizing some distinction in size of farm operations if we are ever going to really get to the root of the farm problem, and I would be the last to deny that there was not one.

The Cooley bill makes a gesture at recognizing the small farmer. The fact that this bill provides special attention for the first 15 bales has not been identified here, but it is the first 15 bales of the cotton of every farmer, big or small, that they produce. If we want to get to the root of this problem of the small

farmer, then apply this special consideration to the first 15 bales of the farmer who does not produce more than 15 bales of cotton.

Mr. Chairman, the substitute offered by the gentleman from Iowa [Mr. HOEVEN] may not be popular with farmers. I suppose the words I am saying now are not going to be popular in my district, either, because they are going to be interpreted that I am in favor of lower price supports. I think the time has come when we have to recognize the simple fact that we have to have our agricultural commodities move at prices that would permit them to move, in world trade, and in our domestic trade.

Mr. HOEVEN. Mr. Chairman, will the gentleman yield?

Mr. SHORT. I yield to the gentleman from Iowa.

Mr. HOEVEN. I am sure the gentleman will recall that when I addressed the committee awhile ago, I read parts of a letter from the Farmers' Union stating that they were opposed to this bill. The Farmers' Union has always been in favor of high price supports and apparently they now realize that high supports did not solve the cotton problem. Of course, they also have other valid objections to this bad bill.

Mr. SHORT. I thank the gentleman for reminding me of that fact. I reiterate here that the two largest farm organizations in America are opposed to this bill. The Farm Bureau has opposed the bill and the Farmers' Union has written to all Members of Congress on yesterday stating they are opposed to the passage of this bill. I do not know how you can make it any clearer that the farmers are not in favor of this legislation.

Mr. WHITTEN. Mr. Chairman, I rise in opposition to the pending amendment and ask unanimous consent to proceed for 5 additional minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Mississippi?

There was no objection.

Mr. WHITTEN. Mr. Chairman, in connection with the debate on the bill that is before us, I was tempted many times to take the floor today and point out some other factors that I did not think were being stressed fully. I have not yet done so, however, I hope to do so now. At this time I point out a number of reasons why I think the Congress should turn down the present substitute bill which would reduce income to the cotton farmer about \$15 to \$20 per bale. I asked for the additional time so that I might review with you some of the background in connection with the necessity for agricultural programs and some of the reasons for some of the things which have been discussed, all of which lead to the need for us to do something in connection with cotton and cotton production. As much as many would like to do so, we know if we are to continue to produce cotton, we must see it is used.

At the outset, the original farm legislation provided supports so as to maintain the purchasing power of those engaged in agriculture, recognizing that was the greatest market that the industry of

America had. We had then and now have minimum wage laws; we have the bargaining power of labor unions, the right of industry to mark up. In the great depression the drop in purchasing power of American agriculture, in my opinion, was the beginning of the depression in that they did not have the purchasing power to buy what industry produced. We know what this country went through at that time. Every State and nearly every person was "broke." Then it was that the Congress provided price supports for various and sundry farm commodities, all to provide a fair purchasing power. There was a difference in the law in the case of perishable commodities, since an oversupply of perishable commodities would decay or rot and not be in the way of next year's crop; and storable commodities, such as a bale of cotton, which will keep for 50 years and be in its original condition.

I would like for some of my friends who have spoken here today to realize that they too have price supports. Those in the beef cattle business say they get no subsidy, that they do not have any price support. May I say, you certainly do. You have the best kind, because yours is in the form of price supports on grains and feed.

The next best price system I am aware of is that for perishable commodities, where more than 50 percent of the 30 percent of import duties, the so-called section 32 funds, are set aside to buy up the surplus in order to balance supply and demand; then the producer gets his price at the marketplace. All these programs are based on the necessity of maintaining a proper balance between agriculture, industry and labor, by maintaining the greatest customer of industry, which is agriculture.

The original cotton law provided for a processing tax which was levied on users of synthetics as well as cotton, with the proceeds then used to maintain farm purchasing power and income. However, the Supreme Court held that law unconstitutional on the ground you could not levy a tax for a special group.

If that law had been reenacted so as to provide that such tax be paid into the Treasury and used as a justification for appropriation, as in our sugar program, I believe it would have been held constitutional.

However, when the law failed, and when the new laws were written, the synthetics manufacturers were left out from under the provisions of the law. Then cotton had price supports but there were no price supports on synthetics; synthetics manufacturers have been able to undercut cotton prices, and cotton's share of the domestic textile market has constantly gone down. Many cotton producers believe the Cooley bill will help to regain a greater percentage of the domestic market.

As to this, time will tell. Certainly we need to follow the course of this measure to be sure it does what its title says—I quote: "A bill to encourage increased consumption of cotton to maintain income of cotton producers, and so forth." We hope research will do the job, though I know it is slow.

May I point out again that always our Government surpluses could be sold in the world market for whatever price it would bring. For many years our Government held U.S. cotton off world markets while building up foreign production. None of that is required by law. The payment of a subsidy is not required. The law authorizes the Commodity Credit Corporation to sell anything in the world it has for anything in the world it will bring. What we have is losses, but mechanically we have at times used the subsidy approach.

Many of my colleagues from the sugar-producing area think they have no interest in price supports. May I say you do, for you have a processing tax that is levied and you divide it among the sugar producers. The wool producers think they have no interest in this matter. To you I say you have a real Brannan plan; but may I say, you are dependent upon the support of Congress to keep the program. Another major reason we are in this predicament is that under section 22 of the basic law, the Agricultural Act, it was provided that the Government could prohibit the import of any foreign commodities, or finished goods, or tax them if such imports jeopardized our domestic farm program. Under the policy followed by our Government for the last few years, under both parties, the right of keeping these goods out has not been fully exercised; and imports of cotton goods have greatly increased. Whatever the reasons, section 22 has not been fully used and all these goods are coming back into this country.

To tell you another thing which has not been stressed here, I want you to know that Congress has been more fair than might appear. Congress, through the Department of Agriculture, has paid the domestic mills money to the point where that part of the cotton the domestic mills exported in world trade has been bought at the world price. Do not tell me it has not. It has and is.

These are some of the reasons the Cooley bill is before you. The cotton people, as a group, have come up with the idea that sooner or later they have to be competitive with synthetic fibers, or they cannot maintain the use of American cotton—which is essential if we are to produce cotton. Also, they know they have to live in an economy where we have high costs. The Cooley bill hopes to give help until such time as research can lower the cost of production, cotton can attain a competitive position with the synthetic fiber, and save the Government lots of money.

The Hoeven substitute, which I oppose, would simply reduce the farmer's price—right now \$15 or \$20 a bale, leave the farmer with all of his costs, reduce his income, and give no help while efforts are made to reduce costs.

The Hoeven bill would wreck the economy of the Cotton Belt and seriously hurt the national economy.

So I say again, the American producer is trying to cooperate, trying through research to get where he can produce cotton cheaper, trying by research to get his cost of production down to where

he can compete with synthetics price-wise. He says he will go along with the proposed Cooley bill, if you will go along with the provisions to help out with this adjustment during the period when he tries, through research, to reduce costs. I hope they are right, though again, I know research results are slow to come.

I do recognize that we are up against the Hoeven amendment of cutting prices to farmers \$15 to \$20 per bale if we don't do something. So far as the Cooley bill is concerned, I have a number of reservations, as I know the gentleman from North Carolina [Mr. COOLEY] does. However, when the producers take this upon themselves it is time this Congress helped them and not come in here as the gentleman from Iowa would do, and whack \$20 a bale out of farm income in a period when it is as hard as can be just to meet the cost of production.

Again I say, there are no "holier than thou's" in the field of agriculture. There are price supports in every direction you can imagine. There are price supports on perishables. There are price supports on beef. And there are price supports on all the rest of these commodities, all made necessary by other laws.

But here, for once, you have a group that recognizes its problems and says, If you help us over a period of 4 or 5 years, we will try to work our problems out so we can compete and keep cotton from going into the hands of the Government.

Mr. Chairman, I hope the pending amendment is defeated.

The CHAIRMAN. For what purpose does the gentleman from Nebraska [Mr. BEERMANN], a member of the committee, rise?

Mr. BEERMANN. Mr. Chairman, I move to strike out the last word, and rise in support of the amendment.

(Mr. BEERMANN asked and was given permission to revise and extend his remarks.)

Mr. BEERMANN. Mr. Chairman and Members of the Committee, when we were holding these hearings on January 30, 1963, I suggested to the chairman of the subcommittee, the gentleman from Arkansas [Mr. GATHINGS], that we should include pertinent information in the record. The discussion yesterday and today has proven that this information should have been included in the record and not try to sweep it under the rug.

My questions were: What will the 10 largest producers receive under this program?

What will the 10 largest handlers receive under this program?

What will the 10 largest mills receive under this program?

The chairman asked me to defer, and through the kindness of the chairmen, the subcommittee chairman and the committee chairman, all through the hearings in permitting my many questions of the witnesses, I deferred. I am from Nebraska, ladies and gentlemen, and I knew little about cotton as of December 13, 1962, I knew little about cotton legislation except that I wore and what I might purchase—at that time I

suggested to the gentlemen on the committee, I would be glad to help in the cotton problem if you will bear with me, I needed to know many things.

The gentleman from Arkansas, Chairman GATHINGS, very kindly gave me this freedom and I asked the questions. And I appreciate the kindness of the committee chairmen; every question I asked was answered but this one.

The question was, What will these people receive if this type of bill is passed?

Further than that, the discussion between the gentleman from Texas [Mr. POAGE], vice chairman of the committee, and Mr. Murphy, the Under Secretary of Agriculture, was on the points discussed here today. What is the rate inequity? How are you going to satisfy the inequity? We spent the whole morning on that one subject. How are you going to handle this inequity?

We never decided it in the committee. It was taken out of the bill because we could not decide it in the committee.

I withdrew my questions on these subjects but they have come back to haunt you today.

I withdrew my questions at the request of the subcommittee chairman after I said, "Agriculture has a public relations problem to consider. I just do not want to see it injured."

My point was, if that information on amounts had been in the RECORD, you would not have had the problem you have had in the last 2 days.

The gentleman from Arkansas [Mr. GATHINGS] said:

I think you are doing more to injure the program in the questions you have asked there than anything conceivable.

In deference to my chairman, I said:

I withdraw my question.

I say it was a mistake not to include it in the hearings. You would not have had all this fight today. Everyone who came before the committee said: "We do not want this subsidy."

The producers did not want it. The handlers did not want it. The mills did not want it.

Then just who wants it?

The National Cotton Advisory Committee was far from unanimous in their recommendation of this legislation. So, if the producers do not want it and the handlers do not want it and the mills do not want it, what are we fighting about? Right now we are fighting to force the poor Secretary of Agriculture to make a determination that the committee would not decide.

I would like to show you a little newspaper. This is the China Mail, established 1845. This is the late final edition of Thursday, November 15, 1962. This is in the record of the hearings on page 60. Now, this is in the record, too. The gentleman from South Carolina came before our committee, and I asked him if he agreed with the gentleman from North Carolina, where the front page headline says, "Now that the textile dispute has been settled you can look forward to a great expansion of exports to the United States."

This was Secretary Hodges' message of hope for Hong Kong.

Hong Kong can look forward to a great expansion of her exports to the United States now that the textile dispute has been settled, Mr. Luther M. Hodges, the American Secretary of Commerce, said before his departure today.

He said that the United States is an extremely favorable market for the Colony and there is no ill feeling against "made in Hong Kong" products.

His advice for Hong Kong manufacturers was to devote more effort and money to research.

He said industries here should not limit themselves to any particular products or market.

He described the bustle and activity he saw in Hong Kong as "fantastic."

The mental attitude of the people in Hong Kong is excellent, he said. He believed that people in Hong Kong generally wanted free trade.

He said the textile dispute between Hong Kong and the United States created some misunderstanding in both countries.

But this, he said, had been cleared up and future trading patterns would follow orderly arrangements under the long-term Geneva agreement.

The CHAIRMAN. The time of the gentleman has expired.

(Mr. BEERMANN asked and was given permission to proceed for 2 additional minutes.)

Mr. BEERMANN. Now look at your hole card. Those of you who voted for the Trade Expansion Act. I know this bill is fulfilling a promise to help you out, but you are getting doublecrossed by your own Secretary of Commerce.

On page 103 of the hearings a gentleman testified before the committee and he said, "cotton is being punished for a crime it did not commit. The crime is simply being overpriced."

Mr. Chairman, I submit to you the Hoeven substitute gets about as close to the bill that the Committee on Agriculture was close to agreement on before the Secretary of Agriculture announced the support price for this year. When he announced that support price it threw cotton legislation into a cocked hat in the Committee on Agriculture.

I ask you to support the Hoeven substitute and let us get on with the business of helping the people in cotton out of their dilemma.

I yield back the balance of my time.

[Mr. COLLIER addressed the Committee. His remarks will appear hereafter in the Appendix.]

Mr. POAGE. Mr. Chairman, I ask unanimous consent that we agree on a limitation of time. This thing could go on way into the night unless we do. We will be about an hour or two speaking on this amendment at the rate at which they are now rising. I ask unanimous consent that we agree to close debate on this amendment at 4 o'clock.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas?

Mr. HOSMER. Mr. Chairman, I object.

Mr. POAGE. Mr. Chairman, I move that all debate on this amendment close at 4 o'clock.

The CHAIRMAN. The gentleman from Texas [Mr. POAGE] moves that all debate on this amendment and all amendments thereto close at 4 o'clock.

The question is on the motion of the gentleman from Texas [Mr. POAGE].

The motion was agreed to.

Mr. SNYDER. Mr. Chairman, a parliamentary inquiry. I understood the gentleman to propose that all debate on this amendment close at 4 o'clock, and I understood the Chair to say "this amendment and all amendments thereto."

The CHAIRMAN. That is correct.

Mr. SNYDER. Which is it?

The CHAIRMAN. "And all amendments thereto" is the way the Chair put it: "This amendment and all amendments thereto" is the way the Chair put the question.

Mr. SNYDER. Then, a further parliamentary inquiry. In the event this amendment would pass, would this preclude any further amendments to the bill?

The CHAIRMAN. It would not.

Mr. HALLECK. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. HALLECK. Mr. Chairman, I understood the Chairman to say that if the substitute were adopted there could be still further amendments. I am inquiring whether or not under the rules of the House if the substitute were adopted the Committee would not immediately rise.

The CHAIRMAN. There could be further amendments only in the event the substitute were voted down.

Mr. HALLECK. I thank the Chairman.

The CHAIRMAN. The Chair recognizes the gentleman from Iowa [Mr. KYL].

Mr. KYL. Mr. Chairman, I ask unanimous consent to transfer my time to the gentleman from Illinois [Mr. FINDLEY].

The CHAIRMAN. Is there objection to the request of the gentleman from Iowa?

There was no objection.

The CHAIRMAN. The Chair recognizes the gentleman from Illinois [Mr. FINDLEY].

Mr. FINDLEY. Mr. Chairman, no one would deny that, as the result of Federal programs, an inequity is borne by the textile mills of the United States. The Hoeven substitute would ease this inequity to the tune of 3½ cents a pound on cotton which would bring things far better into line than they are today, and get us on the right track.

Concerning my source of information for my mill subsidy chart. I have in my hand letters from each of the mills involved stating how much is used by each.

The figures on the chart are computed on the basis of payments authorized as a result of the McIntire amendment, which would vary between 5 and 6 cents a pound over a 3-year period. The figures are computed carefully and they are accurate. They have been on the public record for over a month without any challenge. They authorize multimillion-dollar payments to textile mills.

Can anyone give me a guarantee that even one dime of these multimillion-dollar payments will be translated into the form of lower prices for the consumer? He cannot give such a guar-

antee. Can anyone give me a guarantee that even one dime of these multimillion-dollar payments will be translated into the form of bigger payrolls and higher payrolls and higher wages for the employees of the textile mills? Of course not.

Are you prepared to make the same sort of multimillion-dollar payments to the manmade fiber industry? After all, the people who make dacron, nylon, rayon, are American citizens, too. If you vote for this bill you are voting to require those American citizens as taxpayers to help finance their own competition. Is this your idea of justice? I do not see how anyone in good conscience could vote for a bill which would retain the multimillion-dollar subsidies or payments that are set forth accurately on this chart.

The CHAIRMAN. The Chair recognizes the gentleman from Minnesota [Mr. QUIE] for 1½ minutes.

(Mr. QUIE asked and was given permission to revise and extend his remarks.)

Mr. QUIE. Mr. Chairman, before we agree to support this bill or oppose the Hoeven amendment, I think the Members of the House ought to consider what would happen if every other commodity that was in the same plight as cotton received the same kind of treatment as proposed in this bill.

Mr. Chairman, it is pretty well agreed that this will mean something like \$600 million over a 3-year period additional cost to the taxpayers if this cotton bill goes through. Let us just consider two other commodities that are in the same plight, wheat and butter. If wheat received the same kind of treatment, at least another \$300 million a year would have to be added to the taxpayers' expense, or \$900 million in a period of 3 years.

If butter received the same kind of treatment, with a 15-cent-a-pound reduction in price, this will mean \$360 million a year, or \$1,080 million in the 3-year period, making a grand total for just three commodities, then, rather than just cotton, of \$2.6 billion at the end of 3 years.

Mr. Chairman, if we are going to bring equity to American agriculture, and equity is what we are talking about, look at what it is going to cost us. Think of this before you support this kind of a program, because we set precedents here. If we give it to cotton, think what it will mean to the dairy farmer, because the dairy interests are represented all over the country rather than just a small part of the country as is the case with cotton.

The CHAIRMAN. The Chair recognizes the gentleman from California [Mr. HOSMER] for 1½ minutes.

(Mr. HOSMER asked and was given permission to revise and extend his remarks.)

Mr. HOSMER. Mr. Chairman, the shaky structure of cotton subsidies should be razed rather than reconstructed as attempted by the kind of illogical and inadequate patchwork bill we have before us at this time.

This bill is not going to be of any help with respect to imports, because the cost

of cotton is such a small fraction of the reimported textiles' cost in relation to the cheap labor overseas; that nothing is going to be changed pricewise of sufficient significance to have any effect upon the export-import problem.

But let us assume for a moment that the contrary would be true. Even under that assumption the bill is going to be of no help to reduce the cotton stockpile because exports will be reduced in direct proportion to increases in domestic consumption. Moreover, it is going to be of no help to the general economy because whatever increased use of cotton, if any, is going to come out of the chemical fiber producers of America and hurt that sector of the American economy in direct proportion to any help it gives the natural fiber sector.

Incidentally, Mr. Chairman, with reference to these mills which are listed over here on the chart, over which there have been considerable tears shed for their financial prospects, I just took a look at the Wall Street Journal file maintained outside the Chamber in the Speaker's lobby, and the first on the list is Burlington Industries. Its stock during this year has risen from 25⅞ on the New York Stock Exchange to 42, a rise of 62 percent.

Stevens stock has experienced a 23-percent rise in price on the stock exchange. Dan River Mills has had a 27-percent jump. I could not find the other two mills listed.

Mr. Chairman, the brutal truth is that we have too much cotton in this country because too many people are growing too much of it.

They are growing too much because the domestic price levels are artificially high, which incidentally keeps U.S. cotton blocked from natural access to world markets.

The further brutal truth is that these artificial price levels are maintained because legislation passed by this Congress makes it possible and because the Secretary of Agriculture lacks the political courage to reduce support levels, which he has the power to do.

The cotton mess will plague us, drain the Federal Treasury and pile up the national debt until this Congress has the courage and wisdom to drop this artificial, illogical, and fallacious business of crop props.

As a starter I urge passage of the Hoeven amendment.

The CHAIRMAN. The Chair recognizes the gentleman from Iowa [Mr. GROSS] for 1½ minutes.

Mr. GROSS. Mr. Chairman, I ask unanimous consent that my time be yielded to the gentleman from Iowa [Mr. HOEVEN].

The CHAIRMAN. Is there objection to the request of the gentleman from Iowa [Mr. GROSS]?

There was no objection.

The CHAIRMAN. The Chair recognizes the gentleman from Iowa [Mr. HOEVEN] for 1½ minutes.

(Mr. HOEVEN asked and was given permission to revise and extend his remarks.)

Mr. HOEVEN. Mr. Chairman, all I want to do is to sum up the situation.

From the standpoint of economy in Government this bill will cost \$635 million more than the present cotton program over the period of 3 years.

Those who are talking about economy in Government should take heed. This bill also provides for back-door spending to which a lot of us have been opposed.

This bill would embrace the so-called Brannan plan of production payments. This would establish a dangerous precedent which is going to haunt you when other segments of agriculture demand similar relief. You will likely be confronted by similar requests from the dairy industry, from the cattle feeders of this country, and from other segments in our agricultural economy. Once we have opened the door, we are going to have to afford similar relief to everyone of our agricultural industries that gets into trouble.

Mr. Chairman, I hope the members of the Committee will review the objections as I see them, and that you will then vote for my substitute. It simply eliminates all of the controversial sections of the bill; lowers the price support over a 3-year period to 30 cents the first year, 29½ cents the second year and 29 cents the third year and provides for a comprehensive research for cotton. If you really want to do something for the cotton industry you will vote for my substitute.

The CHAIRMAN. The Chair recognizes the gentleman from South Carolina [Mr. WATSON].

Mr. WATSON. Mr. Chairman, I ask unanimous consent to yield my time to the distinguished gentleman from Mississippi [Mr. ABERNETHY].

The CHAIRMAN. Is there objection to the request of the gentleman from South Carolina?

There was no objection.

The CHAIRMAN. The Chair recognizes the gentleman from Mississippi [Mr. ABERNETHY].

Mr. McCORMACK. Mr. Speaker, will the gentleman yield?

Mr. ABERNETHY. I yield to our distinguished Speaker.

Mr. McCORMACK. Mr. Chairman, the pending amendment would have a very disadvantageous effect on a very important segment of American industry, an industry that everyone knows is entitled to equity and justice, and as everyone knows is placed in a very disadvantageous position by reason of the international situation where people abroad can buy cotton at 8.5 cents less than it is sold to American industry. If ever there was a cause for justice, it is this bill. The pending amendment would cut its heart out so far as justice is concerned, and I hope the substitute offered by the gentleman from Iowa will be defeated.

Mr. ABERNETHY. Mr. Chairman, I thank the distinguished Speaker for his remarks. He most accurately stated the situation and it is along the same line that I intended to address my remarks. Our distinguished Speaker has stated the situation so much better than I could and I trust the Members will heed his remarks.

Mr. Chairman, this bill would not be here if it were not for the inequities, the existence of which no one has challenged. This bill has not been brought to the floor because of the research provision which it contains. This is merely an incidental amendment added to the bill. That is one section of Mr. HOEVEN's substitute. Neither was this measure brought here because of the McIntire amendment, the substance of which is the second provision in the Hoeven substitute. This is another incidental item. Neither of these incidental items deal with the problem which brought the bill out of committee and to this body.

The bill is here because of certain inequities, the existence of which no one has challenged. The Hoeven amendment just puts us up to the issue a bit sooner and, to my judgment, a bit too early. If you want to vote down the bill without even hearing any more of its merits, if you feel you have had enough, and the time has come to vote the bill down, then the thing for you to do is to vote for the Hoeven substitute because it completely eliminates the provision of the bill which inspired the hearings and brought this issue to the floor of the House. The situation is just that simple.

I hope this Committee and all Members present who are interested in having the issues fully debated will afford the members of our committee that opportunity. As of the moment that is all we ask. Then if you feel the bill has merit you can vote it up. If you do not feel it has merit, you can vote it down. I hope you will vote down the Hoeven amendment because to vote it up means the end of the bill and the perpetuation of the inequity which the bill is designed to correct.

I respectfully ask you to vote down the Hoeven amendment and accord us the privilege of discussing the issues and the merits in an orderly fashion.

(Mr. ABERNETHY asked and was given permission to revise and extend his remarks.)

The CHAIRMAN. The Chair recognizes the gentleman from California [Mr. BALDWIN].

Mr. BALDWIN. Mr. Chairman, I represent 450,000 cotton users and consumers. They are entitled to have their views heard. The implication of the arguments against the Hoeven substitute is that the only way to correct the existing inequity is to establish a third subsidy in the field of cotton.

There is another way to correct this inequity. That is to lower cotton price supports until they are no higher than the world price and the cost of transportation to the mills overseas who are buying our cotton. If we lower price supports to where they are equivalent to the world price plus the freight rate overseas, then we would eliminate the inequity that now exists. If we take this course to eliminate the inequity we are not putting a new inequity on the U.S. taxpayers. For this reason the Hoeven substitute has merit, and should be adopted.

The CHAIRMAN. The Chair recognizes the gentleman from Maine [Mr. McINTIRE].

(By unanimous consent Mr. McINTIRE yielded his time to Mr. BROCK.)

The CHAIRMAN. The Chair recognizes the gentleman from Tennessee [Mr. BROCK].

(Mr. BROCK asked and was given permission to revise and extend his remarks.)

Mr. BROCK. Mr. Chairman, I do not think any of us on this side, at least, would object to the principle sought in the Hoeven amendment. I think what we now must do, though, is to look at the real impact of this amendment if adopted by this House. I do not see how we can adopt it for one simple reason.

You talk about a basic problem. The basic problem is the price support which forces a false price on American cotton and requires the American manufacturer to pay 8.5 cents a pound more than any other manufacturer. It is not only 8.5 cents a pound more than the Japanese manufacturer but 8.5 cents a pound more than the manufacturer of a competing fabric, of synthetics such as rayon and nylon. This is the problem. The problem is not with imports but with synthetics, which have tripled the impact of cotton imports.

The effect of this amendment would be simply to say we are going to reduce the support price, but what happens while that reduction is going on? You eliminate your cotton market by changing your machines over to synthetics. When you get through with reducing the support prices you have solved your problem, yes, but how? By eliminating the market for cotton. That is the end result of the Hoeven amendment. This is the problem we face if we adopt this substitute proposal. I do not think it is proper or workable. I think it is going to result in the elimination of thousands of jobs in American industry. I do not think we can afford that.

The CHAIRMAN. The Chair recognizes the gentleman from North Carolina [Mr. BROYHILL].

(Mr. BROYHILL of North Carolina asked and was given permission to revise and extend his remarks.)

Mr. BROYHILL of North Carolina. Mr. Chairman, I am pleased that there is bipartisan recognition of the seriousness of the problem confronting the cotton economy and that both sides of the aisle see the need for legislation. I deeply regret, however, that there is disagreement over the extent of the action the situation demands. While the substitute being offered here would deal with part of the problem, it is inadequate. Certainly, I oppose this substitute and I urge that the integrity of the original proposal with the amendment to lower price supports progressively be adopted.

Too much time has gone by already. If this substitute is accepted, it will be an admission that there is still more time available to deal adequately with the problem. In my opinion, this is not the case. I only wish it were.

The equalization features are the very heart of this bill, and they represent the only sound hope of putting American cotton back on its feet.

As I have said before, markets, and

only markets, are the key to this whole question. It will not do any good to reduce price supports over the long term, or reduce growing costs by the research program, if the markets for cotton textiles have been wiped out in the meantime. What good will it do to initiate a program for lowering raw cotton prices over a 3-year period unless we insure that there will be cotton textile markets left for farmers to sell to? We have got to provide a way now for cotton prices to be competitive.

The equalization features of this bill are the answer. If we continue to force American mills to pay more for cotton than their foreign competitors, American cotton products will continue to be priced out of the American market.

Gradually lowering price supports over 3 years, and gradually lowering production costs with a research program, while a step in right direction, simply will not give the help needed. We have got to get back these markets for cotton textiles. And we have got to get them back now. Three years more of the present situation, and the American cotton industry will just be something for historians to use as an illustration of the Federal Government's power to destroy. Over the past 2 years, cotton has suffered a direct competitive loss to other fibers in the amount of 20 percent. Also over the past 2 years, imports of cotton in the form of textiles have increased 56 percent. Over the past 5 years, thousands of textile jobs have been wiped out. This ought to be warning enough to all that the approach taken in this substitute is not enough.

Now, some might say that this is too bad, but that it really is not the Federal Government's job to help cotton out of its problem. Well, gentlemen, I say that it is the Federal Government's job to help cotton out, because it was the Federal Government that got cotton into this mess in the first place.

Statistics indicate a fantastic loss in markets over just the past 2 years. So far this year, indications are that market losses are going to be even greater during 1963. If we wait more years, as this substitute suggests, it is simply going to be too late.

In this debate, much has been said about the inroads of synthetic fibers. Today the price squeeze the cotton textile industry suffers has caused it to turn to synthetics on a massive scale. This is a fact of business life. The synthetics are cheaper. However, they are not available. Production capacity cannot fill the orders for synthetics. Certainly, the synthetic fiber industry is watching closely what we do today. If we do not act to assure a market for cotton in our domestic mills now, the course synthetics manufacturers will take is obvious. Plant expansion can be expected immediately to fill the orders which capacity operations now cannot fill.

There is no mystery about this. There has been too much talk here about "windfalls" to the cotton mills. The plain fact is that price competition is going to prevail. If cotton mills are denied cotton at competitive prices now,

those strong, wealthy enough to survive, will look to synthetics. Others will seek out foreign supplies of yarns. Can there be any doubt that the declining market for cotton will be aggravated? Is there any doubt what economic damage will result in a vast section of this country? Is there any doubt that emergency relief measures costing far more than the additional cost of this bill may have to be considered here?

It is obvious that the cotton surpluses we are piling up now cannot be sold without expanded markets. If we could dispose of them, the opposition to using these surpluses to expand those markets might be valid. But the facts are otherwise.

Cotton surpluses have increased over the past 2 years from 1.5 to 8.2 million bales and exports have dropped from 6.6 to 3.4 million bales. We obviously can not sell surplus cotton on the world market as fast as the CCC is acquiring it, and we are losing our market at home because of the support price. Well, how are we ever going to get rid of this cotton? The answer is—to create markets for it. How do we create markets for it? By making it competitive. And how do we make it competitive? By making it available to our mills at a competitive price. And how do we make it available to our domestic mills at a competitive price? Only by rejecting this substitute.

I do not want to see "too little and too late" carved as the epitaph on the tombstone of the cotton economy. I urge that this substitute be rejected.

The CHAIRMAN. The Chair recognizes the gentleman from Texas [Mr. POAGE].

(By unanimous consent, Mr. POAGE yielded his time to Mr. COOLEY.)

The CHAIRMAN. The Chair recognizes the gentleman from North Carolina [Mr. COOLEY].

Mr. COOLEY. Mr. Chairman, there has been some question about the standing of the AFL-CIO on this legislation. Here is a telegram I have received from William Pollock, general president, Textile Workers Union of America, AFL-CIO:

Have just been informed that there is some doubt that the Textile Workers Union of America, AFL-CIO, favors H.R. 6196, the Cooley cotton bill. This is to inform you that as general president of the Textile Workers Union of America, AFL-CIO, we are 100 percent for this bill with the McIntire amendment.

In concluding the debate on this amendment, I want to give the House some figures. The gentleman from Minnesota [Mr. QUIE] sounded off here in very eloquent fashion about this bill. He hopes that we will lose sight of the fact that his commodities, wheat, and dairy products, have resulted in losses as follows: On wheat the taxpayers of America have lost \$10,931 million. Last year out of every dollar received by the wheat-growers the taxpayers paid 75 cents. Dairy products cost \$3,351 million. For the two of them, you and your producers have cost the taxpayers \$14,282 million. I want to repeat that when the cotton program was taken over by the Eisen-

hower administration we had a profit of \$268 million. Now we have substantial losses. We lost substantially last year.

We are told this bill is going to cost \$600 million. That is not true. The cotton program is going to cost a substantial amount of money whether we pass this bill or not. But in 1964 it will only cost \$118 million more. Furthermore, we are told it will save for consumers \$500 million a year.

The next year it will only cost \$87.9 million.

The next year it will only cost \$44.3 million.

Mr. Chairman, I urge the defeat of the pending amendment.

The CHAIRMAN. The time of the gentleman has expired. All time has expired.

The question is on the substitute amendment offered by the gentleman from Iowa [Mr. HOEVEN].

The question was taken and the Chairman announced the "noes" appeared to have it.

Mr. HOEVEN. Mr. Chairman, on this vote I demand tellers.

Tellers were ordered and the Chairman appointed Mr. HOEVEN and Mr. ABERNETHY as tellers.

The committee divided, and the tellers reported that there were—ayes 122, noes 184.

So the amendment was rejected.

The CHAIRMAN. The Clerk will report the next committee amendment.

The Clerk read as follows:

Page 3, line 3, after the period, strike out the sentence down to and including line 5 and insert: "There are hereby authorized to be appropriated such sums, not to exceed \$10,000,000 annually, as may be necessary for the Secretary to carry out this special research program."

The committee amendment was agreed to.

The CHAIRMAN. The Clerk will report the next committee amendment.

The Clerk read as follows:

Committee amendment: Page 5, after line 3 insert:

"SEC. 6. The Agricultural Adjustment Act of 1938, as amended, is amended as follows:

"(1) The following new sections are added to the Act:

"SEC. 349. If the national acreage allotment established under section 344(a) for the years 1964, 1965, or 1966 exceeds 17 million acres (exclusive of the national acreage reserve established under section 344(b)), the amount of such acreage allotment in excess of 17 million acres shall, notwithstanding any other provision of this part, be allotted as follows: One-half of such excess shall be allotted pursuant to the provisions of section 344. The remaining half of such excess shall, subject to the provisions of this section and section 350, be allotted by the Secretary as export market acreage directly to farms eligible to receive allotments under the provisions of section 350 to the extent that he determines that such allotments will not increase the carryover of cotton at the beginning of the marketing year for the next succeeding crop above the carryover on the same date one year earlier, except that no farm may receive an allotment of export market acreage in excess of 20 per centum of the acreage allotment for the farm established under the provisions of section 344. Any acreage available for allotment as export market acreage which the Secretary determines will not be used shall be allotted

pursuant to the provisions of section 344. Any acreage allotted to a farm as export market acreage and planted to cotton shall be in addition to the county or State acreage allotments and shall not be taken into account in establishing future State, county, and farm acreage allotments. Notice of the maximum export acreage for a farm shall be included in the notices of farm acreage allotments and marketing quotas. The provisions of this section shall not apply to extra long staple cotton.

"SEC. 350. The producers on any farm on which there is export market acreage or the purchasers of cotton produced thereon shall, under regulations issued by the Secretary, furnish a bond or other undertaking prescribed by the Secretary providing for the exportation, without benefit of any Government cotton export subsidy and within such period of time as the Secretary may specify, of a quantity of cotton equal to the actual production of the export market acreage as determined pursuant to regulations issued by the Secretary. The bond or other undertaking given pursuant to this section shall provide that, upon failure to comply with the terms and conditions thereof, the person furnishing such bond or other undertaking shall be liable for liquidated damages in an amount which the Secretary determines and specifies in such undertaking will approximate the export subsidy on such quantity of cotton. The Secretary may, in lieu of the furnishing of a bond or other undertaking, provide for the payment of an amount equal to that which would be payable as liquidated damages under such bond or other undertaking. If such bond or other undertaking is not furnished, or if payment in lieu thereof is not made as provided herein, at such time and in the manner required by regulations of the Secretary, or if the acreage planted to cotton on the farm exceeds the farm acreage allotment established under the provisions of section 344 by more than the maximum export market acreage, the farm acreage allotment shall be the acreage so established under section 344. Amounts collected by the Secretary under this section shall be remitted to the Commodity Credit Corporation and used by the Corporation to defray costs of encouraging export sales of cotton under section 208 of the Agricultural Act of 1956, as amended.

"(2) Section 376 of the Act is amended by adding at the end thereof the following: "This section also shall be applicable to liquidated damages provided for pursuant to section 350 of this title.""

AMENDMENT OFFERED BY MR. JONES OF MISSOURI

Mr. JONES of Missouri. Mr. Chairman, I offer an amendment to the committee amendment.

The Clerk read as follows:

Amendment offered by Mr. JONES of Missouri: Page 5, lines 7 to 25, and page 6, lines 1 to 10:

"Amend section 349 in subsection (1) of section 6 of the bill to read as follows:

"SEC. 349. If the national acreage allotment established under section 344(a) of the Act for the years 1964, 1965, or 1966 exceeds sixteen million acres (exclusive of the national acreage reserve established under section 344(b) of the Act), the amount of such acreage allotment in excess of sixteen million acres shall, notwithstanding any other provision of this part, be allotted as follows: The first five hundred thousand acres of such excess shall, subject to the provisions of this section and section 350 of the Act, be allotted by the Secretary as export market acreage directly to farms eligible to receive allotments under the provisions of section 344 of the Act; any remaining acreage in excess of sixteen million, five hundred thousand acres of the national acreage allotment shall be allotted one-half pursuant to

the provisions of section 344 of the Act and one-half shall be allotted as export market acreage in the same manner as the first five hundred thousand acres of export market acreage: *Provided*, That no farm may receive an allotment of export market acreage in excess of the per centum prescribed by the Secretary for the crop year of the acreage allotment for the farm established under the provisions of section 344 of the Act. In allocating export market acreage, the Secretary shall estimate the amount which would be planted on farms and establish a percentage, hereinafter referred to as the maximum export market acreage (not exceeding the per centum prescribed by the Secretary under the proviso in the preceding sentence), of the farm acreage allotment established under section 344 of the Act reasonably expected to result in planting of an acreage equal to the export market acreage available for the crop year. Any acreage allotted to a farm as export market acreage and planted to cotton shall be in addition to the county and State acreage allotments and shall not be taken into account in establishing future State, county, and farm acreage allotments. Notice of the maximum export acreage for each farm shall be included in the notices of farm acreage allotments and marketing quotas issued pursuant to section 362 of the Act. The provisions of this section shall not apply to extra long staple cotton."

(Mr. JONES of Missouri asked and was given permission to revise and extend his remarks.)

Mr. ABERNETHY. Mr. Chairman, would the gentleman yield to me for a question?

Mr. JONES of Missouri. I yield to the gentleman from Mississippi.

Mr. ABERNETHY. In reality is not the gentleman's language offered as a substitute for the committee amendment?

Mr. JONES of Missouri. It is offered as a substitute for a part of the committee amendment and therefore it had to be offered as an amendment to the entire committee amendment.

Mr. ABERNETHY. If the gentleman will yield further, what part of the committee amendment does the gentleman leave in?

Mr. JONES of Missouri. We are leaving in section 350. I cannot yield any further. I have to have time in which to explain my amendment, and I can explain it to the members of the Committee very briefly.

The committee in its consideration of this bill recognized that there were many cotton producers throughout the United States in many States who wanted to produce additional acres badly enough that they were willing to produce it without any subsidy. In other words, the export acres which are provided for in the amendment—the committee amendment—in section 349, the export acres mean that the farmer who grows those export acres would pay the Government 8½ cents a pound, or the total amount of any export subsidy for the privilege of growing cotton.

However, under this bill—this committee amendment—the export acres could not go into effect until the national cotton allotment reached 17 million acres.

Under the present law there is a limitation that the national allotment cannot go below 16 million acres.

Last year every cotton producer in America was supposed to receive an 11-percent reduction in acres. With the 11-percent reduction in acres, we are producing this year one-half million bales more of cotton than we produced last year.

Under the provisions of the present law we will produce on 16 million acres of national allotment next year.

Now, the effect of this amendment that I have offered is merely this, and the members of the Committee can understand it this way: Under my amendment we will not produce on the 1 million acres of cotton between the 16 million acres national allotment and a 17-million-acre national allotment, cotton that would be subsidized.

Under the committee amendment there would be a million acres of cotton which would be produced before the free or export acres could go into effect. That would cost the Government over \$50 million in paying the subsidy on the cotton that would be produced on the million acres, between the minimum of 16 now and the 17 provided in this bill.

The only thing that this amendment of mine does is to permit the export acres to be grown without any cost to the Government. It does not add to the national allotment. It will not be used in figuring the future State, county or farm acreage allotment. It will only go to those people who say, "We can produce cotton at the world price, we are anxious to do it, and we are willing to pay 8.5 cents a pound to do it."

I would have preferred that it had gone in before this, but in compliance with the present law, the 16-million-acre minimum would be maintained, and the export acres would go into effect only when it was decided by the Secretary that 16 million acres could not produce the cotton needed.

There are many States that would take advantage of these export acres. Under the committee amendment during the 3 years that this bill will be in effect the committee amendment would be of no effect whatsoever because there is no one and I defy anyone on this floor to say there is any possibility at any time during the next 3 years we will have a national allotment of 17 million acres.

Mr. TEAGUE of California. Mr. Chairman, will the gentleman yield?

Mr. JONES of Missouri. I yield to the gentleman from California.

Mr. TEAGUE of California. I merely wish to state that I offered this amendment in committee and it lost by a very close vote. I am heartily in favor of the gentleman's amendment, and hope it will be adopted.

Mr. JONES of Missouri. The gentleman does agree it would save the Government at least \$50 million?

Mr. TEAGUE of California. I certainly do.

Mr. JONES of Missouri. I may say that I considered offering a lot of other amendments, but I am giving you an opportunity here to vote to save at least \$50 million. I hope my amendment will be adopted.

Mr. QUIE. Mr. Chairman, I rise in support of the pending amendment.

(Mr. QUIE asked and was given permission to revise and extend his remarks.)

Mr. QUIE. Mr. Chairman, I rise in support of the pending amendment. At least there will be some saving of money, as the gentleman from Missouri indicated, \$50 million. That will be helpful.

The chairman of the Agriculture Committee indicated that the dairy program and the wheat program cost money during the last few years. During this administration the cotton program cost money. The cotton program cost \$545 million in 1961, \$612 million in 1962, and for this year, 1963, according to the estimate of the Department of Agriculture, \$550 million.

What should we do? Cut back the cost of the program? That might be a good idea. There is nothing in this bill that suggests it, and with the McIntire amendment the cost of this bill will increase the cost of the cotton program next year to \$779.4 million. That is an increased cost—contrary to any sound program or unsound program offered in this Congress.

Will the chairman of the committee want to add to the cost of the dairy program for these last few years, and the wheat program for the last 3 years, to give them an identical program with the one proposed here for cotton, and paying a direct payment to the processor to bring their raw material price down to the world market price? You will find a fantastic increase in the cost to the taxpayers if you bring this equity into every commodity. So we come to this amendment which will surely save some money and permit the part of the country where they can produce cotton at the world price to do so.

Mr. ABERNETHY. Mr. Chairman, I rise in opposition to the amendment.

Mr. COOLEY. Mr. Chairman, will the gentleman yield?

Mr. ABERNETHY. I yield to the gentleman from North Carolina.

Mr. COOLEY. Mr. Chairman, I ask unanimous consent that all debate on the pending amendment and all amendments thereto close in 15 minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

Mr. ABERNETHY. Mr. Chairman, I think the House ought to have all the facts about this amendment, particularly the background and the consideration which it had in committee. I do not mean my colleague from Missouri has concealed anything; probably he did not have time to cover the situation entirely. The situation needs some review and I shall give it to you.

The only reason this bill is before the House of Representatives is because of the inequity which we have heard repeated over and over today and yesterday. But for no other reason is this bill before us. The distribution of acreage and the subject of price support has nothing, absolutely nothing, to do with the immediate problem.

As my friend from Oklahoma [Mr. BELCHER] indicated earlier today, we frequently have a very difficult time getting together in the Committee on Agricul-

ture. The people down in my State where I represent a lot of the little 10-, 15-, and 20-acre cotton farmers, most of whom are poor people, had a special amendment, too. Like the pending amendment, it did not have a thing in the world to do with this inequity nor did it contribute anything to its solution. The people in Missouri had amendments to help their particular situation, some of which our colleague, the gentleman from Missouri [Mr. JONES] has presented today, the pending amendment being one of them. But none of these amendments contribute to a solution of the overall problem. Our friends in California, Arizona, New Mexico, Texas, Carolina, Georgia, and Alabama, in fact all sections of the Cotton Belt had amendments they wanted to tack on. And mind you none of them had a thing to do with the problem of the inequity.

Everybody wanted something special, and they wanted to tack them on as riders to a bill that was designed to help everybody from one coast to the other, the mills, the trade, and the farmers of the Carolinas, Missouri, Louisiana, Arizona, and California, each and every other State in the Cotton Belt. It had become evident that because of these special and sectional amendments we would never get a bill. We were stalled on dead center.

On our side of the aisle all of us finally agreed to stand aside on our special gadgets and to waive amendments, that is, all except my friend, the gentleman from Missouri [Mr. JONES], who has offered the pending amendment.

Mr. JONES of Missouri. I did not agree to waive amendments.

Mr. ABERNETHY. I said the gentleman did not. He was the only one who did not.

Somebody asked yesterday, Why has this bill been so long getting here? This is one of the reasons. It was snagged in the committee for months and months all because so many members wanted to use it to get a little something special. Numerous members wanted a special coach on a train that was being run to help every one. This brought about an impasse. So the bill remained locked in committee. Finally, as I say, everyone agreed to give up on special amendments, except our colleague from Missouri, with the hope that we could get the bill out, pass it and bring needed benefits to every segment of the cotton industry as well as the consumers.

And by the way, if these people who are so anxious to save money—I do not believe the amendment will save \$50 million or 50 cents. It will not save anything. It will just bring about the production of some cotton that will replace other cotton, with the latter being forced into Government stocks. And incidentally, if my colleague's Missouri farmers wish to produce some cotton under a waiver of price supports there is nothing to prevent them from doing so now. They do not have to take supports.

In any event, we finally all agreed on a compromise on the provision wanted by the gentleman from Missouri and other members, that is, all agreed but the gen-

tleman from Missouri. We drafted the compromise amendment and put it in the bill. The compromise was made known to the gentleman of Missouri. As I say, we put it in the bill and we have heard no more about this issue since until today. Everything has been quiet since the bill was reported out months ago. We had hoped and thought differences had been compromised enough to get this sorely needed legislation out, on the floor and passed.

Until about 2 years ago cotton farmers were allotted better than 18 million acres of cotton. The acreage was divided on a historical basis among all the States between the Carolinas and California, all in accordance with a fair formula written into the law. The yields were so high that acreage had to be cut. So the national allotment was dropped to 16 million acres, the statutory minimum. Every State allotment was proportionately reduced.

Operating for 2 years at a bare minimum, and suffering from the cuts in acreage, we were all looking forward to the day, and still look forward to same, when we would return to the 18-million-acre national allotment. We are looking forward to the time when our farmers, large and small, particularly the small ones, could plant their normal cotton acreages.

All of us have made our contributions to reducing the surplus by reducing our acreage. When and if the surplus is reduced then all of us should, in my judgment, share in the fruits thereof, that is, larger acreages for each farm, with every farm being treated alike in the increased allotments.

If we do get back to the normal plantings under an 18-million-acre allotment, then I think every farmer should share in it, share and share alike. That is not what the amendment of my friends is designed to do. Nobody will challenge that.

Mr. JONES of Missouri. Mr. Chairman, I will challenge it.

Mr. ABERNETHY. Just a minute. I did not yield. So as matters rocked on we finally worked out a compromise in committee on the Jones amendment. We agreed that acreage up to 17 million would be allotted in the normal way, and the next million above that if the national allotment went that high would be divided 50-50 between those who wanted to produce cotton under the price support program and those who wanted to produce under the amendment proposed by the gentleman from Missouri [Mr. JONES].

If you are unable to follow this explanation, then to put it simply, we all agreed to meet the sponsor of the pending amendment halfway. Rather than stymie the bill, hold it in committee and do serious injury to the entire cotton industry, we agreed to this compromise.

We had been standing firm that this rather unusual proposal would not become operative until we returned to the old national allotment from which we had been cut. Our friend from Missouri was insisting that we begin with the first increased acre above the present 16-mil-

lion-acre minimum. Our compromise met him halfway. How much fairer can one be?

Take a look at page 5. There you will find where we inserted the 17 million acres as the beginning point for the idea proposed by our colleague from Missouri. Instead of demanding that we wait until we reached the point of a return to the old national allotment of 18 million acres, which prevailed for so long, we said we will start at 17 million acres, we will go halfway with you.

That is all we ask you to do in urging you to vote down the Jones amendment. Let us compromise our differences, let each side go halfway. That is what the bill provides. What could be more fair?

The CHAIRMAN. The Chair recognizes the gentleman from Maine [Mr. McINTIRE].

Mr. McINTIRE. Mr. Chairman, if I can have the attention of the author of this amendment, the gentleman from Missouri [Mr. JONES]. My recollection is that a few years back we had a provision in the cotton legislation for an A and B program. This has some similarity in that it would provide for additional expansion of acreage, with the so-called export acreage and an equalization payment for the privilege of that export acreage?

Mr. JONES of Missouri. It would be similar to it except it goes much further because this way they are paying 8½ cents a pound for growing it and there is only a differential, I think, of some less than 4 cents a pound in the A and B program.

Mr. McINTIRE. Could the gentleman give us for the record some figures as to what the participation was in the A and B program?

Mr. JONES of Missouri. Do you mean nationally?

Mr. McINTIRE. In your particular area. Was it quite substantial?

Mr. JONES of Missouri. In some States it was. In our State I think something like 40 percent participated and took advantage of growing cotton at a cheaper price—yes.

Mr. McINTIRE. And the figures which you use as to the possible saving of \$50 million was calculated on full participation?

Mr. JONES of Missouri. No, the calculation was made because any production on a million acres of cotton at the present yield will produce cotton where the subsidy would amount to \$50 million. That would be saved under this amendment.

Mr. McINTIRE. In the use of the term "export acreage" from a practical standpoint, this cotton would not necessarily be set aside physically for export; would it?

Mr. JONES of Missouri. It would not be set aside physically for export, but the payment would be made. It would be set aside as far as the processor is concerned and he would be paid 8½ cents a pound for it—yes, sir.

The CHAIRMAN. The Chair recognizes the gentleman from Arkansas [Mr. GATHINGS].

Mr. GATHINGS. Mr. Chairman, the gentleman from Missouri and I live

right close together. Some of my constituents live in Arkansas and work land in Missouri, and some of his folks live in Missouri and work land in Arkansas. These are the very people who want an increased acreage. I would like an increased acreage for my people. It does not make any difference, as a matter of fact, how the vote goes on this Jones amendment because of the fact the Secretary of Agriculture is not going to go above 16,310,000 acres in the national acreage allotment until such time as this cotton moves into various channels, domestic and export, in much larger quantities than it has been moving.

But, in any event, just as the gentleman from Mississippi [Mr. ABERNETHY] stated, it was a compromise because the gentleman from Missouri and the gentleman from California wanted to start at 16 million acres and the gentleman from Mississippi [Mr. ABERNETHY] wanted to make the figure 18 million acres. Seventeen million acres was written into the bill as a starting point. When the national allotment exceeded that number of acres then the export acreage provision would go into effect.

But I want to say this to you. We grew 15,300,000 bales of cotton in the current year, as has been estimated. The estimated disappearance is 13.8.

We have grown 1.5 million more bales of cotton in the current year than we can dispose of. This is no time now to talk about an increased cotton acreage allotment for anyone.

Mr. JONES of Missouri. You are not trying to say we are going to get any increase until we meet the disappearance? I feel myself we will not get it unless we have the disappearance.

Mr. GATHINGS. That is right. And whether your amendment is agreed to or not it makes very little difference, because until we move more cotton into the channels of trade the gentleman's amendment would not operate. I hope that the amendment will be rejected.

The CHAIRMAN. The time of the gentleman has expired. The Chair recognizes the gentleman from Missouri [Mr. JONES].

Mr. JONES of Missouri. Mr. Chairman, I yield back the balance of my time and stand on what I said before.

The CHAIRMAN. The Chair recognizes the gentleman from North Carolina [Mr. COOLEY].

Mr. COOLEY. Mr. Chairman, I want to make a few brief observations in the limited time I have at my disposal. First I want to agree with what has been said to the effect that this amendment was worked out in the committee with one compromise after the other being made. We composed our differences and agreed on this provision. The Gentleman from Missouri [Mr. JONES] had his day in court, so to speak, in the committee. He was heard at great length, and the committee rejected his proposal.

To sum up I want to say the minimum of 16 million acres is now in the law. On that allotted number of acres we added this year to our surplus amount of cotton somewhere between 1.5 and 2 million bales. Now, every bale of cotton produced under the Jones theory and his program, even though they pay 8.5

cents or whatever it is as a penalty or premium to grow it—every bale of it will displace another bale of American cotton in foreign markets of the world. There is no way to get around it. How inconsistent can we be? Here we have a program on the one hand controlling production, at great cost, and then we come along on the other hand and permit his constituents to grow cotton and put it into Liverpool and all other ports of the world and take the place of some other bale of cotton grown here under the program of controls.

Mr. JONES of Missouri. Mr. Chairman, will the gentleman yield for a question.

Mr. COOLEY. I yield.

Mr. JONES of Missouri. You are not telling this House here that this amendment of mine would add 1 bale?

Mr. COOLEY. Of course it would.

Mr. JONES of Missouri. It would not add an acre to it.

Mr. COOLEY. What is the purpose for proposing it, then? You want to grow it for world markets. You say you can go ahead and grow it at world prices and sell it in the world markets and make a profit, but this is an inconsistent proposition.

The CHAIRMAN. All time has expired. The question is on the amendment of the gentleman from Missouri [Mr. JONES] to the committee amendment.

The question was taken; and on a division (demanded by Mr. JONES) there were—ayes 53, noes 112.

So the amendment to the committee amendment was rejected.

The CHAIRMAN. The question is on the committee amendment.

The committee amendment was agreed to.

AMENDMENT OFFERED BY MR. M'INTIRE
Mr. McINTIRE. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. McINTIRE: On page 3, line 19, strike out the quotation mark and insert the following: "The level of price support for the 1964 crop of upland cotton shall be the national average support price which reflects 30 cents per pound for Middling inch. For 1965 and subsequent years, the level of price support shall be the level in effect for the preceding crop adjusted as provided in this section to reflect reductions in the costs of producing cotton: *Provided*, That the maximum level of price support shall be the national average support price which reflects for Middling inch 29½ cents per pound for the 1965 crop and 29 cents per pound for the 1966 crop."

(Mr. McINTIRE asked and was given permission to revise and extend his remarks.)

Mr. McINTIRE. Mr. Chairman, the basic purpose of the amendment is to move in the direction of lower price supports for upland cotton.

The amendment in its present form would make three important changes in the upland cotton price support law:

AMENDMENT IN NEXT CONGRESS
First. It would permanently repeal the Secretary's present discretionary authority to set upland cotton price supports from 65 to 90 percent of parity.

Second. It would establish a statu-

tory ceiling on the level of price supports for the production in excess of 15 bales on upland cotton for the 1964, 1965, and 1966 crops. For the 1967 and subsequent crops during which trade incentive payments and the 15-bale provisions would not apply, a statutory ceiling would continue in effect unless changed by subsequent legislative action.

Third. Beginning with the 1965 crop, price supports could be lowered below the statutory ceilings under a cost of production formula reflecting the research efforts of the Department of Agriculture.

1. REPEAL OF DISCRETIONARY AUTHORITY

First it would permanently repeal the Secretary's discretionary authority to set price supports at a level from 65 to 90 percent of parity. Although other provisions of H.R. 6196 would be temporary in nature—such as the "trade incentive payments" and the "simultaneous purchase and sale provision"—and would be authorized only through the 1966 crop, the price support provisions of the bill as amended by my amendment would be permanent law.

Section 103 of the Agricultural Act of 1949, as amended, is the present statutory authority for cotton price supports. It provides as follows:

PRICE SUPPORT FOR 1961 AND SUBSEQUENT YEARS
(COTTON)

SEC. 103. Notwithstanding the provisions of section 101 of this Act, price support to cooperators for each crop of upland cotton, beginning with the 1961 crop, for which producers have not disapproved marketing quotas shall be at such level not more than 90 per centum of the parity price therefor nor less than the minimum level prescribed below as the Secretary determines appropriate after consideration of the factors specified in section 401(b) of this Act. For the 1961 crop the minimum level shall be 70 per centum of the parity price therefor, and for each subsequent crop the minimum level shall be 65 per centum of the parity price therefor. Price support in the case of non-cooperators and in case marketing quotas are disapproved shall be as provided in section 101(d) (3) and (5). (7 U.S.C. 1444.)

"Accordingly the Secretary has set the 1963 level of price support for the key grade Middling 1-inch cotton at 32.47 cents or 79 percent of parity."

Section 3 of H.R. 6196 states that the Secretary "notwithstanding the provisions of section 103, shall make reductions in price support levels as will reflect reductions in the costs of producing cotton."

The amendment goes on to state that for 1965 and subsequent years, the level of price support shall be "the level in effect for the preceding crop adjusted as provided in this section to reflect reductions in the costs of producing cotton."

2. STATUTORY CEILING

Under the amendment the statutory ceiling for the "balance of the crop"—that is, the cotton produced in excess of 15 bales—would be as follows:

[Middling 1-inch, cents per pound]	
1964.....	30
1965.....	29½
1966.....	29

For the 1967 and subsequent crops the statutory ceiling would be the lower of

29 cents or the level in effect for the 1966 crop.

The level of support is, of course, the key to both the cost of the program and the income of producers.

By lowering the level of support to 30 cents in 1964, the cost of acquiring surplus cotton and the export subsidy are both reduced by 2.47 cents. This saving would be offset by the cost of the trade incentive payments and the "bonus" payment made to 15-bale producers through the "simultaneous purchase and sale" device.

The Secretary could, under the bill, make these small grower payments at a level up to 10 percent above the support on the balance of the crop. In 1964 this could not exceed 2.47 cents—10 percent of 30 cents but not in excess of 1963 level of support; in 1965, 2.95 cents—10 percent of 29.5 cents; and in 1966, 2.9 cents—10 percent of 29 cents.

Under the bill the trade incentive payments would be equal to the export subsidy. Since the market structure is assumed to be 30 cents the export subsidy and the trade-incentive payment would be 6 cents—30 cents minus the assumed "world price" of 24 cents. In 1965 it would be 5½ cents—29½ cents minus 24 cents—and in 1966 it would be 5 cents—29 cents minus 24 cents.

For each 1-cent-per-pound reduction in level of price support cost of support will be reduced \$45 million per year.

3. PRODUCTION COST RESEARCH

A separate provision of the bill, as well as the general authority of the Department, authorizes the establishment of a cotton research effort aimed at reducing production costs. Through extensive research by the Department, it is hoped that cotton production costs can be reduced, particularly in the area of insect damage—that is, the cotton boll weevil.

Under data now compiled by the Department it is hoped that if and when these research efforts begin to be effective the Secretary will accordingly reduce the level of support below the statutory ceilings.

WHAT THE AMENDMENT DOES NOT DO

The amendment materially modifies the Secretary's discretion in setting upland price supports, trade incentive payments, small farm "simultaneous purchase and sale" payments, and export subsidies. It does not, however, delete any of these provisions from the bill.

The amendment would reduce the cost of the bill as reported by the committee if the Secretary were to exercise his discretion to set the levels of support at the maximum range. It is generally conceded, however, that the new program would be more expensive than the program in effect for the 1963 crop, although the amount is subject to argument.

The amendment deals only with price supports. It therefore makes no changes in the acreage allotment and marketing quota provisions incorporated in the Agricultural Adjustment Act of 1938, as amended.

In summary, this amendment would materially change the operation of the upland cotton price support law by replacing the present discretionary au-

thority of the Secretary to set price supports under the parity formula with a new method under which statutory ceilings which would be lower than the present level of support could be further reduced in the event of future effective production cost research.

Mr. COOLEY. Mr. Chairman, will the gentleman yield?

Mr. MCINTIRE. I yield to the gentleman.

Mr. COOLEY. Mr. Chairman, I would like to say to the membership of the House that the gentleman from Maine [Mr. MCINTIRE] proposed this amendment in committee. It was thoroughly considered and discussed.

The amendment proposed by the gentleman from Maine was adopted by the committee, and I, chairman of the committee, was directed by the committee to accept the McIntire amendment when it was offered by the gentleman from Maine, the author of the amendment.

I here and now announce to the membership of the House that pursuant to the direction of the House Committee on Agriculture I accept the amendment offered by our distinguished colleague, the gentleman from Maine [Mr. MCINTIRE].

I believe in high price supports, and high prices for agricultural commodities. In the past, when producers of such commodities have been willing to make necessary adjustments in production to bring production in line with reasonable consumer demands adjustment programs have been successful and have been accepted by producers, and I do not favor, and never have favored, high price supports with unlimited production of any agricultural commodity. I repeat that I am in favor of high price supports, I am in favor of adjustment programs, and I believe that producers should be willing to reduce production in an effort to bring supply in line with demand. I know that the McIntire amendment provides for a gradual reduction in price supports. Regardless of my own views, as chairman of the Committee on Agriculture, by direction of my committee, I must accept the gentleman's amendment.

After all, we must be realistic. We must realize that the cotton industry of America is in great and grave danger. We must realize that American-grown cotton is competing with foreign-grown cotton.

American-grown cotton is competing with manmade fibers. And above all, we must understand that unless American cotton is made competitive with foreign-grown cotton and with manmade fibers, the cotton industry of America will suffer.

No industry in America has been burdened with such a burden as has been borne by the cotton industry of America.

This inequity between our domestic mills and foreign mills is unwarranted and intolerable.

All the evidence before our committee indicates that if American cotton is made more competitive with foreign-grown cotton and with manmade fibers our markets for cotton at home and abroad will be expanded and the cotton farmers of our country and every segment of the cotton industry will be benefited.

There are two magic words in all the languages of this earth—food, and raiment. In America we have an abundance of both food and fiber. Our warehouses are bulging. The cost of storage is great and unbearable. The pending bill provides for a payment "in kind" rather than in cash.

I know that the gentleman from Maine is a very sincere man. I know that he understands the problems involved in the proposals now under consideration.

So, Mr. Chairman, on behalf of the Committee on Agriculture of the House of Representatives, I accept the McIntire amendment.

Mr. KEITH. Mr. Chairman, will the gentleman yield?

Mr. MCINTIRE. I yield to the gentleman from Massachusetts.

(Mr. KEITH asked and was given permission to extend his remarks at this point in the RECORD.)

Mr. KEITH. Mr. Chairman, there has been much said pro and con on the merits of this legislation. The fact is that the cotton manufacturer is paying a substantial part of this price for Federal policies—both domestic and foreign—for which he has no responsibility.

The editorial from the December 1 edition of the New Bedford Standard-Times which I will now read sheds light on several factors which have been misunderstood and I commend it to the attention of the House. I particularly commend that portion of the editorial dealing with the so-called McIntire amendment.

Mr. Chairman, this editorial is entitled "Fair Play for Cotton"—it could perhaps be referred to as fair play for the cotton manufacturer, the worker in the textile industry, and the allied industries using the goods they jointly produce. It will benefit, too, the consumers who will buy the finished products from American looms and the American garment industry.

FAIRPLAY FOR COTTON

The U.S. House of Representatives is scheduled to act Tuesday on the so-called cotton subsidy bill. In so doing, it has an opportunity to correct a discriminatory situation that now penalizes American management and labor.

The price of cotton since the 1930's has been Government-supported at artificially high levels. Since 1939, domestic mills have been unable to import foreign cotton in excess of 30,000 bales annually. This is less than 1 day's supply.

Thus, U.S. mills cannot buy in the world market, but must purchase American cotton.

Since 1956, however, U.S. cotton has been exported under a subsidy equal to the difference between our high Government-supported domestic price and the world price.

Foreign mills, therefore, can purchase U.S. cotton at the world price, which is below the support price established by the Government for U.S. mills.

At present, the difference between the world price and the Government support prices is 8½ cents a pound. This means foreign mills can buy U.S. cotton 8½ cents a pound cheaper than U.S. mills can purchase it.

What effect does this have?

In 1955, the year before the export subsidy was enacted, the United States imported 300 million square yards of cotton goods. The figure now is 1,200 million square yards, and increases progressively each year.

This is not entirely due to the lower price at which foreign mills may purchase their raw material, yet $8\frac{1}{2}$ cents a pound—a 25-percent differential—is a substantial advantage. Without even figuring cheaper labor costs, it means that foreign mills can produce cotton goods competing with those of the United States at from 2 to 5 cents a yard cheaper.

The pending bill would remove this inequity imposed by Government policies, by making cotton available to U.S. mills at the same price at which foreign producers can buy it.

How would this be done?

By utilizing the huge stockpile of cotton held by the Commodity Credit Corporation, through payment in kind, rather than payment in cash. U.S. mills would pay to cotton distributors the world price; that is, the American support price less $8\frac{1}{2}$ cents a pound. The distributor would get the difference between the support price and the world price in free cotton shipped to him by the CCC.

Thus, this is not a subsidy to mills, but to the cotton market, just as is done with wheat and other items. The cotton distributor already receives this subsidy when he sells abroad; the pending bill simply expands an existing subsidy provision to include domestic, as well as foreign buyers.

This legislation would do no more than give U.S. mills the same break as foreign mills. It would allow us to be competitive at least to the extent of raw material which, frankly, in terms of realistic economics, we should get cheaper than our foreign competition, because we grow it here.

Representative McINTIRE, Republican, of Maine, has an amendment to this bill which ought to be passed, too. It provides for gradual reduction of the cotton support price. This is constructive; instead of continuing to pay an unrealistically high subsidy, the Government should gradually reduce the support price to the world price level. A provision in the bill for \$10 million, to aid research aimed at growing cotton cheaper, might help in this direction.

It is encouraging to learn that President Johnson looks with favor on this legislation, and the House ought to pass it, in the name of fairness to American business and American jobs.

Mr. HAGEN of California. Mr. Chairman, will the gentleman yield?

Mr. McINTIRE. I yield to the gentleman from California.

Mr. HAGEN of California. I congratulate the gentleman on his usual scholarly approach. But I want to ask this question with respect to his amendment. These cost figures with reference to this bill that have been propagated in the sum of \$661 million are inaccurate; is not that correct?

Mr. McINTIRE. I would agree with that. These figures which have been tossed around bear examination, because as far as cash outlay is concerned, this bill with the amendment that I am proposing in the first year would cost \$118 million, the second year it would cost about \$88 million, and the third year it would cost about \$44 million. So, for the 3 years, if you put these figures together, would cost a total of those amounts.

But let me be fair and say that in making those statements I am not including the value or the cost of cotton which is to be used in payment in kind.

Mr. HAGEN of California. If the gentleman will yield further, also, is there not a possibility that once you get the

price support down to the 29-cent figure, it would never go any higher in succeeding years? Perhaps that is a requirement of your amendment?

Mr. McINTIRE. It is a requirement of the amendment.

Mr. COOLEY. Mr. Chairman, will the gentleman yield?

Mr. McINTIRE. I yield to the gentleman from North Carolina.

Mr. COOLEY. Did not the evidence before our committee clearly indicate, if this amendment is adopted and this bill is enacted, that the result will be a saving to the consumers of America of approximately one-half billion dollars?

Mr. McINTIRE. This figure was used in the committee, and I have no basis for denying its accuracy.

Mr. Chairman, I yield back the balance of my time.

Mr. QUIE. Mr. Chairman, I move to strike out the requisite number of words.

(Mr. QUIE asked and was given permission to revise and extend his remarks.)

Mr. COOLEY. Mr. Chairman, I wonder if the gentleman from Minnesota would yield for a unanimous-consent request?

Mr. QUIE. I yield to the gentleman from North Carolina.

Mr. COOLEY. Mr. Chairman, I ask unanimous consent that all debate close on the pending amendment, and all amendments thereto, in 10 minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

Mr. FINDLEY. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. FINDLEY. Would this preclude a further amendment to the bill, debate on a further amendment to the bill?

The CHAIRMAN. No; this only applies to the pending amendment and all amendments to the pending amendment.

Mr. FINDLEY. I thank the Chairman.

Mr. QUIE. Mr. Chairman, many of the Members of the House have been opposed to the bill, as reported by the committee, but with the McIntire amendment they favor the bill.

I just want to point out to the Members of the House what the McIntire amendment does in relation to what the bill provided when it came out of the committee.

As the bill came out of the committee, the Secretary can set the price support at $29\frac{1}{2}$ cents a pound for cotton and pay the subsidy on the first 15 bales. Seventy percent of the farmers that produce cotton in this country produce 15 bales of cotton or less. I understand that 94 percent of the farmers in North Carolina produce 15 bales or less.

So, Mr. Chairman, the Secretary of Agriculture can set the price support at one-half cent below the McIntire amendment for next year and still do the same thing as the bill provides, keep the $32\frac{1}{2}$ cents for the first 15 bales that are produced and then bring the price support down for the rest of the production to $29\frac{1}{2}$ cents.

The McIntire amendment sets it at a half cent higher the first year than the bill already provides that the Secretary can do. It is also the same price that the Secretary can set it at in the second year, and in the third year he is required to set it at 29 cents with the McIntire amendment, half a cent less than the bill provided. So, that is it. You are paying one-half cent less the third year. I do not think that this saves much money at all.

I have no doubt but what the Secretary of Agriculture would set the price support at a low level as long as the little farmer could receive the $32\frac{1}{2}$ cents on his first 15 bales, because of the philosophy which he has espoused for a long time. This is taken for granted that he would set support at the levels I have indicated.

So, I would expect that would happen. So this is really no savings, except one-half cent the third year.

Mr. McINTIRE. Mr. Chairman, will the gentleman yield?

Mr. QUIE. I yield to the gentleman from Maine.

Mr. McINTIRE. Might it not be said, however, that this amendment which I propose does take the authority for setting the price support level out of the hands of the Secretary and vest it in the Congress in this legislation?

Mr. QUIE. That is right, the Congress under your amendment requires the Secretary to do by law what the bill previously gave him authority to do.

Mr. McINTIRE. Does it not meet the problem which the cotton industry has been confronted with? That is, it has been the decision of the Secretary to put price support levels up to 32.7. This does, in fact, set the direction of price supports more in a lowering scale. I think the gentleman will agree that is very constructive as far as the total problem is concerned.

Mr. QUIE. As with any commodity, if you give the Secretary of Agriculture authority to make direct payments on any commodity to the farmers, he is going to set the loan level as low as he can and use the payments to the farmers to keep the supports at same rate. This has not solved anything.

Mr. HAGEN of California. Mr. Chairman, will the gentleman yield?

Mr. QUIE. I yield to the gentleman from California.

Mr. HAGEN of California. Did the gentleman support the Hoeven substitute?

Mr. QUIE. The Hoeven substitute did not have the payment to the producer of the first 15 bales.

Mr. HAGEN of California. I understand that, but a part of the main thrust was to compel the Secretary to lower price supports, and that is what the McIntire amendment does.

Mr. QUIE. We have a little different situation. The Hoeven substitute compels them to comply with what 1958 intended to be the case. Under the bill now before us the Secretary would do the same thing that the McIntire amendment proposes. He would set it at a half cent lower the first year and half a cent higher the third year.

Mr. FINDLEY. Mr. Chairman, will the gentleman yield?

Mr. QUIE. I yield to the gentleman from Illinois.

Mr. FINDLEY. I am intrigued by the statement that the consumers would gain \$500 million. We would be spending \$250 million on the program, and the consumer would get \$750 million back. Following that theory, if we provided enough money by the taxpayers the mills would get the cotton free and the consumers would gain a billion dollars. Why do we not go all the way and give them the cotton?

Mr. QUIE. Perhaps we could pay them to take the cotton and save the consumers \$2 billion.

The CHAIRMAN. The chair recognizes the gentleman from New York [Mr. RYAN].

(Mr. RYAN of New York asked and was given permission to revise and extend his remarks.)

Mr. RYAN of New York. Mr. Chairman, I take this time to raise a question about the McIntire amendment, although the remarks of the preceding speaker may answer the question. My question is, and it is directed to the gentleman from Maine, does not section 5(b) remain in the bill H.R. 6196, regardless of your amendment?

Mr. McINTIRE. It does, indeed.

Mr. RYAN of New York. Does not that section provide that the Secretary of Agriculture himself may set price supports at a level 10 percent above the price supports in your amendment on 15-bale acreage?

Mr. McINTIRE. It does. My amendment does affect the price level on the 15-bale provision in the second and third year of the bill.

Mr. RYAN of New York. As I have calculated the effect of the McIntire amendment on the 15-bale producer, in 1964 there would be no change in the present price support level.

Mr. McINTIRE. That is correct.

Mr. RYAN of New York. In 1965 there would be a reduction in the present price support level of two-tenths of 1 cent, and in 1966 there would be a reduction of one-half cent. And the present price support for 1963 is \$2.47.

Mr. McINTIRE. That is approximately correct.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Maine [Mr. McINTIRE].

The amendment was agreed to.

Mr. COOLEY. Mr. Chairman, I ask unanimous consent that all debate on the bill and all amendments thereto close in 20 minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from North Carolina?

Mr. NELSEN. Mr. Chairman, I object.

Mr. COOLEY. Mr. Chairman, I ask unanimous consent that all debate on the bill and all amendments thereto close in 30 minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

AMENDMENT OFFERED BY MR. QUIE

Mr. QUIE. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. QUIE: Page 2, line 5, strike out "persons other than".

Page 2, line 9, strike out "including" and insert "and shall also make to handlers and users".

Mr. QUIE. Mr. Chairman, this is the same amendment I offered in the agriculture committee. At one time this amendment carried by a vote of 19 to 16 in the committee. Then the next time it came up for reconsideration, it was rejected on a vote of 19 to 15.

What this amendment provides is that the direct payment shall go to the producers. We have heard talk for these 2 days as to who gets the direct payment. I think it ought to go to the producer, so it will be simple and clear as to who is receiving it. Right now there is really a triple subsidy. The farmer gets a price support up to 32.5 cents, the exporter gets 8.5 cents, and now you propose another subsidy for the textile mills.

If we would let the loan level be at the world market price, then let the Secretary of Agriculture give a payment to the farmer in addition to that to bring the price up to the support level, at the McIntire amendment's level of 30 cents, 29.5 cents, and 29 cents, then we would see what kind of agricultural program we have before us. It would be the least expensive way of operating the program and would be of benefit to the people who are supposed to be helped by an agricultural program, the farmers. The marketplace would be able to compete competitively. The mills would have assurance then. We would be able to solve something then. This would solve something, because the mills would have assurance that the loan level, the approximate price they have to pay, would be at the world market level, and we could adjust in the years to come the amount of payment we thought the farmer ought to have. So I think this will make the bill a much more workable program than it is at the present time.

The CHAIRMAN. The Chair recognizes the gentleman from Illinois [Mr. FINDLEY].

(Mr. FINDLEY asked and was given permission to revise and extend his remarks.)

Mr. FINDLEY. Mr. Chairman, yesterday I inquired of the gentleman from North Carolina, the chairman of the Committee on Agriculture, if he could clarify what language was stricken from existing law by section 3, lines 22 and 23 on page 2 of the bill. The question was not clearly answered. As I understand the effect of the Ramseyer rule, as it applies to pages 24 and 25 of the committee report, the bracketed language strikes out the basic legislation on which the current feed grains program is based and would also reinstate the authority of the Secretary of Agriculture to impose acreage controls in the feed grains area. This is of great concern to anyone who has feed grains in his district. We are

entitled to know exactly what the legislative effect of this section is, and I will be glad to yield to the gentleman from North Carolina or to anyone who can clarify this question. I am referring to section 105, which appears at the bottom of page 25 of the committee report, and which was subsequently amended four times.

The CHAIRMAN. The Chair recognizes the gentleman from Nebraska [Mr. BEERMANN], a member of the committee.

Mr. BEERMANN. Mr. Chairman, I yield to the gentleman from Illinois [Mr. FINDLEY] so that this item can be cleared up.

Mr. COOLEY. Mr. Chairman, will the gentleman yield?

Mr. FINDLEY. I yield to the gentleman from North Carolina.

Mr. COOLEY. Mr. Chairman, the language stricken out was section 104, an obsolete or dead law so to speak which was not needed. The referendum referred to was held in 1958.

Mr. FINDLEY. The language includes section 105 of the Agricultural Act of 1949 which is part of section 104, as printed on the bottom of page 25. That is my point. Is section 105 of the Agricultural Act of 1949 stricken from the law? If so, then feed grains are in a terrible predicament. We should know what the situation is.

Mr. COOLEY. That is not the purpose of it at all.

Mr. FINDLEY. Is that the effect of it whether it is the purpose of it or not?

Mr. COOLEY. No, that is not the effect of it; but if you feel that it is, we can make a clarifying amendment at the appropriate time.

Mr. FINDLEY. Does the gentleman state that section 105 is not actually stricken from the law by this Ramseyer rule on this bill?

Mr. COOLEY. No; it was not stricken.

Mr. FINDLEY. If it is not stricken from the statutes, then the Ramseyer rule clearly shows it in brackets as being stricken and thus the Members are misinformed.

Mr. COOLEY. The Ramseyer might be incorrect as far as that provision is concerned.

The CHAIRMAN. The Chair recognizes the gentleman from Iowa [Mr. KYL].

Mr. KYL. Mr. Chairman, I would like to pursue this for one moment with the chairman of the full committee in order to bring it quickly to a resolution.

Mr. Chairman, may we have the assurance of the gentleman from North Carolina that if this legislation does violence to the feed grain provisions, this matter would be taken care of in the conference, if the bill is passed?

Mr. COOLEY. Yes, sir; I assure the gentleman that will be done.

Mr. KYL. There certainly is no intention either overt or otherwise to do any violence to the feed grain provisions?

Mr. COOLEY. None whatever.

Mr. FINDLEY. Mr. Chairman, will the gentleman yield?

Mr. KYL. I yield to the gentleman.

Mr. FINDLEY. That creates more uncertainty. If this language does not belong in here under the Ramseyer rule then I wonder if there are many more bones there in the barnyard. Maybe we ought to delay further consideration of this bill. This is legislation of vital importance. It involves the entire feed grain price support program.

Mr. COOLEY. Mr. Chairman, will the gentleman yield?

Mr. KYL. I yield to the gentleman.

Mr. COOLEY. What you say as to the language in the report under the Ramseyer rule has no effect on this bill.

The CHAIRMAN. The Chair recognizes the gentleman from Iowa [Mr. GROSS].

(Mr. GROSS asked and was given permission to revise and extend his remarks.)

Mr. GROSS. Mr. Chairman, the chairman of the Committee on Agriculture is apparently admitting now what he would not admit yesterday, that this bill does strike the acreage allotment and feed grain provisions from the law. He says at the appropriate time he will correct this. There is no more appropriate time than right now to rectify the mistake that has been made in this bill.

Mr. COOLEY. The gentleman is certainly too good a parliamentarian to make that sort of assertion on the floor of the House. The Ramseyer rule is not the law.

Mr. GROSS. I did not say that it was.

Mr. COOLEY. We cannot put something in a report under the Ramseyer rule that would strike out what is in the law.

Mr. GROSS. Just a minute. Turn to the bill, section 3, where it says:

Section 104 of the Agricultural Act of 1949, as amended, is amended to read as follows.

Then follows an amendment which repeals the law. If that is not true, why did you put in brackets in the report on pages 25 and 26, showing repeal of the acreage allotment and feed grain provisions?

Mr. COOLEY. If there is any doubt about it, I will draft an amendment to clear it up. If there is any doubt about it, I will make an effort to clear it up before it comes back to the House.

Mr. GROSS. This is the time to do it and not in conference.

Mr. COOLEY. Will you prepare the amendment?

Mr. GROSS. No, I will not prepare it.

Mr. COOLEY. You do not want to prepare anything.

Mr. GROSS. You repealed this law, not I.

Mr. COOLEY. Who did?

Mr. GROSS. You did. You prepared the bill, and you are in charge of it here on the House floor.

Mr. COOLEY. If you want to present an amendment, all right. If you do not, all right.

The CHAIRMAN. The time of the gentleman has expired.

The Chair recognizes the gentleman from Minnesota [Mr. NELSEN].

Mr. NELSEN. Mr. Chairman, in the debate yesterday I am sure that all of us who were not on the committee were

completely confused, and obviously today in the debate it would appear members of the committee do not fully understand what is in the bill. But after the debate of yesterday, Mr. COOLEY's answer to Mr. GROSS' question relative to the possibility that sections of the feed grain bill was repealed was this. I am quoting Mr. COOLEY. "All right. If we have done that, it certainly can be corrected when we start to read the bill."

Now, I am confused, Mr. COOLEY, and I do believe that we should have a satisfactory answer.

Mr. COOLEY. Mr. Chairman, will the gentleman yield?

Mr. NELSEN. I will yield to the gentleman.

Mr. COOLEY. To clear it up I will offer an amendment at the proper time and see if we can clear it up.

Mr. NELSEN. I thank the gentleman.

Mr. GATHINGS. Mr. Chairman, H.R. 6196 provides that payments to eliminate the inequities of the so-called two-price system shall be made to persons other than producers. It is now proposed that these payments be made to producers.

The question of how these payments will be made in order to effectuate the purposes of the bill has been the subject of intensive study and discussion by many groups during the past 12 months. I favor the language of the bill which vests in the Secretary of Agriculture authority to determine the terms, conditions, and procedures for issuing the certificates. It is likely that the payment rate for the period beginning with enactment of the bill and ending July 31, 1964, would be different from the rate in effect beginning August 1, 1964. Also, it is uncertain which would be the most practical means of making payments on inventories of raw cotton on hand at the time the bill is enacted. The Department of Agriculture has had many years of experience in administering a wide variety of programs involving payments. Under some of these programs the payment has necessarily been made direct to the farmer. But in others, where the payment is related to movement of the commodity through normal trade channels to the ultimate consumer, the procedures have designated a particular segment of the trade as the control point for the preparation of records, furnishing of reports, and issuance of payments.

As a general proposition I believe it is more economical and efficient for the Department to carry out a program by dealing directly with several hundred—or even several thousand—persons and firms in the channels of trade than to be required by law to issue payments to producers. In the case of cotton we have over 700,000 farms with allotments, and even if the producers on these farms were to receive PIK certificates covering payments it would undoubtedly be necessary for certain substantiating reports to be obtained from the trade.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Minnesota [Mr. QUIE].

The question was taken; and on a division (demanded by Mr. QUIE) there were—ayes 57, noes 94.

So the amendment was rejected.

AMENDMENT OFFERED BY MR. DOLE

Mr. DOLE. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. DOLE: Page 3, line 19, insert the following:

"TITLE I—PRICE SUPPORT

"(c) Effective with the 1964 crops, section 105 of the Agricultural Act of 1949, as amended, is amended to read as follows:

"SEC. 105. (a) Notwithstanding the provisions of section 101 of this Act, beginning with the 1964 crops, price support shall be made available to producers for each crop of wheat, corn, grain sorghum, barley, oats, and rye at 90 per centum of the average price received by farmers during the three calendar years immediately preceding the calendar year in which the marketing year for such crop begins, adjusted to offset the effect on such price of any abnormal quantities of low grade wheat, corn, grain sorghum, barley, oats, and rye marketed during any of such years: *Provided*, That in the event that a special agricultural conservation program is in effect for such designated grains as provided in subtitle D of title III of the Agricultural Adjustment Act of 1938, as amended, the Secretary shall establish the level of support for such grains at not less than 65 per centum nor more than 90 per centum of the parity price therefor.

"(b) In the event that the special agricultural conservation program for the designated grains is in effect, the Secretary shall require as a condition of eligibility for price support on wheat, corn, grain sorghum, barley, oats, and rye that the producers of such crops participate in and comply with such special agricultural conservation program as provided in subtitle D of title III of the Agricultural Adjustment Act of 1938, as amended.

"(c) If the producers on the farm elect to participate in the special agricultural conservation program, price support shall be made available only if such producers divert from the production of the designated grains in accordance with the provisions of such program an acreage on the farm equal to the number of acres which such operator agrees to divert, and the agreement shall so provide. In the event that the special agricultural conservation program is not in effect, the Secretary shall make price support available to producers of the designated grains as provided in subsection (a) of this section.

"(d) Beginning with the 1964 and subsequent crops of wheat, any wheat stored in order to postpone or avoid payment of a wheat marketing quota penalty under sections (3) and (6) of the Act of May 26, 1941 (Public Law 74, Seventy-seventh Congress, as amended), prior to its repeal by the Feed Grain and Wheat Act of 1963 shall not be eligible for price support."

"(d) Section 107 of the Agricultural Act of 1949, as amended, is hereby repealed.

"(e) Section 407 of the Agricultural Act of 1949, as amended, is amended—

"(1) by striking the second proviso and inserting in lieu thereof the following: '*Provided*, That effective with the beginning of any marketing year for which a special agricultural conservation program is not in effect for wheat, corn, grain sorghum, barley, oats, and rye (as provided by subtitle D of title III of the Agricultural Adjustment Act of 1938, as amended), the Corporation shall not sell any such designated grains for unrestricted use at less than 115 per centum above the current support price for such designated grains plus reasonable carrying charges.'; and

"(2) by striking the semicolon after the words 'deterioration and spoilage' in clause (D) and inserting the following: 'except if the supply of any designated grain (as defined in section 301(a)(10) of the Agricultural Adjustment Act of 1938, as amended)

is not in excess of a normal supply (as defined in section 301(b)(10)(A) of the Agricultural Adjustment Act of 1938, as amended) the Corporation shall forthwith replenish its stocks by the purchase of a quantity of the commodity equal to the amount of such commodity so sold."

"(f) Subtitle D of title III of the Agricultural Adjustment Act of 1938, as amended, is hereby amended to read as follows:

"SUBTITLE D—SPECIAL AGRICULTURAL CONSERVATION PROGRAM

"Sec. 379. (a) If the Secretary finds that during any year the total supply of designated grains will, in the absence of a special agricultural conservation program, be in excess of a 'normal supply' as defined in section 301(b)(10)(A) of this Act, he shall formulate and carry out a special agricultural conservation program, without regard to provisions which would be applicable to the regular agricultural conservation program under which, subject to such terms and conditions as the Secretary determines, conservation payments in amounts determined by the Secretary to be fair and reasonable shall be made to producers who divert acreage from the production of designated grains to an approved conservation use and increase their average acreage of cropland devoted in 1959, 1960, and 1961 to designated soil conserving crops or practices including summer fallow and idle land by an equal amount.

"(b) The Secretary may permit such diverted acreage to be devoted to the production of guar, sesame, safflower, sunflower, castor beans, mustard seed, canary seed, and flax, when such crops are not in surplus supply and will not be in surplus supply if permitted to be grown on the diverted acreage, subject to the condition that payment with respect to diverted acreage devoted to any such crop shall be at a rate determined by the Secretary to be fair and reasonable, taking into consideration the use of such acreage for the production of such crops, but in no event shall the payment exceed one-half the rate which would otherwise be applicable if such acreage were devoted to conservation uses and no price support shall be made available for the production of any such crop on such diverted acreage.

"(c) The Secretary shall not permit such diverted acreage to be grazed.

"(d) The Secretary shall require the producer to take appropriate measures to keep such diverted acreage free from erosion, insects, weeds, and rodents.

"(e) The acreage eligible for payments in kind under such special agricultural conservation program shall be an acreage equal to the greater of forty acres or 20 per centum of the farm designated grain base. The Secretary shall, at the option of the producer, make an additional payment in kind for the diversion of not to exceed an additional 30 per centum of the designated grain base on the farm. The rate of payment in kind to be made by the Secretary on the 20 per centum reduction in the designated grain base on the farm shall not exceed 50 per centum of the estimated basic county support rate on the normal production of the acreage diverted from the designated grains on the farm based on its adjusted yield per acre. The rate of payment in kind to be made by the Secretary on the additional 30 per centum reduction in the designated grain base on the farm shall not exceed 50 per centum of the estimated basic county support rate on the normal production of the acreage diverted from the designated grains on the farm based on its adjusted yield per acre.

"(f) The Secretary shall permit producers to divert for periods of from three to five years up to 50 per centum of the farm acreage of designated grains and in such event the rate of payment in kind to be made by the Secretary shall not exceed 60 per centum of the estimated basic county support rate

on the normal production of the acreage diverted from the designated grains on the farm based on its adjusted yield per acre: *Provided*, That the same acres on the farm shall be identified and diverted each year during the period provided by this subsection.

"(g) The Secretary may make such adjustments in acreage and yields as he determines necessary to correct for abnormal factors affecting production, and to give due consideration to tillable acreage, crop rotation practices, type of soil, soil and water conservation measures, and topography. The base period for the purpose of determining the adjusted average yield in the case of payments with respect to the 1964 crops shall be the four-year period 1959-1962, and in the case of payments with respect to any subsequent crop shall be the most recent five-year period determined by the Secretary to be representative for which statistics are available.

"(h) To the extent that a producer proves the actual acreages and yields for the farm for the 1959, 1960, and 1961 crop years, such acreages and yields shall be used in making determinations.

"(i) The Secretary may make not to exceed 50 per centum of any payments in kind to producers in advance of determination of performance.

"(j) The Secretary shall provide by regulations for the sharing of payments under this subsection among producers on the farm on a fair and equitable basis and in keeping with existing contracts.

"Sec. 380. Only payments in kind shall be made and such payments in kind shall be made through the issuance of negotiable certificates which the Commodity Credit Corporation shall redeem for the designated grains which shall not be valued at nor sold for unrestricted use for less than the support price plus reasonable carrying charges and, notwithstanding any other provision of law, the Commodity Credit Corporation shall, in accordance with regulations prescribed by the Secretary, assist the producer in the marketing of such certificates at such time and in such manner as the Secretary determines will best effectuate the purposes of this Act. In the case of any certificate not presented for redemption within thirty days of the date of its issuance, reasonable costs of storage and other carrying charges, as determined by the Secretary, for the period beginning thirty days after its issuance and ending with the date of its presentation for redemption shall be deducted from the value of the certificate.

"Sec. 381. Notwithstanding any other provision of law, in the event of a national emergency or a serious drought, flood, or other natural disaster, the Secretary may place such limits on the extent that producers may participate in the special agricultural conservation program authorized by this Act as he determines necessary or he may, by mutual agreement with the producer, terminate or modify any agreement previously entered into pursuant to this Act.

"Sec. 382. There are hereby authorized to be appropriated such amounts as may be necessary to enable the Secretary to carry out the provisions of this subtitle D."

"(g) Effective with the 1964 crops of wheat, corn, grain sorghum, barley, oats, and rye, sections 321 through 339 of parts II and III of subtitle B of title III of the Agricultural Adjustment Act of 1938, as amended, are repealed and parts IV, V, and VI of subtitle B are redesignated as parts II, III, and IV, respectively.

"(h) Notwithstanding any other provision of law, the provisions of this section shall apply to the 1964 and subsequent crops of wheat, corn, grain, sorghum, barley, oats, and rye.

"(i) Section 301(a) of the Agricultural Adjustment Act of 1938, as amended, is amend-

ed by adding the following new subsections as follows:

"(10) The term 'designated feed grains' means wheat, corn, grain sorghum, and barley and, at the discretion of the Secretary, oats and rye.

"(11) The term 'designated grain base' means an acreage on the farm equal to the total of the following acreages:

"(a) The average acreage planted to corn, grain sorghum, barley (and oats and rye if so designated by the Secretary), on the farm in the crop years 1959 and 1960 and the farm feed grain base established for the farm in the crop year 1961; and

"(b) The highest wheat acreage allotment on the farm in the crop years 1959, 1960, or 1961, as established in such years by part III of subtitle B of title III of this Act prior to its repeal by this section; and

"(c) The average acreage of wheat planted on the farm in the crop years 1959, 1960, and 1961 in the case of farms on which wheat was planted under the fifteen-acre farm marketing quota exemption as provided by section 7 of the Act of May 26, 1941, as amended (Public Law 74, Seventy-seventh Congress), prior to its repeal by the Food and Agriculture Act of 1962: *Provided*, That in computing such acreage the Secretary shall not also include the farm acreage allotment; and

"(d) The average acreage of wheat planted on the farm in the crop years 1959, 1960, and 1961 under the thirty-acre wheat-for-feed exemption as provided by section 335(f) of this Act prior to its repeal by the Food and Agriculture Act of 1962."

"(j) Section 301(b)(10)(A) of the Agricultural Adjustment Act of 1938, as amended, is amended to read as follows:

"(10)(A) 'Normal supply' in the case of wheat, corn, grain sorghum, barley, oats, rye, rice, and peanuts for any marketing year shall be (i) the estimated domestic consumption of the commodity for the marketing year ending immediately prior to the marketing year for which normal supply is being determined, plus (ii) the estimated exports of the commodity for the marketing year for which normal supply is being determined, plus (iii) an allowance for carryover. The allowance for carryover shall be the following percentage of the sum of the consumption and exports used in computing normal supply: 15 per centum in the case of wheat, corn, grain sorghum, barley, oats, rye, and peanuts; and 10 per centum in the case of rice. In determining normal supply the Secretary shall make such adjustments for current trends in consumption and for unusual conditions as he may deem necessary."

Mr. DOLE (interrupting the reading of the amendment). Mr. Chairman, I ask unanimous consent that the amendment be considered as read.

The CHAIRMAN. Is there objection to the request of the gentleman from Kansas?

Mr. ABERNETHY. Mr. Chairman, reserving the right to object, may I ask the gentleman if this is the amendment which deals with the new program for feed grains and wheat and so forth?

Mr. DOLE. Yes.

Mr. ABERNETHY. Mr. Chairman, I make a point of order against the amendment on the ground that it is not germane.

Mr. DOLE. Will you reserve your point of order?

Mr. ABERNETHY. I will reserve the point of order.

The CHAIRMAN. Is there objection to the request of the gentleman from Kansas? The Chair hears none. The

gentleman from Mississippi reserves his point of order.

Mr. DOLE. Mr. Chairman, the bill applies to wheat, corn, grain sorghum, barley, and at the discretion of the Secretary, oats and rye.

Its main features are: If the Secretary should find that there will be a supply of these designated grains in excess of a "normal supply," he would put into effect a special agricultural conservation program based on these four principles:

First. It would be voluntary. Price support and diversion payments would be available only to participants in the program.

Second. It would require land retirement and conservation as a condition of eligibility for program benefits. A minimum 20 percent would be required with an optional and additional 30 percent reduction allowed.

Third. It would use only payment in kind for making diversion payments. The Secretary could, however, advance the producer cash in anticipation of the sale of grain, but there would be no direct payments as provided under the 1963 feed grain program.

Fourth. It would be based on a market economy. The CCC release price for surplus grain in inventory could not be less than 105 percent of current support price plus reasonable carrying charges. When the supply of grain is back to a normal supply this release price would be 115 percent of the current support price plus reasonable carrying charges and CCC would be required to make equivalent market purchases for grain which has been sold as being out of condition. The release price for grain used to redeem payment-in-kind certificates would be at the current support price plus reasonable carrying charges. Other major provisions include:

First. Time: Applicable to 1964 and subsequent crops.

Second. Support price: 65 to 90 percent of parity.

Third. Base period: 1959-61.

Fourth. Diversion rates: Up to 50 percent of normal production times county support rate of first 20 percent reduction; also up to 50 percent on next 30 percent reduction.

Fifth. Longer term retirement: Up to 50 percent diversion payment for acreage diverted for periods of from 3 to 5 years.

Sixth. Advance payments: Up to 50 percent at signup time.

Seventh. Diverted acres: Control weeds and pests. Allow oilseed crops at up to one-half regular diversion rates.

Eighth. Small farms: Allow retirement of entire farm base if less than 40 acres.

After the present surplus of wheat and feed grains had been reduced to a "normal supply," price supports on wheat and feed grains would be set on the designated grains at 90 percent of the previous 3-year market average. If another surplus should develop, the special agricultural conservation program would go back into effect until the surplus was again reduced. All acreage

allotments and marketing quotas on the designated grains would be repealed.

There would be no referendum since this would be a voluntary program.

Example of H.R. 6547 on a wheat-milo farm

Assume: 50 acres wheat.
25 bushel yield.
\$1.62 price support (per bushel).¹
50 acres milo.
40 bushel yield.
\$1.10 price support (per bushel).
Total base: 100 acres total base.
20 percent diversion required.

20 acres (acreage required to be diverted).
80 acres (can be devoted to either wheat or feed grains as farmer chooses—assume 40 acres of wheat and 40 acres of milo are produced).

Calculation:

40 acres wheat
×25 bushel yield
200
80
1,000
×\$1.62
2,000
6,000
1,000
\$1,620.00

10 acres wheat
×25 bushel yield
250 bushels.
×.50 percent payment in kind rate
125 bushels
×\$1.62
250
750
125
\$202.50
\$202.50 wheat
220.00 milo
\$422.50 diversion payment

¹ Minimum support price under H.R. 6547.

Example of H.R. 6547 on a wheat farm—gross benefits

Assume: 100 acres wheat.
25 bushel yield.
\$1.62 price support (per bushel).¹

Calculation:

100 acres total base
×.20 percent diversion required
20 acres (acreage required to be diverted)
80 acres
×25 bushels per acre
400
160
2,000 bushels
×\$1.62
4,000
12,000
2,000
\$3,240.00 gross
405.00 payment in kind
\$3,645.00 gross benefits

¹ Minimum support price under H.R. 6547.

The CHAIRMAN. Does the gentleman from Mississippi [Mr. ABERNETHY] insist on his point of order?

Mr. ABERNETHY. I certainly do, Mr. Chairman.

The CHAIRMAN. What is the point of order?

Mr. ABERNETHY. Mr. Chairman, I would like to cite for the consideration of the chair rule XVI, clause 7 of the Rules of the House wherein the following is found:

No motion or proposition on a subject different from that under consideration shall be admitted under color of amendment.

Mr. Chairman, this is a piece of cotton legislation designed to eliminate an in-

40 acres milo
×40 bushel yield
1,600
×\$1.10
1,600
1,600
\$1,760.00
\$1,620 wheat
1,760 milo
\$3,380 gross

DIVERSION—20 ACRES

10 acres milo
×40 bushel yield
400 bushels.
×.50 percent payment in kind rate
200 bushels
×\$1.10
\$220.00

Total: \$3,380.00 gross
422.50 diversion
\$3,802.50 gross benefits

equity which is referred to in the bill and in the report. It is not a feed grains bill. It is not a piece of wheat legislation. It is not a type of amendment which could be anticipated. Therefore I say, Mr. Chairman, it falls under rule XVI, clause 7, which would hold it to be out of order.

The CHAIRMAN. Does the gentleman from Kansas desire to be heard?

Mr. DOLE. I do, Mr. Chairman.

(Mr. DOLE asked and was given permission to revise and extend his remarks.)

Mr. DOLE. Mr. Chairman, I understand, of course, that under the rules of the House an amendment must be

germane to the pending legislation and that perhaps the bill before us is well coated with "Johnson's wax," but my amendment would add "Polish". Ordinarily, coming from a wheat area I also understand you cannot amend a cotton bill with wheat legislation. That is ordinarily the case.

I would point out also that ordinarily cotton bills do not repeal feed grain laws. Yesterday the gentleman from Iowa [Mr. Gross], raised a point of order against the bill and he was overruled on the ground that it did not repeal a number of laws dealing with feed grains. The point of order was overruled by the Chair thus leaving rather clear implications as far as I was concerned, that there was, at least by inference, a repeal. On this basis I asked the highest authority present, the Speaker of the House, if at the proper time I could offer an amendment, a proper amendment, if it would be proper to offer such an amendment on this basis. And on page 21929 the Speaker indicated that it would be proper, at the proper time, for me to offer an amendment.

The cotton bill does contain provisions dealing with feed grains. We all agree on that, although some very reluctantly. The rule of germaneness which would ordinarily be a procedural block to a grain amendment to a cotton bill no longer applies. My amendment is to the same section of the bill which purportedly repeals these feed grain laws. My amendment is to section 3 of the bill which repeals section 104 of the Agricultural Act of 1949. It simply adds some new language on feed grains to take the place of that which is repealed.

Since my amendment contains a definition of feed grains similar to that which is included in the feed grain law which is repealed by H.R. 6196, I see no basis for an objection to it on procedural grounds.

The amendment is similar to the provisions of H.R. 6547, which 20 Members introduced on May 23 this year. It combines wheat and corn, oats, rye, barley, and grain sorghum into a single feed grain program.

And, on this basis and the endorsement of the Speaker as of yesterday, I have my case.

Mr. TAFT. Mr. Chairman, today America is standing in a fork in the road of farm legislation. Down one road is the maze of a controlled economy in which an ever-increasing Federal bureaucracy, through subsidy and regulation, substitutes or tries to substitute its will for market factors and for free choice. Down the other road, while not always a smooth one, the route still offers agriculture a position as a dominant and vital factor in a private enterprise system, encouraged and helped by Government where necessary to overcome some specific problem or maladjustment, but free to move without unnecessary constraint to perform better its key part in our national life.

We have experienced this comparison in the handling of different crops during recent years. Those free from interference have prospered. We have seen, likewise, future implications by compar-

ing the progress of American farming with farming under other systems of government. The Communist grain shortages have brought this home to all of us most vividly in recent months. In the May wheat referendum we saw the overwhelming conviction of the farm community on the issues involved and the importance of the choice of which road to follow. While this choice is vital to continued progress at home and to enjoyment by farmers of a fair share of our wealth, we should also reflect that the strength of our economy and our productive capacity may be the crucial factor in what remains a cold war but could still become a hot one. The choice made for agriculture can and should be an inspiration and a guideline for the proper direction of other lines of our national endeavor, the direction of freedom.

Coming from the State in which, in the wheat referendum more votes were cast in opposition than in any other State, I must point out that we in the Congress are still refusing to face up to the expressed desire of American farmers for a voluntary wheat program that is market related and takes a fair and sensible approach on land retirement. Therefore, I urge the Congress to face up to its responsibilities, both to the wheat farmers as well as to the country as a whole, and to enact meaningful legislation without further delay.

Mr. SHRIVER. Mr. Chairman, in the Dole amendment now pending before the House we have an opportunity to do now for the nearly 2 million wheat farmers of this Nation what has been promised will be done in early 1964. If the Chair rules this amendment germane, and I believe it is, we can today approve a 1964 wheat and feed grains program which would be voluntary and would retain land retirement and conservation as a condition of eligibility for program benefits. The proposal, offered by Mr. DOLE, would provide price support and diversion payments only to those who retire acreage from production.

My colleague, the gentleman from Kansas [Mr. DOLE], who represents the largest wheat-growing district in the United States, and who is a member of Wheat Subcommittee of the Committee on Agriculture, has been a leader in the effort to secure a voluntary wheat program since the Nation's farmers rejected compulsory and mandatory control plans advocated by the administration earlier this year.

I concur with his findings, and those of the senior Member of the Kansas delegation the gentleman from Kansas [Mr. AVERY] who yesterday wisely pointed out that we cannot turn our heads from 2 million wheat farmers while we rush emergency legislation to assist 850,000 cotton farmers.

Mr. Chairman, in my conversations with wheatgrowers in my congressional district I have found there is concern and deep interest in a voluntary wheat program for 1964. It is my understanding that the Wheat Subcommittee of the Committee on Agriculture, under the leadership of the very able gentleman from Texas [Mr. PURCELL], has been

holding hearings and executive sessions on the problem quite regularly. We have heard that there is consideration of bringing a voluntary program which would be effective for the 1964 wheat crop to the floor early next year.

The time is getting late. Legislation passed at this time would allow the participation of most farmers who desire to join the program. The substance of the amendment has been before the Committee on Agriculture and the House of Representatives since its introduction as a comprehensive wheat and feed grain bill by a number of our colleagues after the rejection of the administration's compulsory program last May 22.

Mr. Chairman, I urge the consideration and adoption of this amendment.

Mr. QUIE. Mr. Chairman, I certainly wish it would be possible to bring a wheat bill out on the floor for the House to consider. Wheat farmers need a new law for next year. The Dole amendment would give them the same as the feed grain farmers presently have. They are not asking for an increase in Government cost to give wheat processors what the cotton mills will receive, only the same as the feed grain farmers.

[Mr. BERRY addressed the Committee. His remarks will appear hereafter in the Appendix.]

Mrs. MAY. Mr. Chairman, I wish to associate myself with the remarks of my distinguished and able colleague, the gentleman from Kansas [Mr. DOLE].

Wheatgrowers in the State of Washington, as in other wheat-producing States, recognized that in voting "no" in the wheat referendum last May, that they were forced to accept an unsatisfactory alternative. This is why so many wheat farmers in my district wanted assurances from me before the referendum that there would be efforts in Congress to get enacted a voluntary wheat program this year. I assured them that I would make such an effort, and 2 days after the May 21 referendum I joined many of my colleagues from wheat States in introducing a voluntary wheat and feed grains program. I was pleased that hearings were scheduled by the Agriculture Committee. My farmers are concerned, however, that nothing further has been done with regard to wheat legislation this year.

I, too, am concerned, Mr. Chairman.

The Washington Association of Wheat Growers held their 1963 State convention on November 11 and 12 in Spokane, Wash., and I think my colleagues will be interested to know that this association, after carefully considering a number of major bills pending in Congress at this time which seek to deal with the wheat situation, passed a resolution stating that a national program is necessary to keep production of wheat within present markets and to stabilize farm income. The wheatgrowers favor a voluntary program, and so state this in their resolution.

State wheatgrowers associations have been meeting in wheat-producing States, as have other farmer organizations and I am informed that most associations feel that a national program is necessary.

Certainly our farmers have spoken out against compulsory programs, Mr. Chairman, but this does not mean that they want the rug pulled out from under them. Wheat farmers, like all Americans, want to be free from Government domination. They want to run their own businesses. They want freedom of choice. They want and need a voluntary wheat program.

For these reasons I fully support the effort being made at this time to pursue a remedial and voluntary wheat program.

[Mr. SHORT addressed the Committee. His remarks will appear hereafter in the Appendix.]

[Mr. ELLSWORTH addressed the Committee. His remarks will appear hereafter in the Appendix.]

[Mr. NELSEN addressed the Committee. His remarks will appear hereafter in the Appendix.]

The CHAIRMAN. Does the gentleman from Mississippi [Mr. ABERNETHY] desire to be heard further?

Mr. ABERNETHY. Mr. Chairman, in response to the statement made by the gentleman from Kansas, No. 1, we did not repeal the section to which the gentleman refers, the section dealing with feed grains. If we did, it does not include any reference of any kind or character to wheat.

Now, the amendment of the gentleman from Kansas deals with wheat. It could have dealt with hummingbird eggs or most anything else. If it had, it would not be germane to this bill, and since the gentleman includes an item which is not repealed or which is not referred to in this bill, therefore, his amendment is not germane.

The CHAIRMAN. Does the gentleman from Kansas desire to be heard further?

Mr. DOLE. I do, Mr. Chairman, briefly.

I might say, first of all, in response to the gentleman from Mississippi that our bill defines wheat as a feed grain. Therefore, that objection is taken care of.

Also, from the present feed grain law I read the following:

The average acreage of wheat produced on the farm during the crop years 1959, 1960, and 1961, pursuant to the exemption provided in section 335(f) of the Agricultural Adjustment Act of 1938, prior to its repeal by the Food and Agriculture Act of 1962, in excess of the small farm base acreage for wheat established under section 335 of the Agricultural Adjustment Act of 1938, as amended, shall be considered as an acreage for the farm, and the rate of payment for diverting such wheat shall be an amount determined by the Secretary to be fair and reasonable in relation to the rates of payment for diverting feed grains.

In other words, we are talking about wheat in the present feed grain law, and the fact the previous "wheat for feed" exemption can be used in determining your feed grain base.

Mr. Chairman, I think on this basis it is completely germane, and I trust the chairman, the gentleman from North Carolina [Mr. COOLEY], will accept the amendment.

The CHAIRMAN (Mr. ROONEY of New York). The Chair is ready to rule.

First, permit the Chair to refer to the remarks of the distinguished gentleman from Kansas [Mr. DOLE] when he refers to a statement of the Speaker.

The Chair would assume that the Speaker referred to an amendment which would be a proper amendment and in line with the rules of the House, and not just any amendment.

Now, the amendment offered by the gentleman from Kansas [Mr. DOLE] has had a point of order made against it by the gentleman from Mississippi [Mr. ABERNETHY] on the ground that it is not germane to the pending bill.

This is a situation where we have a bill referring to one commodity, cotton, and the gentleman's amendment would refer to other commodities. Clearly the gentleman's amendment is not germane because one individual proposition may not be amended by another individual proposition, even though the two may belong to the same class.

Therefore, the point of order made by the gentleman from Mississippi is sustained.

The Chair recognizes the gentleman from Missouri [Mr. JONES] for 1½ minutes.

(Mr. JONES of Missouri asked and was given permission to revise and extend his remarks.)

Mr. JONES of Missouri. Mr. Chairman, I was surprised to learn that the chairman of the full Committee on Agriculture, the gentleman from North Carolina [Mr. COOLEY], is going to ask for a rollcall on the amendment which was adopted in the House on a teller vote. That amendment, as all of you know, was one designed to knock out the proviso which would prohibit the possibility of a windfall to any one through the enactment of this bill.

Mr. Chairman, I feel that the members of the committee should know upon what they are going to be voting.

The first part of this section gives the Secretary of Agriculture authority to make such payments as will eliminate the inequities. That is as far as we say we want to go. The proviso does not take into consideration inequities—it does not mention anything about inequities. It merely says that he shall make a payment at a price which is not in excess of the price that cotton is made available for export.

In other words, if they are paying an 8½-cent-a-pound export, then he would pay the mills 8½ cents per pound, not taking into account the fact that they do not have the same transportation costs, other handling charges and other expenses, that are involved in export shipments.

If you vote against this amendment, you will vote for a windfall for the mills that are trying to take advantage of this cotton legislation.

The CHAIRMAN. The Chair recognizes the gentleman from Oregon [Mr. DUNCAN].

Mr. DUNCAN. Mr. Chairman: I hesitate to speak on this bill. I do not come from a cotton-producing area nor do I have the experience in this body or on

this committee to speak with the authority of the senior Members. But in my district we have lots of people who wear shirts and who pay taxes. And my instincts tell me that this bill is not the answer to the cotton problem for the Nation as a whole nor, indeed for the cotton-producing areas. My judgment on this is born out by what study I have done and, more important, by my conversations with other Members more learned than I.

I know that cotton is an important industry and that the whole country is affected by its health or sickness and I do not approach this problem in a provincial manner. With the arguments that the present situation is intolerable I am in agreement. But not as intolerable as the one we will be in if the bill passes. And a bad situation does not call for a bad solution but rather for a bill to which we can all repair as offering hope for a permanent solution, and one which, perhaps, can be applied to other commodities.

I cannot let this debate close without reference to a bill pending in this Congress which, in my opinion, does this and which, in any event comes closer to solving the difficulties in the cotton industry than does this one. I refer to the Talmadge bill. In committee I offered this as a substitute for the Cooley bill. I did not expect the motion to carry but I wanted to make a record because I think the Congress will come to the Talmadge bill, or something like it, in due time. And so many Members of this Congress and of the industry have told me privately that they agree that I am almost inclined to believe I am right. They all add that it would not pass. But this I cannot understand if they are all for it.

The proponents of the Cooley bill argue that it is needed to do away with the two-price system under which, they argue, our mills are at a disadvantage with foreign producers of cotton cloth. I assume this is so. But I cannot agree that the solution is to add a subsidy to a subsidy to a subsidy. And it is hard for me to see how the ruggedly individualistic free enterprise school of industrialists and agriculturalists can say it is. It seems to be simple commonsense to eliminate the problem caused by the export subsidy by eliminating that subsidy rather than compounding the error by adding another subsidy. This is the approach of the Talmadge bill and it seems to me highly preferable.

This year we have a bumper crop. Some 1.5 million bales will be added to our carryover. A combination of weather and improved technology have increased the yield per acre beyond any previous high. Reducing the support price will only encourage more production per acre in an effort to hold up farm income and in an absence of increased acreage.

Has not the time come when production quotas should be made on units of production—bales or bushels—rather than on acres if we are to continue with high price supports. This is what the Talmadge bill does. The present proposal, on the other hand, continues the acreage allotment system and even has a provision for an extra allotment for

"export" of up to 20 percent of the base under certain conditions. It seems to me this compounds rather than solves the problem.

Mr. Chairman, there are many more ramifications of these two bills. Time and my knowledge limit my discussion. There are improvements which I would like to see in the Talmadge bill. It seems to me that enough has been said to show the advantages of the Talmadge bill over the present proposal, however, and I would be satisfied if the Congress can go at least this far. I am prepared to support it and I hope that the Senate will give it the consideration that I think it deserves.

(Mr. WELTNER asked and was given permission to extend his remarks at this point in the RECORD.)

Mr. WELTNER. Mr. Chairman, there is no doubt that two-price cotton is an evil, nor that the elimination of two-price cotton should be a compelling order of business of this House. At one point, I felt that this bill might be the best means of ending two-price cotton that Congress might have before it in this session. Frankly, I had planned to vote for it, notwithstanding its serious defects. My reasoning at that point was that the bill might be amended in the other body by the substitution of a Senate bill generally known as the Talmadge plan.

Now, it was on that basis that I had considered supporting this bill.

In recent weeks, however, it has become more and more apparent that this bill, while ending two-price cotton, would create new evils equally as bad, if not worse. First, there is the matter of cost. Even the most conservative estimate shows this bill to carry a price tag of a quarter of a billion dollars more than the present program. That is a conservative estimate, and in all likelihood, cost will run \$300 million during the first year.

Second, the deficiencies and inequities of the present cotton support system will in no way be eliminated or remedied by this bill. Therefore, we will continue a price support program which heaps millions of dollars upon large growers, and provides the small southeastern farmer the sum of about \$5 a month. We will continue the 8½ cents per pound consumer subsidy for each pound produced in the United States. We will continue the embargo on foreign imports, along with the export subsidy and the nonrecourse loan program of the Commodity Credit Corporation.

Third, in an effort to extricate ourselves from the dilemma created by the producers' subsidy, we are adding a mill subsidy. Subsidies are basically wrong. Two wrongs do not make a right, nor do two subsidies set this situation aright.

Finally, Mr. Speaker, a cursory examination of the distribution of this proposed subsidy shows that six mills in America will receive almost a third of the benefit of this program. The largest mills, will receive the most. For instance, Burlington Mills, based upon its cotton consumption of 660,000 bales, is slated to receive the benefit of \$28 million under this bill—almost 10 percent of the

entire program. The attached table bears this out.

This bill is wrong. It is wrong for our Nation to obligate the huge sums required to carry it out. It is wrong for the taxpayer and consumer, who must pay this staggering new burden. It is wrong for textile mills to be the beneficiary of a new public dole. And it is wrong for the small farmer, whose unhappy circumstance is perpetuated by the strictures of this bill.

Therefore, Mr. Speaker, as much as I would like to see the end of two-price cotton, I cannot support this bill. It is a new spending program at a time when the tax cut demands stringent economy. It is a subsidy heaped upon existing subsidies. It is true that if any cotton bill is sent to the other body it might be amended by substitution of the Talmadge Plan. But that is the responsibility of another body, not this one. It seems poor policy for me to legislate in this House on the faint hope of substitution by the other House.

And finally, Mr. Speaker, I cannot sup-

port this bill when there has been pending in the Congress for several years a sound, economical and just plan for ending two-price cotton; for taking the Government out of the business of buying, selling, shipping, and storing cotton; for ending the vast disparities and inequities in the present cotton support system; and for returning to the cotton grower greater freedom of movement and opportunity for growth.

Mr. Chairman, everyone says that this bill has its defects; even the advocates of this bill acknowledge its many defects. Even they will readily admit that this is a poor solution. Yet they say it is the only cotton bill that can pass. I do not understand this reasoning. There is a better bill, whose superiority in acknowledged not only by many Members, but by key figures in the administration, and in the industry. The Talmadge plan is vastly superior to this bill, and almost everyone admits it. If that be the case, then why not reject this bill and vote for a sound and simple solution to America's cotton dilemma?

Major cotton mills	Main plants	Sales	Operating profit		Cotton consumed	Benefits derived from Cooley bill	
			Amount	Percent of sales		Amount	Percent of all subsidy
		Millions	Millions		Bales	Thousands	
Burlington.....	North Carolina.....	\$1,010	\$125	12.4	660,000	\$28.0	9.6
J. P. Stevens.....	South Carolina.....	535	56	9.6	384,000	16.3	5.6
United M & M.....	North Carolina.....	502	40	8.0	330,000	14.0	4.8
Deering-Milliken (est.).....	South Carolina.....	500	53	10.5	329,000	14.0	4.8
Cannon.....	North Carolina.....	231	31	13.4	274,000	11.6	4.0
Cone.....	do.....	220	14	6.4	268,000	11.3	3.9
Total (6 mills).....		3,048	319	10.5	2,245,000	95.2	32.7
U.S. total.....						292.0	100.0

Sources: As to cotton mills, Moody's and Standard & Poor's.

The CHAIRMAN. The Chair recognizes the gentleman from Minnesota [Mr. LANGEN].

Mr. LANGEN. Mr. Chairman, what a dark day this will be in the history of American agriculture if the House passes the bill now before us. The bill has been properly identified this afternoon as being nothing but a subsidy to industry under the guise of an agricultural bill. Yet we do not have the time or the opportunity to give a minute of consideration to the problem that presently confronts agriculture now with a parity price that is the lowest now since 1939, with net income down, and with further reductions coming. The proposition before us leads agriculture blindly down a road that is going to lead to his ruin. May I say to the House if we want to ruin all existing agricultural programs, and those coming, this is the best way in the world to do it. Imagine, a \$16 million subsidy annually to one concern. Suppose for one single minute, if you will, there was a farm operation that was big enough to command that kind of subsidy. What a howl would go up in this House. Still today we are about to provide more than \$600 million in subsidy to industry while we further reduce farm income. Only after reducing price supports on cotton can this bill be passed. Many of us have been begging and doing everything possible to direct some atten-

tion and favorable action on wheat legislation. Wheat farmers face a most difficult situation, it seems however that the only attention coming their way is when they are told how to vote. Where is the New Frontier in regard to farmers today, I have heard nothing but objection from the other side to everything in their behalf today. In the interest of farm families throughout the Nation I recommend defeat of the bill before us.

The CHAIRMAN. The Chair recognizes the gentleman from North Carolina [Mr. COOLEY].

AMENDMENT OFFERED BY MR. COOLEY

Mr. COOLEY. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. COOLEY: Page 2, line 23, strike out "to read as follows" and insert "by adding the following new subsection"; and

On page 2, line 24, strike out "(a)" and insert "(c)"; and

On page 3, line 14, strike out "(b)" and insert "(d)".

Mr. KYL. Mr. Chairman, a point of order.

The CHAIRMAN. The gentleman will state it.

Mr. KYL. Mr. Chairman, I make the point of order that the amendment is not germane, and that it should be considered on a parallel with the amendment just ruled on.

Mr. COOLEY. I have offered it because the gentleman says he wants it. If the gentleman does not want it I can withdraw the amendment.

The CHAIRMAN. The purpose of this amendment is to correct the technical references. That is the only purpose of it.

Mr. KYL. Mr. Chairman, I do this reluctantly because I did ask assurance of the chairman of the committee that this matter would be taken care of. But I do not want to make any exception to the rule. This is not germane. I do not want to have any part of that procedure.

Mr. COOLEY. It is germane, and I should like to have it adopted. It can go out.

The CHAIRMAN. The Chair is prepared to rule.

The Chair rules that the amendment offered by the gentleman from North Carolina [Mr. COOLEY] is germane, and therefore overrules the point of order made by the gentleman from Iowa [Mr. KYL].

Mr. GROSS. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. GROSS. Does this deal with the feed grain provisions of the existing law?

The CHAIRMAN. No. It merely clarifies the matter in the report.

Mr. GROSS. What is the material in the report that is cured, Mr. Chairman?

The CHAIRMAN. That is a matter for the gentleman from North Carolina to answer.

Mr. COOLEY. Mr. Chairman, I introduced the amendment as the result of a complaint that came from that side of the aisle. If there is no ambiguity and you do not want it clarified, vote against the amendment. I think we should take the amendment because it is a clarification of something that appeared in the report and should be a part of the bill.

Mr. DOLE. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. DOLE. Mr. Chairman, would it now be in order to reconsider by unanimous consent the amendment I previously offered?

The CHAIRMAN. A motion to reconsider is not in order in the Committee of the Whole.

The question is on the amendment offered by the gentleman from North Carolina [Mr. COOLEY].

The amendment was agreed to.

AMENDMENT OFFERED BY MR. GRANT

The CHAIRMAN. The Chair recognizes the gentleman from Alabama [Mr. GRANT].

Mr. GRANT. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. GRANT: Strike out all after the enacting clause and insert the following: "That the Agricultural Act of 1956, as amended, is amended by adding at the end of title 2 thereof the following new section:

"Sec. 213. In order to maintain and expand domestic consumption of upland cotton produced in the United States and to prevent

discrimination against the domestic users of such cotton, the Commodity Credit Corporation, under such rules and regulations as the Secretary of Agriculture may prescribe, is directed to make payments, in cash or in kind, to persons other than the producers of such cotton, in such amounts as will make such cotton available for domestic use at prices not in excess of the prices at which cotton of comparable quality is made available for export, including such payments as are necessary to make raw cotton in inventory on the date of the enactment of this Act available for consumption at the level of prices established hereunder."

"Sec. 2. Section 104 of the Agricultural Act of 1949, as amended, is amended to read as follows:

"The Secretary of Agriculture is hereby authorized and directed to conduct a special cotton research program designed to reduce the cost of producing upland cotton in the United States at the earliest practicable date. There are hereby authorized to be appropriated such sums, not to exceed \$10,000,000 annually, as may be necessary for the Secretary to carry out this special research program. The Secretary shall report annually to the Committee on Agriculture of the House of Representatives and to the Committee on Agriculture and Forestry of the Senate with respect to the results of such research."

(Mr. GRANT asked and was given permission to revise and extend his remarks.)

Mr. GRANT. Mr. Chairman, I am offering this substitute in an effort to be helpful. This matter of setting up a one-price system for cotton is something that the House Agriculture Committee has worked upon for a long time. Over a year ago, it became quite apparent to those of us who are interested in cotton that if the cotton farmer was to stay in business that it would be necessary that cotton sold domestically be made competitive with that sold to foreign markets.

With this in view, a meeting was held last fall in Memphis, Tenn., and since the opening of Congress in January this year, the committee has diligently and carefully considered every phase of this problem.

We realized that competitively priced synthetic fibers are taking the domestic cotton away from our own textile mills. There is no justification for the mills in this country having to pay approximately \$42.50 more per bale for cotton than those in foreign lands.

For several years those interested in this problem have waited patiently for the Tariff Commission to grant some relief; however, after exhaustive hearings which were attended by many Members of Congress and other interested parties, the Tariff Commission refused to grant this much-needed relief. Therefore, it became necessary for some legislative action to be taken.

H.R. 2000, a bill introduced by the chairman of the House Agriculture Committee, was a simple bill which came nearer than any of those since proposed in solving the problem in that it handled the matter of the equalization of this two-price system by giving the Commodity Credit Corporation the authority to make direct payments to persons other than the producers of cotton in such amounts as will make cotton available for domestic use at prices not in

excess of the price at which cotton of comparable quality is made available for export, including such payments as are necessary to make raw cotton in inventory on the date of the enactment of this Act available for consumption at the level of prices established hereunder.

I am offering this substitute, first, because I want to save the cotton industry from self-destruction and, secondly, it is equitable in that any subsidy payments made will fall upon all segments of the industry and the consuming public in the same manner as the subsidy now paid upon exports.

I realize that over the coming years that cotton must be made more competitive with synthetic fibers, and for this reason, I have included in this substitute the authority for the Secretary of Agriculture to expend such amounts, not to exceed \$10 million as will be necessary for the Secretary to carry out this special research program. Research upon this special problem will, I am sure, provide much-needed information which will be useful to the farmers—not only in increasing the amount of cotton grown per acre but will at the same time lower the cost of producing it by the elimination of pests, such as the cotton worm, boll weevil, and other cotton-destroying insects.

The CHAIRMAN. The question is on the substitute offered by the gentleman from Alabama [Mr. GRANT].

The substitute was rejected.

Mr. CASEY. Mr. Chairman, I take it from the answer received from the gentleman, that he is aware of a discrimination in the placement of cotton in storage.

I sincerely trust that the Agriculture Committee or a subcommittee thereof will immediately dig into this matter.

From the limited information I have, the Department of Agriculture procedures are costing the taxpayers of this country approximately \$2 million per month more than it should for the storage of Government-owned cotton alone.

Competitive bidding would eliminate this practice which has in my opinion unjustly enriched some warehousemen.

The storage of cotton under loan should also be thoroughly gone into as it appears that the storage of this cotton is costing more than is reasonable in some instances.

I reach this conclusion and I am sure others of this House would, when you see reconcentrated cotton being stored for 30 cents per bale per month in the same warehouse continuing loan and other Government owned cotton being stored at a cost of 46 to 51 cents per bale per month.

I respect, I hope the committee will give immediate attention to this matter.

The CHAIRMAN. The Chair recognizes the gentleman from Texas [Mr. MAHON].

Mr. MAHON. Mr. Chairman, before action on this bill is concluded, I would like to make some further remarks in regard to this bill, and the problems confronting cotton farmers.

(Mr. MAHON asked and was given permission to revise and extend his remarks.)

Mr. MAHON. Mr. Chairman, people who are familiar with the cotton situation generally agree that new legislation or at least a new course of action is urgently required if the cotton industry is to avoid drastic readjustments and sharp downward acreage allotments.

Having said this, I want to point out that cotton programs have for many years contributed in a big way to the stability and success of the cotton industry. Most cotton farmers have been fairly well satisfied and many have prospered. This is definitely true of the cotton farmers in the district which I represent in Congress.

I firmly believe that if the cotton farmers in the district which I represent were convinced that they could continue indefinitely with the present program, and that includes the present acreage and price supports, they would much prefer the present program. They realize that the present program has its inequities and imperfections but I believe that they had rather continue with it indefinitely if they knew they could retain in future years the present acreage allotments and supports. In other words, if they knew they could, they had rather hold on to the program which they have, rather than take a chance on a new program which they fear may be far less satisfactory from their standpoint than the present program. I have the same fear which the farmer has in this respect. If I knew we could hold on indefinitely to the present program, I would much prefer it to taking the gamble on a new program which in my opinion will probably not be as satisfactory from the standpoint of the cotton farmer as the present program.

In the light of what I have just said, the natural question is, If the cotton farmers generally speaking like what they have, why are so many of them advocating a change? The reason is they just simply do not believe the present program can be continued indefinitely. They think, and in my opinion correctly so, that if the present program is continued a drastic additional reduction in cotton acreage will result.

The cotton carryover on August 1, 1960, was 7.5 million bales. The carryover on August 1, 1963, was 11.2 million bales, and the estimated carryover on August 1, 1964, is 12.9 million bales.

The alltime high carryover of cotton was 14.5 million bales on August 1, 1956. This shockingly high figure was largely responsible for the inauguration of the cotton export subsidy program under which we now pay an export subsidy of 8½ cents per pound on every pound of cotton exported, approximately \$42.50 per bale.

Probably the major reason why a change in the cotton program is unavoidable is the fact that the consumption of cotton by American mills is not keeping pace with population growth, and the proportion of cotton used in relation to synthetic fibers in the production of textiles is on the downgrade, having taken a sharp downward turn within the last 2 or 3 years.

With this downward trend of cotton consumption by U.S. mills, relative to synthetics, it is inevitable that under the present programs surplus stocks of cot-

ton will continue to mount. If this continues to happen a sharp reduction of acreage allotments to the farmer is inevitable. This is a major worry of the cotton farmer and the friends of the cotton farmer.

The major purpose of any cotton legislation should be to increase the consumption of American cotton by U.S. mills and bring about an increase in cotton acreage allotments to farmers.

After the debate on this bill is concluded today there will, no doubt, be a motion made to recommit it—send it back to the Committee on Agriculture. In my judgment the bill is far from satisfactory, but I doubt the wisdom of sending it back to the Committee on Agriculture.

I believe the better procedure would be to pass the bill for the purpose of sending it to the Senate for consideration. After the measure has been considered by the Senate committee and the Senate itself, the House will have an opportunity to act on the revised version of the bill. In the light of the facts as they exist at that time and in the light of the provisions of the final version of the bill, the House can determine whether or not such bill, as finally revised and amended, should be passed or defeated.

I realize that there will be a variety of views as to just what action should be taken today, but I believe the course which I have suggested is the best thing to do at this time.

The CHAIRMAN. The Chair recognizes the gentleman from Illinois [Mr. COLLIER].

(Mr. COLLIER asked and was given permission to revise and extend his remarks.)

Mr. COLLIER. Mr. Chairman, in recent years this Congress has passed many bad measures of farm legislation. In fact, the agricultural economy of the Nation has been living under a crazy quilt of Government subsidies and controls which have afforded no solution to the problem of the American farmer; and, in fact, it has only compounded the burden upon many farmers and certainly the American taxpayer.

But the bill we have been debating these past 2 days tops them all in legislative irresponsibility. Indeed, we find ourselves faced with a bill that will add a subsidy to a subsidy. We subsidize cotton on the world market to be competitive, then subsidize the cotton-grower; then seek to subsidize the textile industry in an agricultural bill.

One cannot help but wonder what the American taxpayer must think when he looks at this picture in perspective. Good judgment would certainly dictate that this Congress, knowing that this bill will not provide a solution to the plight of either the cotton or textile industry in this country, defeat the measure before us and write legislation which is directed to a more permanent solution to the problem rather than take the courses of political expediency which merely places a greater burden on the American taxpayer and consumer.

The CHAIRMAN. The Chair recognizes the gentleman from Oklahoma [Mr. BELCHER].

Mr. BELCHER. Mr. Chairman, in the

interest of getting this legislation out of the way, I yield back the balance of my time.

The CHAIRMAN. If there are no further amendments, under the rule, the Committee rises.

Accordingly, the Committee rose; and the Speaker having resumed the chair, Mr. ROONEY of New York, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee having had under consideration the bill (H.R. 6196) to encourage increased consumption of cotton, to maintain the income of cotton producers, to provide a special research program designed to lower costs of production, and for other purposes, pursuant to House Resolution 464, he reported the bill back to the House with sundry amendments adopted by the Committee of the Whole.

The SPEAKER. Under the rule, the previous question is ordered.

Is a separate vote demanded on any amendment? If not, the Chair will put them en gros.

The question is on the amendments.

The amendments were agreed to.

The SPEAKER. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time and was read the third time.

The SPEAKER. The question is on the passage of the bill.

Mr. HOEVEN. Mr. Speaker, I offer a motion to recommit.

The SPEAKER. Is the gentleman opposed to the bill?

Mr. HOEVEN. I am opposed to the bill, Mr. Speaker.

The SPEAKER. The gentleman qualifies.

The Clerk will report the motion to recommit.

The Clerk read as follows:

Mr. HOEVEN moves to recommit the bill, H.R. 6196, to the Committee on Agriculture.

The previous question was ordered.

The SPEAKER. The question is on the motion to recommit.

Mr. HOEVEN. Mr. Speaker, I demand the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 179, nays 224, answered "present" 2, not voting 29, as follows:

[Roll No. 219]

YEAS—179

Abbutt	Brademas	Curtin
Abele	Bray	Curtis
Alger	Broomfield	Dague
Anderson	Brotzman	Dent
Andrews,	Brown, Ohio	Derounian
N. Dak.	Bruce	Derwinski
Arends	Burton	Devine
Ashbrook	Byrnes, Wis.	Dole
Avery	Cahill	Downing
Ayres	Cameron	Duncan
Baldwin	Cannon	Ellsworth
Baring	Casey	Felgham
Barry	Cederberg	Findley
Battin	Chamberlain	Fino
Beckworth	Chenoweth	Fogarty
Beermann	Clancy	Ford
Belcher	Clark	Foreman
Beil	Clausen,	Frelinghuysen
Bennett, Fla.	Don H.	Fulton, Pa.
Bennett, Mich.	Clawson, Del	Gary
Berry	Cleveland	Goodell
Betts	Cohelan	Goodling
Bolton,	Collier	Green, Oreg.
Frances P.	Conte	Griffin
Bolton,	Corbett	Gross
Oliver P.	Cramer	Grover
Bow	Cunningham	Gubser

Gurney
Haley
Halleck
Harding
Hardy
Harrison
Harsha
Harvey, Ind.
Harvey, Mich.
Hechler
Herlong
Hoeven
Hoffman
Horan
Horton
Hosmer
Hull
Hutchinson
Ichord
Jennings
Jensen
Johansen
Johnson, Pa.
Jones, Mo.
Kastenmeier
Knox
Kunkel
Kyl
Laird
Langen
Latta
Leggett
Lloyd
McClory

McCulloch
McDade
MacGregor
Marsh
Martin, Nebr.
Mathias
May
Meador
Michel
Minshall
Moore
Moorhead
Morton
Mosher
Nelsen
Norblad
Olson, Minn.
Ostertag
Pelly
Pike
Pillion
Powell
Quie
Reid, Ill.
Reid, N.Y.
Reifel
Rich
Riehlman
Robison
Rogers, Fla.
Roudebush
Roybal
Rumsfeld
Ryan, N.Y.

NAYS—224

Abernethy
Addabbo
Albert
Andrews, Ala.
Ashmore
Aspinall
Baker
Barrett
Bass
Bates
Blatnik
Boggs
Boland
Bonner
Brock
Brooks
Brown, Calif.
Broyhill, N.C.
Broyhill, Va.
Buckley
Burke
Burkhalter
Burleson
Byrne, Pa.
Carey
Celler
Chelf
Colmer
Cooley
Corman
Daddario
Daniels
Davis, Ga.
Davis, Tenn.
Dawson
Delaney
Denton
Diggs
Dingell
Donohue
Dorn
Dowdy
Dulski
Dwyer
Edmondson
Edwards
Elliott
Everett
Evins
Fascell
Finnegan
Fisher
Flood
Flynt
Forrester
Fountain
Fraser
Friedel
Fulton, Tenn.
Fuqua
Gallagher
Garmatz
Gathings
Glaimo
Gilbert
Glenn
Gonzalez
Grabowski
Grant
Gray

Green, Pa.
Griffiths
Hagan, Ga.
Hagen, Calif.
Halpern
Hansen
Harris
Hawkins
Hays
Healey
Hébert
Hemphill
Henderson
Holifield
Holland
Huddleston
Jarman
Joelson
Johnson, Calif.
Johnson, Wis.
Jonas
Jones, Ala.
Karsten
Karth
Keith
Kilburn
Kilgore
King, Calif.
King, N.Y.
Kirwan
Kluczynski
Kornegay
Landrum
Lankford
Lennon
Lesinski
Libonati
Lindsay
Lipscomb
Long, Md.
McDowell
McFall
McIntire
McMillan
Macdonald
Mahon
Martin, Calif.
Martin, Mass.
Matthews
Miller, Calif.
Miller, N.Y.
Mills
Minish
Monagan
Montoya
Morgan
Morris
Morrison
Morse
Moss
Multer
Murphy, Ill.
Murphy, N.Y.
Murray
Natcher
Nedzi
Nix
O'Brien, N.Y.
O'Hara, Ill.

St. George
Saylor
Schadeberg
Schenck
Schneebeil
Schweiker
Schwengel
Senner
Shipley
Short
Shriver
Skubitz
Smith, Calif.
Smith, Va.
Snyder
Springer
Stafford
Stinson
Taft
Talcott
Teague, Tex.
Thompson, La.
Thomson, Wis.
Tollefson
Van Pelt
Waggonner
Weaver
Weltner
Westland
Whalley
Wharton
Wilson, Ind.
Wylder
Younger

O'Hara, Mich.
Olsen, Mont.
O'Neill
Osmers
Patman
Patten
Pepper
Perkins
Philbin
Pilcher
Pirnie
Poage
Poff
Price
Pucinski
Purcell
Quillen
Rains
Randall
Reuss
Rhodes, Ariz.
Rhodes, Pa.
Rivers, S.C.
Roberts, Ala.
Roberts, Tex.
Rogers, Colo.
Rogers, Tex.
Rooney, N.Y.
Rooney, Pa.
Roosevelt
Rosenthal
Rostenkowski
Roush
Ryan, Mich.
St Germain
St. Onge
Scott
Secrest
Selden
Sibal
Sickles
Sikes
Siler
Sisk
Slack
Stable
Smith, Iowa
Staebler
Steed
Stephens
Stratton
Stubblefield
Sullivan
Teague, Calif.
Thomas
Thompson, Tex.
Thornberry
Toll
Tuck
Tupper
Tuten
Udall
Ullman
Utt
Van Deerlin
Vanik
Vinson
Wallhauser
Watson

Watts
Whitener
Whitten
Wickersham
Widnall

Williams
Willis
Wilson, Bob
Wilson,
Charles H.

Winstead
Wright
Wyman
Young
Zablocki

ANSWERED "PRESENT"—2

Farbstein

Thompson, N.J.

NOT VOTING—29

Adair
Ashley
Auchincloss
Becker
Bolling
Bromwell
Fallon
Gibbons
Gill
Hall

Hanna
Kee
Kelly
Keogh
Long, La.
McLoskey
Mailliard
Matsunaga
Milliken
O'Brien, Ill.

O'Konski
Passman
Rivers, Alaska
Rodino
Shelley
Sheppard
Staggers
Trimble
White

So the motion to recommit was rejected.

The Clerk announced the following pairs:

On this vote:

Mr. Thompson of New Jersey for, with Mr. Trimble against.

Mr. Farbstein for, with Mr. Rodino against.

Mr. Ashley for, with Mr. Rivers of Alaska against.

Mr. Passman for, with Mr. Keogh against.
Mr. Bromwell for, with Mr. Long of Louisiana against.

Mr. McLoskey for, with Mr. White against.

Until further notice:

Mr. Matsunaga with Mr. Adair.

Mr. Gill with Mr. O'Brien of Illinois.

Mr. Hanna with Mr. Fallon.

Mrs. Kelly with Mr. Shelley.

Mr. Sheppard with Mr. Staggers.

Mr. CANNON changed his vote from "nay" to "yea."

Mr. CASEY changed his vote from "nay" to "yea."

Mr. FARBSTEIN. Mr. Speaker, I have a live pair with the gentleman from New Jersey [Mr. RODINO]. If he were present, he would have voted "no." I voted "yea." I withdraw my vote and vote "present."

Mr. THOMPSON of New Jersey. Mr. Speaker, I have a live pair with the gentleman from Arkansas [Mr. TRIMBLE]. If he were here, he would have voted "nay." I, therefore, withdraw my vote and vote "present."

The result of the vote was announced as above recorded.

The SPEAKER. The question is on the passage of the bill.

Mr. HOEVEN. Mr. Speaker, I demand the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 216, nays 182, answered "present" 7, not voting 29, as follows:

[Roll No. 220]

YEAS—216

Abernethy
Addabbo
Albert
Andrews, Ala.
Ashmore
Baker
Barrett
Bass
Bates
Blatnik
Boggs
Boland
Bonner
Brock
Brooks
Brown, Calif.
Broyhill, N.C.
Broyhill, Va.
Buckley
Burke

Burkhalter
Burleson
Byrne, Pa.
Cannon
Carey
Celler
Chelf
Colmer
Cooley
Corman
Daddario
Daniels
Davis, Ga.
Davis, Tenn.
Dawson
Delaney
Denton
Diggs
Dingell
Donohue

Dorn
Dowdy
Dulski
Dwyer
Edmondson
Edwards
Elliott
Everett
Evins
Fascell
Finnegan
Flood
Flynt
Foreman
Forrester
Fountain
Fraser
Friedel
Fulton, Tenn.
Fuqua

Gallagher
Garmatz
Gathings
Glaimo
Gilbert
Glenn
Gonzalez
Grabowski
Grant
Gray
Green, Pa.
Griffiths
Hagan, Ga.
Hagen, Calif.
Halpern
Hansen
Harris
Hawkins
Hays
Healey
Hébert
Hemphill
Henderson
Holifield
Holland
Huddleston
Jarman
Joelson
Johnson, Wis.
Jonas
Jones, Ala.
Karsten
Keith
Kilburn
Kilgore
King, Calif.
King, N.Y.
Kirwan
Kluczynski
Kornegay
Landrum
Lankford
Lennon
Lesinski
Libonati
Lindsay
Lipscomb
Long, Md.
McDowell
McFall
McIntire
McMillan
Macdonald

Madden
Mahon
Martin, Calif.
Martin, Mass.
Matthews
Miller, Calif.
Miller, N.Y.
Mills
Minish
Monagan
Montoya
Morgan
Morris
Morrison
Morse
Moss
Multer
Murphy, Ill.
Murphy, N.Y.
Murray
Natcher
Nedzi
Nix
O'Brien, N.Y.
O'Hara, Ill.
O'Hara, Mich.
Olsen, Mont.
O'Neill
Osmers
Patman
Patten
Pepper
Perkins
Philbin
Pilcher
Pirnie
Poage
Poff
Pool
Price
Purcell
Quillen
Rains
Randall
Reuss
Rhodes, Ariz.
Rhodes, Pa.
Rivers, S.C.
Roberts, Ala.
Roberts, Tex.
Rogers, Colo.
Rogers, Tex.
Rooney, N.Y.

NAYS—182

Abbott
Abele
Alger
Anderson
Andrews, N. Dak.
Arends
Ashbrook
Avery
Ayres
Baldwin
Baring
Barry
Battin
Beckworth
Beermann
Belcher
Bell
Bennett, Fla.
Bennett, Mich.
Berry
Betts
Bolton,
Frances P.
Bolton,
Oliver P.
Bow
Brademas
Bray
Broomfield
Brotzman
Brown, Ohio
Bruce
Burton
Byrnes, Wis.
Cahill
Cameron
Casey
Cederberg
Chamberlain
Chenoweth
Clancy
Clark
Clausen,
Don H.
Clawson, Del.
Cleveland
Cohelan
Collier
Corbett

Cramer
Cunningham
Curtin
Curtis
Dague
Dent
Derounian
Derwinski
Devine
Dole
Downing
Ellsworth
Feighan
Findley
Fino
Fisher
Fogarty
Ford
Frelinghuysen
Fulton, Pa.
Gary
Goodell
Goodling
Green, Ore.
Griffin
Gross
Grover
Gubser
Gurney
Haley
Halleck
Harding
Harrison
Harsha
Harvey, Ind.
Harvey, Mich.
Hechler
Hoeven
Hoffman
Horan
Horton
Hosmer
Hull
Hutchinson
Ichord
Jennings
Jensen
Johansen
Johnson, Calif.
Johnson, Pa.

Rooney, Pa.
Roosevelt
Rosenthal
Rostenkowski
Roush
St Germain
St. Onge
Scott
Secrest
Selden
Sibal
Sickles
Sikes
Siler
Sisk
Slack
Staebler
Steed
Stephens
Stratton
Stubblefield
Sullivan
Taylor
Thomas
Thompson, Tex.
Thornberry
Toll
Tuck
Tupper
Udall
Ullman
Utt
Van Pelt
Vinson
Wallhauser
Watson
Watts
Whitener
Whitten
Wickersham
Widnall
Williams
Willis
Wilson, Bob
Wilson,
Charles H.
Winstead
Wright
Wyman
Young
Zablocki

Jones, Mo.
Karth
Kastenmeier
Knox
Kunkel
Kyl
Laird
Langen
Latta
Leggett
Lloyd
McClory
McCulloch
McDade
MacGregor
Marsh
Martin, Nebr.
Mathias
May
Meador
Michel
Minshall
Moore
Moorhead
Morton
Mosher
Nelsen
Norblad
Olson, Minn.
Ostertag
Pelly
Pike
Pillion
Powell
Pucinski
Quie
Reid, Ill.
Reid, N.Y.
Reifel
Rich
Riehlman
Robison
Rogers, Fla.
Roudebush
Roybal
Rumsfeld
Ryan, Mich.
Ryan, N.Y.
St. George
Saylor

Schadeberg	Smith, Va.	Tuten
Schenck	Snyder	Van Deerlin
Schneebeli	Springer	Vanik
Schweiker	Stafford	Waggonner
Schwengel	Stinson	Weaver
Senner	Taft	Weltner
Shibley	Talcott	Westland
Short	Teague, Calif.	Whalley
Shriver	Teague, Tex.	Wharton
Skubitz	Thompson, La.	Wilson, Ind.
Smith, Calif.	Thomson, Wis.	Wylder
Smith, Iowa	Tollefson	Younger

ANSWERED "PRESENT"—7

Aspinall	Farbstein	Herlong
Conte	Hardy	Thompson, N.J.
Duncan		

NOT VOTING—29

Adair	Hanna	O'Konski
Ashley	Kee	Passman
Auchincloss	Kelly	Rivers, Alaska
Becker	Keogh	Rodino
Bolling	Long, La.	Shelley
Bromwell	McLoskey	Sheppard
Fallon	Malliard	Staggers
Gibbons	Matsunaga	Trimble
Gill	Milliken	White
Hall	O'Brien, Ill.	

So the bill was passed.

The Clerk announced the following pairs:

On this vote:

Mr. Keogh for, with Mr. Conte against.
 Mr. Rodino for, with Mr. Farbstein against.
 Mr. O'Brien of Illinois for, with Mr. Herlong against.
 Mr. Rivers of Alaska for, with Mr. Aspinall against.
 Mr. Trimble for, with Mr. Thompson of New Jersey against.
 Mr. Gill for, with Mr. Duncan against.
 Mr. O'Konski for, with Mr. Hardy against.
 Mr. Long of Louisiana for, with Mr. Bromwell against.
 Mr. Auchincloss for, with Mr. Passman against.
 Mr. Hall for, with Mr. Ashley against.
 Mr. Sheppard for, with Mr. McLoskey against.
 Mr. Hanna for, with Mr. Malliard against.
 Mr. Matsunaga for, with Mr. Gibbons against.

Until further notice:

Mr. Shelley with Mr. Adair.
 Mr. White with Mr. Staggers.
 Mr. Fallon with Mrs. Kelly.

Mr. FARBSTEIN. Mr. Speaker, I have a live pair with the gentleman from New Jersey [Mr. Rodino]. If he were present he would have voted "yea." I voted "nay." I withdraw my vote and vote "present."

Mr. THOMPSON of New Jersey. Mr. Speaker, I have a live pair with the gentleman from Arkansas [Mr. Trimble]. If he were present he would have voted "yea." I voted "nay." I withdraw my vote and vote "present."

Mr. HERLONG. Mr. Speaker, I have a live pair with the gentleman from Illinois [Mr. O'Brien]. If he were present he would have voted "yea." I voted "nay." I withdraw my vote and vote "present."

Mr. HARDY. Mr. Speaker, I have a live pair with the gentleman from Wisconsin [Mr. O'Konski]. If he were present he would have voted "yea." I voted "nay." I withdraw my vote and vote "present."

Mr. ASPINALL. Mr. Speaker, I have a live pair with the gentleman from Alaska [Mr. Rivers]. If he were present he would have voted "yea." I voted "nay." I withdraw my vote and vote "present."

Mr. DUNCAN. Mr. Speaker, I have a live pair with the gentleman from Ha-

wai [Mr. Gill]. If he were present he would have voted "yea." I voted "nay." I withdraw my vote and vote "present."

Mr. CONTE. Mr. Speaker, I have a live pair with the gentleman from New York [Mr. Keogh]. If he were present he would have voted "yea." I voted "nay." I withdraw my vote and vote "present."

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

GENERAL LEAVE TO EXTEND REMARKS

Mr. COOLEY. Mr. Speaker, I ask unanimous consent that all Members desiring to do so may have 5 legislative days in which to extend their remarks on the bill just passed.

The SPEAKER. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

A FIRM EXPERIENCED HAND

(Mr. PRICE asked and was given permission to extend his remarks at this point in the RECORD and include an editorial.)

Mr. PRICE. Mr. Speaker, the late John Fitzgerald Kennedy was growing in stature and by the end of a second term he would have been considered as one of a handful of great Presidents. This was the appraisal of President Kennedy made by Malcolm S. Forbes, publisher and editor in chief of Forbes, a national financial magazine.

Mr. Forbes pays tribute to the late President in an article appearing in the December 1, 1963, issue of Forbes.

In the same article Mr. Forbes pays tribute to Lyndon Johnson, saying—

No unelected—and few elected—Presidents have come into office with better preparation for the job.

Under unanimous consent I include with my remarks Mr. Forbes' article:

A FIRM EXPERIENCED HAND

(By Malcolm S. Forbes)

Three and a half years ago I worked hard for the election of Richard Nixon to the Presidency, and as a delegate to the GOP convention happily voted for his nomination. During the Democratic convention I rooted for Lyndon B. Johnson in the conviction expressed often to friends that, "If a Democrat should win, he'd be the best one." Kennedy? Too young, too inexperienced. Attractive, eager, but not mature enough.

At lunch with two friends 48 hours before President Kennedy's death, we discussed at length how glad we were that he was President; that in foreign affairs, American objectives, hopes, and ideals had been made clear and had been kept clear; that the President had displayed firmness without resorting to shallow and explosive brinksmanship. We commented on how no Republican President probably would have dared to ask for the tax reduction so necessary to our maximum economic expansion.

We rounded out the conversation by concluding that Kennedy would undoubtedly be reelected and that by the end of his second term he would be considered as one of the handful of great Presidents.

In 36 months there are few specific legislative milestones on which historians can peg

an evaluation of President Kennedy's administration but his greatness as a man is firmly established. With wit and wisdom and calmness he met world crises, and continually concerned himself with measures that would benefit the human lot. The TV program "Conversation With the President," showed his conception of the job and his remarkable grasp of the problems of our time.

On these pages Forbes in past months has on several occasions supported his actions and proposals.

The man is now beyond support, but some of the measures and the need of them remain.

What now? What about Lyndon Johnson?

I can recollect no unelected—and few elected Presidents who have come into office with better preparation for the job. In the three most immediate problems facing the country President Johnson had unusual responsibilities under John Kennedy.

He was knee deep in defense problems, particularly in matters of space.

In the field of civil rights he headed the President's Committee on Equal Employment Opportunity.

In connection with foreign relations he has in recent months acquired firsthand familiarity with most of our allies and friends abroad.

Before this exposure to national responsibility on the Executive level he, in title and in fact, led the legislative branch as majority leader of the Senate. Virtually every important legislative measure during President Eisenhower's last 6 years achieved passage primarily because of Johnson's help. His support of foreign aid and trade, of NATO and the UN, social security and expanded civil rights is a matter of record, both in words and deeds.

In one very significant area Johnson's skill exceeds that of the late President—how to get things through Congress.

President Johnson displays one attitude strikingly similar to President Eisenhower's: An almost-fervent belief in the free enterprise system. Anybody tempted to sell securities because of uncertainty about the new administration should listen to a replay of the Texas TV station's interview with the President and Mrs. Johnson at the LBJ Ranch, recorded a few weeks ago. No Republican, no conservative, no business leader, no Vermont Yankee ever gave greater or more continuous expression of conviction about free enterprise and the American way of economic life than the new President of the United States.

In our profound misfortune we are fortunate that the new hand at the helm is an experienced, firm one. President Johnson knows unusually well the process of governing and the problems facing the Government. He knows unusually well men in government and particularly the men now in his government.

In despairing over the still-unbelievable deed of assassination, we certainly need not despair over our country's present leadership and future prospects.

PRESIDENT NKURUMAH IN RADIO MESSAGE HONORS MEMORY OF PRESIDENT KENNEDY

(Mr. O'HARA of Illinois asked and was given permission to extend his remarks at this point in the RECORD.)

Mr. O'HARA of Illinois. Mr. Speaker, "Man of His Century" was the tribute to President John F. Kennedy in a memorial radio address by President Nkrumah to the people of Ghana. I am extending my remarks to include President Nkrumah's radio message, honoring the memory of our martyred President:

88TH CONGRESS
1ST SESSION

H. R. 6196

IN THE SENATE OF THE UNITED STATES

DECEMBER 5, 1963

Read twice and referred to the Committee on Agriculture and Forestry

AN ACT

To encourage increased consumption of cotton, to maintain the income of cotton producers, to provide a special research program designed to lower costs of production, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That the Agricultural Adjustment Act of 1938, as amended,
4 is amended by adding the following new section:

5 “SEC. 348. In order to maintain and expand domestic
6 consumption of Upland cotton produced in the United States
7 and to prevent discrimination against the domestic users of
8 such cotton, notwithstanding any other provision of law,
9 the Commodity Credit Corporation, under such rules and

1 regulations as the Secretary may prescribe, is authorized
2 and directed for the period beginning with the date of en-
3 actment of this section and ending July 31, 1967, to make
4 payments through the issuance of payment-in-kind certifi-
5 cates to persons other than producers in such amounts and
6 subject to such terms and conditions as the Secretary deter-
7 mines will eliminate inequities due to differences in the cost
8 of raw cotton between domestic and foreign users of such
9 cotton, including such payments as may be necessary to
10 make raw cotton in inventory on the date of enactment of
11 this section available for consumption at prices consistent
12 with the purposes of this section.”

13 SEC. 2. Section 385 of the Agricultural Adjustment Act
14 of 1938, as amended, is amended by adding at the end thereof
15 the following: “This section also shall be applicable to pay-
16 ments provided for under section 348 of this title.”

17 SEC. 3. Section 104 of the Agricultural Act of 1949, as
18 amended, is amended by adding the following new sub-
19 sections:

20 “(c) The Secretary of Agriculture is hereby authorized
21 and directed to conduct a special cotton research program
22 designed to reduce the cost of producing upland cotton in the
23 United States at the earliest practicable date. There are
24 hereby authorized to be appropriated such sums, not to ex-
25 ceed \$10,000,000 annually, as may be necessary for the

1 Secretary to carry out this special research program. The
2 Secretary shall report annually to the Committee on Agri-
3 culture of the House of Representatives and to the Com-
4 mittee on Agriculture and Forestry of the Senate with re-
5 spect to the results of such research.

6 “(d) In establishing the level of price support to co-
7 operators for each crop of upland cotton beginning with the
8 1965 crop of such cotton, the Secretary, notwithstanding
9 the provisions of section 103, shall make such reductions in
10 the price support level as will reflect reductions in the costs
11 of producing cotton. The level of price support for the
12 1964 crop of upland cotton shall be the national average
13 support price which reflects 30 cents per pound for Middling
14 inch. For 1965 and subsequent years, the level of price
15 support shall be the level in effect for the preceding crop
16 adjusted as provided in this section to reflect reductions in
17 the costs of producing cotton: *Provided*, That the maximum
18 level of price support shall be the national average support
19 price which reflects for Middling inch 29½ cents per pound
20 for the 1965 crop and 29 cents per pound for the 1966 crop.”

21 SEC. 4. Section 407 of the Agricultural Act of 1949, as
22 amended, is amended by inserting after the first proviso in
23 the third sentence thereof the following: “*Provided further*,
24 That beginning August 1, 1964, the Commodity Credit Cor-
25 poration may sell upland cotton for unrestricted use at not

1 less than 105 per centum of the current loan rate for such
2 cotton under section 103 (a) plus reasonable carrying
3 charges:"

4 SEC. 5. Section 103 of the Agricultural Act of 1949, as
5 amended, is amended by inserting "(a)" before the first
6 sentence thereof and by adding at the end of such section the
7 following new subsections:

8 "(b) For the 1964, 1965, and 1966 crops of cotton,
9 the Secretary, notwithstanding any other provision of law,
10 may provide to cooperators price support on not to exceed
11 fifteen bales (standard five hundred pounds gross weight)
12 of the production from their allotments at a level up to 10
13 per centum in excess of the basic level of price support
14 established under subsection (a) hereof but not in excess
15 of the level of price support for the 1963 crop.

16 "(c) Notwithstanding any other provision of law, in
17 order to keep cotton to the maximum extent practicable in
18 the normal channels of trade, if the level of price support to
19 cooperators for the 1964, 1965, or 1966 crop is increased
20 under subsection (b), price support for cotton at the level
21 established under subsection (b) shall be carried out through
22 the simultaneous purchase of cotton at the support price
23 therefor under subsection (b) and sale of such cotton at the
24 support price therefor under subsection (a) or similar opera-
25 tions, including loans under which the cotton would be re-

1 deemable by payment of the amount for which the cotton
2 would be redeemable if the loan thereon had been made at
3 the support price for such cotton under subsection (a).”

4 SEC. 6. The Agricultural Adjustment Act of 1938, as
5 amended, is amended as follows:

6 (1) The following new sections are added to the Act:

7 “SEC. 349. If the national acreage allotment established
8 under section 344 (a) for the years 1964, 1965, or 1966 ex-
9 ceeds seventeen million acres (exclusive of the national acre-
10 age reserve established under section 344 (b)), the amount
11 of such acreage allotment in excess of seventeen million acres
12 shall, notwithstanding any other provision of this part, be
13 allotted as follows: One-half of such excess shall be allotted
14 pursuant to the provisions of section 344. The remaining
15 half of such excess shall, subject to the provisions of this
16 section and section 350 be allotted by the Secretary as
17 export market acreage directly to farms eligible to receive
18 allotments under the provisions of section 350 to the extent
19 that he determines that such allotments will not increase
20 the carryover of cotton at the beginning of the marketing year
21 for the next succeeding crop above the carryover on the same
22 date one year earlier, except that no farm may receive an
23 allotment of export market acreage in excess of 20 per centum
24 of the acreage allotment for the farm established under the
25 provisions of section 344. Any acreage available for allot-

1 ment as export market acreage which the Secretary deter-
2 mines will not be used shall be allotted pursuant to the provi-
3 sions of section 344. Any acreage allotted to a farm as
4 export market acreage and planted to cotton shall be in
5 addition to the county or State acreage allotments and shall
6 not be taken into account in establishing future State, county,
7 and farm acreage allotments. Notice of the maximum export
8 acreage for a farm shall be included in the notices of farm
9 acreage allotments and marketing quotas. The provisions of
10 this section shall not apply to extra long staple cotton.

11 “SEC. 350. The producers on any farm on which there
12 is export market acreage or the purchasers of cotton pro-
13 duced thereon shall, under regulations issued by the Secre-
14 tary, furnish a bond or other undertaking prescribed by the
15 Secretary providing for the exportation, without benefit of any
16 Government cotton export subsidy and within such period of
17 time as the Secretary may specify, of a quantity of cotton
18 equal to the actual production of the export market acreage
19 as determined pursuant to regulations issued by the Secretary.
20 The bond or other undertaking given pursuant to this section
21 shall provide that, upon failure to comply with the terms and
22 conditions thereof, the person furnishing such bond or other
23 undertaking shall be liable for liquidated damages in an
24 amount which the Secretary determines and specifies in such
25 undertaking will approximate the export subsidy on such

1 quantity of cotton. The Secretary may, in lieu of the fur-
2 nishing of a bond or other undertaking, provide for the pay-
3 ment of an amount equal to that which would be payable as
4 liquidated damages under such bond or other undertaking.
5 If such bond or other undertaking is not furnished, or if
6 payment in lieu thereof is not made as provided herein, at
7 such time and in the manner required by regulations of the
8 Secretary, or if the acreage planted to cotton on the farm
9 exceeds the farm acreage allotment established under the
10 provisions of section 344 by more than the maximum export
11 market acreage, the farm acreage allotment shall be the
12 acreage so established under section 344. Amounts col-
13 lected by the Secretary under this section shall be remitted
14 to the Commodity Credit Corporation and used by the Cor-
15 poration to defray costs of encouraging export sales of cotton
16 under section 203 of the Agricultural Act of 1956, as
17 amended.”

18 (2) Section 376 of the Act is amended by adding at the
19 end thereof the following: “This section also shall be ap-
20 plicable to liquidated damages provided for pursuant to sec-
21 tion 350 of this title.”

Passed the House of Representatives December 4, 1963

Attest:

RALPH R. ROBERTS,

Clerk.

AN ACT

To encourage increased consumption of cotton, to maintain the income of cotton producers, to provide a special research program designed to lower costs of production, and for other purposes.

DECEMBER 5, 1963

Read twice and referred to the Committee on
Agriculture and Forestry

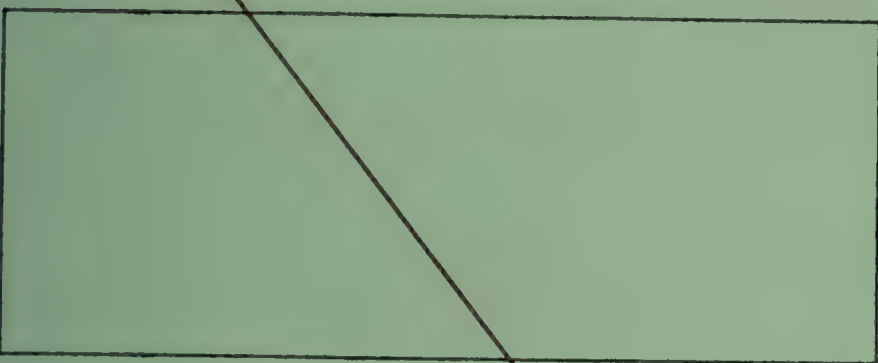
Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF
BUDGET AND FINANCE

(For information only;
should not be quoted
or cited)

Issued Feb. 24, 1964
For actions of Feb. 20 and 21, 1964
88th-2nd; Nos. 30 and 31



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HIGHLIGHTS: Senate committee reported cotton-wheat bill. Sen. Miller criticized beef import agreement with Australia and New Zealand. Sen. Miller commended USDA purchases of eggs to support prices. Sen. Mansfield and others introduced and Sen. Mansfield discussed bill to restrict meat imports. Rep. Langen urged CCC to allow resealing of grains on farms. Rep. Findley urged Senate to delete flour tax provisions from Cooley cotton bill. Rep. McDowell urged changes in AID program, including more integrated PL 480 program. Sen. Williams, Del., objected to consideration of cotton-wheat bill. Sen. Dirksen inserted his and Rep. Halleck's statements criticizing wheat trade with Russia. Sen. Symington inserted item urging farm organizations to agree on a farm program.

SENATE - February 20

1. COTTON; WHEAT. The Agriculture and Forestry Committee reported with amendments H. R. 6196, the cotton-wheat bill (S. Rept. 874) (pp. 3123, 3126). Sen. Dominick inserted a series of questions and answers on whether the Government should provide a part of the income for farmers (pp. 3145-7). Sen. Mansfield expressed hope that the cotton-wheat bill could be taken up on Fri., Feb. 21, and discussed the possibilities of such action with several other Senators (pp. 3125, 3174-6).

2. BEEF IMPORTS. Sen. Miller criticized the beef import agreement with Australia and New Zealand, stated his belief that "selecting the 2 highest import years and using the average as the limitation base for 1964 imports does not meet the problem," and inserted several items on the agreement. pp. 3176-9
3. EGG PRICES. Sen. Miller expressed concern over the drop in egg prices, commended the announcement that this Department would soon make available dried eggs to families receiving foods under the food distribution program, and inserted tables on the production and supply of eggs. pp. 3179-81
4. COFFEE. Sen. Proxmire criticized the International Coffee Agreement and the recent increase in coffee prices and inserted two items discussing the situation. pp. 3130-1
5. WATER POLLUTION CONTROL. Sen. McIntyre inserted and commended a resolution of the N. H. Federation of Women's Clubs urging enactment of legislation to prohibit detergent residues from entering streams and ground water. pp. 3131-2
6. FOREIGN AID. Sen. Morse inserted and commended an article by Sen. Gruening, "Squalor and Wealth: Alliance for Progress has Lagged Far Behind Hopes." pp. 3173-4
7. ELECTRIFICATION. Sen. Metcalf commended a request by a Va. State Senator for an investigation of private electric power rates in the State and inserted several items on the matter. pp. 3166-70
8. CONSUMERS. Sen. Miller inserted an article reviewing the consumer services performed by this Department and questioning whether the new post of Presidential Assistant for Consumer Affairs should have been placed in the Labor Department. p. 3181

HOUSE - February 20

9. POULTRY. Rep. Cleveland complimented and inserted a letter complimenting the poultry industry for holding down of egg prices over the past 50 years. p. 3107
10. GRAINS. Rep. Langen urged that CCC permit farmers to reseal all grains presently stored on their farms. p. 3107
11. AREA REDEVELOPMENT. Rep. Langen inserted an editorial charging that the ARA program is harming the hardboard industry by increasing the number of hardboard plants. pp. 3107-8
12. WHEAT. Rep. Findley charged that the proposed wheat bill provides for a processing tax on flour which would be burdensome to the consumer. p. 3108
Rep. Findley requested the Senate to withdraw its insertion of a processing tax on wheat in the Cooley cotton bill. pp. 3108-9
13. FOREIGN AID. Rep. McDowell recommended changes in the foreign aid program including making Public Law 480 a more integrated program. pp. 3119-20
14. EXPORT-IMPORT BANK. Received from the Comptroller General an audit of the Export-Import Bank for the fiscal year 1963 (H. Doc. 233). p. 3121

COTTON AND WHEAT PROGRAMS

FEBRUARY 20 (legislative day, FEBRUARY 10), 1964.—Ordered to be printed

Mr. EASTLAND, from the Committee on Agriculture and Forestry, submitted the following

REPORT

together with

MINORITY AND SUPPLEMENTAL VIEWS

[To accompany H.R. 6196]

The Committee on Agriculture and Forestry, to whom was referred the bill (H.R. 6196), to encourage increased consumption of cotton, to maintain the income of cotton producers, to provide a special research program designed to lower costs of production, and for other purposes, having considered the same, report thereon with a recommendation that it do pass with amendments.

MAJOR PROVISIONS

The committee proposal, which is in the nature of a substitute for H.R. 6196, contains a number of changes in the provisions relating to cotton and adds new provisions relating to wheat. The bill consists of two titles, title I relating to cotton and title II relating to wheat, providing for—

TITLE I—COTTON

- (1) 4-year cotton program applicable to the 1964, 1965, 1966, and 1967 crops.
- (2) Basic price support for 1964 at 30 cents for Middling 1-inch cotton and for the 1965 and subsequent crops at such level between 65 and 90 percent of parity, as the Secretary determines, after taking into consideration certain specified factors, including changes in the cost of production.
- (3) Additional price support, above the basic level of support, for producers who participate in the domestic allotment choice program.
- (4) A domestic allotment for each farm as a percentage of the regular farm acreage allotment equal to the percentage which the

national domestic allotment (acreage estimated to produce amount needed for domestic consumption) is of the national acreage allotment under present law.

(5) A minimum farm domestic allotment for each farm equal to the smaller of the farm acreage allotment or 15 acres.

(6) A special cotton research program designed to reduce the cost of producing upland cotton.

(7) The planting, within certain limits, of an acreage of upland cotton over and above regular farm acreage allotments upon the condition that cotton produced thereon is exported without Government assistance.

(8) Minimum CCC sales price, effective August 1, 1964, at 105 percent of the basic loan rate plus reasonable carrying charges.

(9) Payments in kind to persons, other than producers, in amounts which will eliminate inequities due to differences in the cost of raw cotton as between domestic and foreign users.

TITLE II—WHEAT

(1) 2-year voluntary wheat certificate and acreage diversion program applicable to the 1964 and 1965 crops.

(2) Temporary suspension of marketing quotas and penalties for wheat.

(3) Price support (i) for domestic certificate wheat at between 65 and 90 percent of parity, (ii) for export certificate wheat at a level determined by the Secretary not in excess of 90 percent of parity, and (iii) for noncertificate wheat at a level related to world prices of wheat and the value of wheat for feed.

(4) Continuation of farm acreage allotments, based on a national acreage allotment of not less than 49.5 million acres, and compliance therewith as a condition of price support, marketing certificates, and diversion payments.

(5) Minimum CCC wheat sales price at 105 percent of the loan rate for noncertificate wheat, plus reasonable carrying charges.

(6) Suspension of so-called Anfuso amendment for 1965 crop.

(7) Continuation of existing provision of law permitting substitution of wheat and feed grains.

(8) Continuation of present mandatory program after expiration of 2-year voluntary program.

TITLE I—COTTON

COMMITTEE DELIBERATIONS

The committee held extensive cotton hearings in May 1963 and again in February of this year. All segments of the industry submitted testimony. The Department of Agriculture and a large majority of the witnesses representing producers and other segments of the industry stressed the need for cotton legislation which would—

(1) eliminate the inequity of the two-price system under which domestic mills must pay substantially more for cotton than their foreign competitors;

(2) enable cotton to meet the price competition of synthetic fibers, thereby increasing the long-range market for cotton;

(3) reduce Government expenditures for the cotton program;

- (4) reduce excessive stocks of cotton; and
- (5) maintain producer income.

The committee gave very careful consideration to a number of bills and other proposals which had been made and which, if enacted, would affect cotton from the date of enactment through the 1967 cotton marketing year. All of the proposals were evaluated, and the legislation now reported out is in line with the President's message on agriculture, which contained the following:

Cotton.—The needs of neither the cottongrower, the cotton handler, the cotton textile mill, nor the consumer are being satisfied by the existing legislation. The cotton industry as a whole is our second largest. More than 1 million people are engaged in growing cotton—an additional 1.5 million people are employed in the production of cotton cloth and cotton products for consumers—and additional millions work in firms which supply the goods, machinery, and services to the industry.

Domestic cotton prices are much higher than world prices. Consequently, our textile mills must pay more for cotton than their foreign competitors.

In addition, despite the fact that the 1963 acreage allotment was held to the statutory minimum, sharply increased farm yields, combined with a continuing loss of markets—as cotton products are displaced by imports and by other fibers—has caused a sharp rise in the inventories of cotton held by the Commodity Credit Corporation. The carryover on August 1 will be almost 2 million bales higher than it was last year, adding over \$300 million to the cost of the cotton program. The carryover will be enough to supply our domestic needs for 18 months.

Several legislative proposals are now pending before the Congress to deal with this program. *I recommend the enactment of legislation which will (1) make cotton more competitive with other fibers and eliminate the inequity of the present two-price system under which cotton used domestically is priced substantially higher than cotton sold for export; (2) make it possible for growers who desire to do so to produce cotton at world prices, without any subsidy, on a basis which will not add to our stocks; and (3) maintain the income of cotton growers while reducing excessive carryover stocks.*

The bill approved by the committee retains most of the features of H.R. 6196, but was modified to include the more desirable features of other bills before the committee. Two of the major features of H.R. 6196 which were retained include the trade incentive plan and the concept of export acres. A major modification was the authority to provide producers a domestic allotment choice program under which they may produce their domestic allotment at a higher price or their full regular allotment at a lower price.

The committee gave special consideration to the needs of small farms and included a provision which will help to maintain and improve the income of farmers with allotments of 15 acres and less.

In considering the provisions of the bill relating to the level of support for cotton, the committee determined that the parity concept

which has been included in price support legislation for about 30 years should be retained. The committee felt that the retention of the parity concept for price support is of utmost importance in order for cotton producers to receive their fair share of the national income.

Under the bill producer net income would be maintained and in the case of small producers would be increased. Producers with higher production costs can plant within an allotment based on the domestic consumption of cotton and receive price support at a higher level than producers who plant their full allotment.

The committee gave full consideration to the provision of the bill which will make cotton available to domestic users at a price not in excess of the price at which cotton is made available for export. This provision means that we will now have a one-price system for cotton.

The features of the program adopted by the committee insure that the cost will be substantially less than the present program and will be below the estimated cost of any of the other programs before it.

The Department of Agriculture was asked to provide the committee with long-range projections on the costs of the bill approved by the committee as compared to the costs of the cotton program under current legislation. Costs of the 1964 crop of cotton under the committee bill would amount to \$448 million as compared to \$566 million under current legislation. For the 1965 crop costs would be \$514 million under the committee bill as compared to \$640 million under current legislation. For 1966 the committee bill would cost \$509 million and for 1967 \$489 million as compared to \$734 million and \$816 million. These tables accompanied the departmental report on the bill and can be found at that point in the report.

THE CRITICAL NEED FOR LEGISLATION

1. Cotton is today the No. 1 surplus problem in American agriculture. The greatest need for cotton legislation is to start now to bring this surplus under control. The upland cotton carryover at the end of the current marketing year is estimated at 12.8 million bales. Without a new cotton law, the carryover will increase to 13.6 million bales by the end of the marketing year for the 1964 crop and soar to over 18 million bales by August 1, 1968. This would be about one-fourth higher than the previous record of 1956. It would be more than 10 million bales in excess of needed reserves and would be equal to more than 2 years' domestic consumption requirements. Carrying charges alone would be well over \$100 million per year—a senseless cost to the taxpayer that would bring benefits to no one (table 1).

TABLE 1.—Upland cotton: Supply and distribution in running bales, and production factors, 1951-63

Year beginning Aug. 1	Supply			Utilization			Ending stocks		Production factors			
	Beginning stocks	Production	Imports	Total	Domestic consumption	Exports	Total (including destroyed)	CCC	Total	Planted acres	Harvested acres	Yield per harvested acre
	Million bales	Million bales	Million bales	Million bales	Million bales	Million bales	Million bales	Million bales	Million bales	Million	Million	Pounds
1951.....	2.2	15.0	0.1	17.2	9.1	5.5	14.7	0.3	2.7	29.3	26.9	269
1952.....	2.7	15.0	.1	17.9	9.4	3.0	12.5	2.0	5.5	28.0	25.8	280
1953.....	5.5	16.3	.1	21.9	8.5	3.8	12.3	7.0	9.6	26.8	24.2	324
1954.....	9.6	13.5	.1	23.2	8.7	3.4	12.2	8.0	11.0	20.0	19.2	341
1955.....	11.0	14.6	.1	25.7	9.1	2.2	11.3	9.8	14.4	17.9	16.9	417
1956.....	14.4	12.9	.1	27.4	8.5	7.5	16.0	5.2	11.3	17.0	15.6	409
1957.....	11.3	10.8	.1	22.2	7.9	5.7	13.6	2.9	8.6	14.2	13.5	388
1958.....	8.6	11.3	.1	20.0	8.6	2.8	11.4	7.0	8.7	12.3	11.8	466
1959.....	8.7	14.4	.1	23.3	8.9	7.2	16.1	5.0	7.4	15.8	15.1	461
1960.....	7.4	14.3	.1	21.8	8.1	6.6	14.8	1.5	7.1	16.0	15.2	446
1961.....	7.1	14.3	.1	21.5	8.8	4.9	13.7	4.7	7.7	16.5	15.6	438
1962.....	7.8	14.8	.1	22.6	8.2	3.4	11.6	8.0	11.0	16.2	15.5	457
1963 ¹	11.0	15.3	.1	26.4	8.4	5.2	13.6	9.8	12.8	14.7	14.1	524

¹ Preliminary (Dec. 8, 1963, Crop Report).

Source: ASCS-PPA, Dec. 30, 1963.

NOTE.—All computations based on unrounded data

2. The existing surplus of cotton has already increased. Government expenditures for the cotton program to an intolerably high level. But without new legislation, Government outlays will increase from \$566 million estimated for the 1964 crop to over \$800 million for 1967. An exceptionally high yield in foreign countries—as occurred in 1962—or in the United States, such as took place in 1963, would increase such costs to over \$1 billion in a 12-month period. The bulk of these outlays would arise from the acquisition of unwanted stocks through the loan program. Thus, there would be no offsetting benefits to consumers, the textile industry, or—in the long run—cotton producers themselves.

3. New problems of cotton have not diminished the pain of old familiar problems. The unique burden of the two-price system continues to fall heavily on the whole cotton textile industry. U.S. textile mills are daily engaged in an unfair battle for the American market with foreign mills that are able to purchase our cotton at approximately \$42.50 per bale less than our own mills must pay. As a result, imports of cotton textiles continue to rise and now approach 650,000 bales of cotton equivalent per year. The inequity of the two-price system falls most directly upon the textile mills and the millions of workers employed in this huge industry. But it is also a serious longrun problem for cotton producers, since it imperils the existence of their major market (table 2).

TABLE 2.—*Raw cotton equivalent of U.S. imports and exports of domestic cotton manufactures, 19 0 to date*

[In thousands of bales]

Year	Imports	Exports	Year	Imports	Exports
1950.....	83.4	538.8	1957.....	199.1	579.1
1951.....	70.7	809.7	1958.....	233.8	521.0
1952.....	67.5	703.9	1959.....	360.3	492.5
1953.....	92.8	606.7	1960.....	525.5	486.0
1954.....	101.0	604.5	1961.....	393.5	498.3
1955.....	181.2	547.5	1962.....	645.5	459.0
1956.....	225.0	530.4			

Source: USDA.

4. For 2 years in succession, cotton consumption by domestic mills has been at a low level while consumption of manmade fibers has increased dramatically. For each of these 2 years, 1962–63 and 1963–64, U.S. mill consumption of upland cotton will be 8.4 million bales or less. We have not had consecutive years this low since 1938–39 and 1939–40. In large part, the low cotton consumption and high manmade fiber use are due to the fact that cotton is not competitive in price.

In the calendar year that just passed, it is estimated that cotton's share of total fiber consumption fell to a historic low of less than 57 percent. At the same time, manmade fibers' share of the total fiber market increased to more than 37 percent—a record level. The dramatic increase in consumption of manmade staple fibers is seen more clearly when the increasing use of these fibers is examined on the cotton system. It is here that fiber competition is most intense. The current rate of manmade fiber consumption is running 23 percent higher than a year ago and 53 percent higher than 2 years ago.

Rayon consumption, which competes with cotton most directly on the basis of price, is running at record levels. Current rates are 22 percent above last year and 45 percent above 2 years ago. In comparison, the rate of cotton consumption is up less than 3 percent from last year and is down 8 percent from 2 years ago. Rayon's price advantage in the past few years has averaged from 8 to 10 cents a pound. The removal of this price advantage would mean that cotton would regain markets that have been lost to rayon in recent years. It would also reduce the amount of blending of the newer types of rayon with cotton. In foreign consuming countries, where both cotton and rayon prices are below those in the United States, cotton consumption has continued to increase year by year despite a decline in cotton's share of the total textile market (table 3).

TABLE 3.—*Mill consumption of fibers: Total and per capita, 1935 to date*

Year beginning Jan. 1	Cotton ²			Wool ³			Rayon and acetate ⁴			Noncellulosic manmade ⁵			Manmade waste ⁶			Flax ⁷ and silk ⁸			All fibers	
	Pop- ulation, July 1 ¹	Per- cent- age of fibers	Total	Per- cent- age of fibers	Per capita	Total	Per- cent- age of fibers	Per capita	Total	Per- cent- age of fibers	Per capita	Total	Per- cent- age of fibers	Per capita	Total	Per- cent- age of fibers	Per capita	Total	Per capita ⁹	All fibers
Million pounds	Per- cent	Pounds	Million pounds	Per- cent	Pounds	Million pounds	Per- cent	Pounds	Million pounds	Per- cent	Pounds	Million pounds	Per- cent	Pounds	Million pounds	Per- cent	Pounds	Million pounds	Pounds	
1950..	151.7	68.3	4,682.7	9.3	4.2	1,350.0	19.7	8.9	140.5	2.0	0.9	27.9	0.4	0.2	21.4	0.3	0.1	6,857.3	45.2	
1951..	154.4	71.1	4,868.6	7.1	3.1	1,274.6	18.6	8.3	195.5	2.8	1.3	8.5	.1	.1	18.3	.3	.3	6,849.7	44.4	
1952..	157.0	69.4	4,470.9	7.2	3.0	1,214.7	18.8	7.7	249.0	3.9	1.6	26.5	.4	.2	19.3	.3	.1	6,446.8	41.1	
1953..	159.6	68.8	4,456.1	7.6	3.1	1,222.5	18.8	7.7	279.4	4.3	1.8	21.8	.3	.1	15.4	.2	.1	6,489.2	40.7	
1954..	162.4	68.4	4,127.3	6.4	2.4	1,154.7	19.1	7.1	328.6	5.4	2.0	25.0	.4	.2	15.5	.3	.1	6,035.2	37.2	
1955..	165.3	65.2	4,382.4	6.2	2.5	1,419.2	21.1	8.6	432.2	6.4	2.6	51.1	.8	.3	19.0	.3	.1	6,717.7	40.6	
1956..	168.2	66.7	4,362.6	6.7	2.6	1,200.9	18.3	7.1	484.1	7.4	2.9	42.4	.6	.3	20.6	.3	.1	6,551.4	39.0	
1957..	171.2	65.1	4,060.4	5.9	2.2	1,177.1	18.9	6.9	567.5	9.1	3.3	48.0	.8	.3	15.5	.2	.1	6,237.3	36.4	
1958..	174.1	64.8	3,866.9	5.5	2.2	1,127.2	18.9	6.5	575.2	9.6	3.3	61.7	1.0	.4	9.4	.2	.1	5,971.4	34.3	
1959..	177.1	63.3	4,334.5	6.4	2.5	1,252.5	18.3	7.1	741.4	10.8	4.2	70.9	1.0	.4	11.8	.2	.1	6,846.4	38.7	
1960..	180.7	64.6	4,190.9	6.3	2.3	1,055.4	16.3	5.8	761.7	11.7	4.2	60.9	.9	.3	11.6	.2	.1	6,491.6	35.9	
1961..	183.7	62.1	4,081.5	6.3	2.2	1,126.7	17.2	6.1	861.7	13.1	4.7	74.7	1.1	.4	12.7	.2	.1	6,569.4	35.8	
1962 ¹⁰	186.6	59.4	4,189.9	6.1	2.3	1,263.5	17.9	6.8	1,075.7	15.2	5.8	85.0	1.2	.5	12.4	.2	.1	7,055.6	37.8	

¹ Bureau of the Census, population continental United States as of July 1, including Armed Forces overseas.

² Mill consumption as reported by the Bureau of the Census. For American cotton, tare as reported by the crop reporting board has been deducted; for foreign cotton, 3 percent (15 pounds) was deducted (20 pounds beginning Aug. 1, 1968). Since 1950, data have been adjusted to year ended Dec. 31.

³ Includes apparel and carpet wool on a scoured basis. Data from wool consumption reports of the Bureau of the Census.

⁴ Textile Organon, publication of the Textile Economics Bureau, Inc. Includes filament and staple fibers. Data are U.S. producers' domestic shipments, plus imports for consumption.

⁵ Textile Organon: Nylon, orlon, glass fiber, etc. U.S. production less exports plus imports for consumption.

⁶ Producers' manmade fiber waste consumed by mills (excludes glass).
⁷ Flax, imports, and estimated production. Bureau of the Census and Plant Industry through 1948. 1949-52 production was estimated by the Agricultural Marketing Service, Portland, Oreg., office. Imports only since the 1953 season.

⁸ Silk, Bureau of the Census. Net imports through 1933. Since 1934, imports for consumption.

⁹ Total consumption divided by population and not a summation of per capita consumption of fibers.

¹⁰ Preliminary.

Source: USDA.

5. Most cotton producers plant only a small acreage to this crop. Many of these are only barely able to stay out of the poverty class even at today's prices. That their cotton profits are low is drastically demonstrated by the rapidity with which they are being forced out of cotton production. They would be sorely hit by any reduction in the price support level. Their net income can be maintained and improved by a slightly higher support level. The very smallest of our cottongrowers badly need higher price support without any reduction in acreage (tables 4 and 5).

TABLE 4.—1963 upland cotton: Number of original allotment farms

State	Total	Size of original allotment (acres) ¹								
		0.1 to 4.9	5.0 to 10.0	10.1 to 14.9	15.0 to 29.9	30.0 to 49.9	50.0 to 99.9	100.0 to 199.9	200.0 to 499.9	500.0 and over
Alabama.....	100,383	44,890	32,273	9,661	8,787	2,627	1,456	520	158	11
Arizona.....	3,758	396	413	372	603	469	601	479	337	88
Arkansas.....	49,239	12,761	11,799	7,137	8,858	3,557	2,726	1,433	772	196
California.....	12,407	1,681	1,644	2,360	2,212	1,470	1,514	907	450	169
Florida.....	6,344	3,811	1,672	407	357	65	27	5		
Georgia.....	69,201	24,467	21,535	8,192	9,606	3,179	1,654	467	95	6
Illinois.....	380	234	87	22	21	11	2	2	1	
Kansas.....	3	1	2							
Kentucky.....	1,082	826	124	25	49	31	18	8	1	
Louisiana.....	30,841	9,032	9,596	3,856	4,639	1,650	1,203	573	252	40
Mississippi.....	79,751	28,950	23,951	9,144	9,426	3,181	2,378	1,453	1,047	221
Missouri.....	14,305	3,129	2,856	2,108	3,161	1,478	1,086	361	103	23
Nevada.....	24		1		3	4	1	12	2	1
New Mexico.....	5,067	789	910	504	1,183	716	653	225	75	12
North Carolina.....	72,099	46,327	15,889	4,357	3,673	1,142	548	134	25	4
Oklahoma.....	37,437	8,039	8,433	4,874	8,626	4,340	2,480	562	75	8
South Carolina.....	66,549	32,710	16,696	6,325	6,464	2,384	1,464	403	95	8
Tennessee.....	54,771	24,994	15,576	5,549	5,554	1,757	989	275	74	3
Texas.....	165,926	22,636	21,136	15,222	39,306	26,048	26,518	11,378	3,290	392
Virginia.....	5,084	4,184	644	143	83	24	7	2		
United States.....	774,654	269,857	185,237	80,258	112,611	54,133	45,325	19,199	6,852	1,182

¹ Original allotments refer to those established for all farms prior to the release and reapportionment programs.

Source: ASCS Policy and Program Appraisal Division.

TABLE 5.—1963 upland cotton: Percent of original allotment farms by size groups

State	Number of original allotment farms	Size of original allotment (acres) ¹										Percent							1,000 and over
		0.1 to 4.9	5.0 to 10.0	10.1 to 14.9	15.0 to 29.9	30.0 to 49.9	50.0 to 99.9	100.0 to 199.9	200.0 to 349.9	350.0 to 499.9	500.0 to 999.9	(2)	(2)	(2)	(2)	(2)			
Alabama.....	100,383	44.7	32.2	9.6	8.8	2.6	1.5	0.5	0.1	(3)	2.1	(2)	1.8	(2)	0.6				
Arizona.....	3,758	10.5	11.0	9.9	16.0	12.5	10.0	12.7	6.9						.1				
Arkansas.....	49,239	25.9	24.0	14.5	18.0	7.2	5.5	2.9	1.2		.4		.3		.5				
California.....	12,407	13.5	13.3	19.0	17.8	11.9	12.2	7.3	2.8		.8		.9						
Florida.....	6,344	60.1	26.4	6.4	5.6	1.0	.4	.1											
Georgia.....	69,201	35.4	31.1	11.8	13.9	4.6	2.4	.7	.1	(2)		(2)							
Illinois.....	380	61.6	22.9	5.8	5.5	2.9	.5	.5	.3										
Kansas.....	3	66.7	33.3																
Kentucky.....	1,082	76.3	11.5	2.3	4.5	2.9	1.7	.7	.1										
Louisiana.....	30,841	29.3	31.1	12.5	15.0	5.3	3.9	1.9	.7		.2		.1						
Mississippi.....	79,751	36.3	30.0	11.5	11.8	4.0	3.0	1.8	1.0		.3		.2						
Missouri.....	14,305	21.9	20.0	14.7	22.1	10.3	7.6	2.5	.5		4.2		.2						
Nevada.....	24		4.2		12.4	16.6	4.2	50.0	4.2		4.2				4.2				
New Mexico.....	5,067	15.6	18.0	9.9	23.4	14.1	12.9	4.4	1.1	(2)	.4		.2	(2)	(2)				
North Carolina.....	72,099	64.3	22.0	6.0	5.1	1.6	.8	.2	(2)	(2)		(2)		(2)	(2)				
Oklahoma.....	37,437	21.5	22.6	13.0	23.0	11.6	6.6	1.5	.2	(2)	(2)	(2)		(2)					
South Carolina.....	66,549	49.2	25.1	9.5	9.7	3.6	2.2	.6	.1	(2)	(2)	(2)		(2)					
Tennessee.....	54,771	45.6	28.5	10.1	10.2	3.2	1.8	.5	.1	(2)	.3		.2		.1				
Texas.....	165,926	13.6	12.7	9.2	23.7	15.7	16.0	6.9	1.6										
Virginia.....	5,087	82.3	12.7	2.8	1.6	.5	.1	(2)											
United States.....	774,654	34.8	23.9	10.4	14.5	7.0	5.9	2.5	.7		.2		.1		(2)				

Source: ASCS, Policy and Program Appraisal Division.

¹ Original allotments refer to those established for all farms prior to the release and reapportionment programs.² Less than 0.05 percent.

RECOMMENDATIONS OF THE DEPARTMENT OF AGRICULTURE ON COTTON
LEGISLATIONDEPARTMENT OF AGRICULTURE,
Washington, D.C., February 20, 1964.

Hon. ALLEN J. ELLENDER,
Chairman, Committee on Agriculture and Forestry,
U.S. Senate.

DEAR MR. CHAIRMAN: This is in response to your request for a report on the cotton provisions which were agreed to by the Committee on Agriculture and Forestry, U.S. Senate, on February 19, 1964, in the proposed amendment in the nature of a substitute for the text of H.R. 6196. The provisions of the committee amendment relating to cotton may be summarized, as follows:

1. Section 101 would add a new section 348 to the Agricultural Adjustment Act of 1938, as amended, to authorize the Commodity Credit Corporation to make payments through the issuance of payment-in-kind certificates to persons other than producers in such amounts as the Secretary of Agriculture determines will eliminate inequities due to differences in the cost of raw upland cotton between domestic and foreign users of such cotton. Such payments would be made beginning with the date of enactment of this section and ending July 31, 1968. Beginning August 1 of the marketing year for the first crop for which price support is made available under section 103(b) of the Agricultural Act of 1949, as amended, and ending July 31, 1968, the payment to eliminate the inequity would be made in an amount which would make upland cotton produced in the United States available for domestic use at a price not in excess of the price at which such cotton is made available for export.

2. Section 103, would add subsection (c) to section 104 of the Agricultural Act of 1949, as amended, to authorize the Secretary to conduct a special cotton research program designed to reduce the cost of producing cotton and to authorize appropriations not to exceed \$10 million annually for such program.

3. Paragraph (b) of section 103 would amend section 103 of the Agricultural Act of 1949, as amended, to provide a basic price support rate for the 1964 crop of 30 cents, Middling 1-inch. Additional price support for the 1964 through 1967 crops would be made available to cooperators who plant upland cotton for harvest within the farm domestic allotment established under section 350 of the Agricultural Adjustment Act of 1938, as amended. Such additional support would be not in excess of 15 percent of the basic price support level in effect for the crop and would be available on the normal yield of the acreage planted for harvest within the farm domestic allotment. For 1965 and succeeding crops, the basic price support level would be established at not less than 65 percent and not more than 90 percent of the parity price for cotton, with the Secretary taking into consideration the factors specified in section 401(b) of the Agricultural Act of 1949, as amended. Section 103(c) of the committee amendment would add the cost of producing cotton to the several factors contained in the aforesaid section 401(b).

4. Section 104 would amend section 407 of the Agricultural Act of 1949, as amended, to authorize sales of upland cotton from CCC stocks for unrestricted use beginning August 1, 1964, at not less than 105 percent of the current basic loan rate plus reasonable carrying charges.

5. Section 105 would add section 350 to the Agricultural Adjustment Act of 1938, as amended, under which the Secretary would establish a farm domestic allotment for each farm for the 1964 through the 1967 crops of upland cotton. The farm domestic allotment would be the percentage which the national domestic allotment is of the national acreage allotment under section 344(a) applied as a percentage of the smaller of the current farm allotment established under section 344 or the higher planted acreage (including acreage regarded as planted under conservation programs) in the 2 preceding years. For purposes of this provision relating to utilization of the farm allotment in the 2 preceding years, the planting of 90 percent or more of the allotment would be deemed a planting of the entire allotment. A minimum domestic allotment for farms from which no acreage is released for 1965, 1966, or 1967 would be the smaller of 15 acres or the farm acreage allotment for such year. Minimum domestic allotments would be established for 1964 at the smaller of 15 acres or the farm acreage allotment even though some acreage may have been released from the farm. The national domestic allotment would be the acreage required, on the basis of the national yield per acre for the 4 preceding years, to make available from such crop an amount of cotton equal to the estimated domestic consumption of upland cotton for the marketing year for such crop. The Secretary would be required to proclaim the national domestic acreage allotment for the 1964 crop not later than April 1, 1964. For the 1965, 1966, and 1967 crops, the proclamation would be made not later than December 15 preceding the year in which the crop is to be produced.

6. Paragraph (1) of section 106 would add section 349 to the Agricultural Adjustment Act of 1938, as amended. Section 349(a) would authorize the Secretary to supplement the farm acreage allotment established under section 344 for the 1964 crop of upland cotton by up to 10 percent thereof upon a determination that such export market acreage will not increase carryover at the beginning of the marketing year for the next crop above one million bales less than the carryover one year earlier, if the carryover on such earlier date was more than eight million bales. For the 1965, 1966, and 1967 crops, the same requirements as to carryover would be in effect, but the amount of export market acreage made available for planting would be left to the determination of the Secretary. The amount so determined would be apportioned to States on the basis of State acreage allotments for such crop and apportioned under regulations issued by the Secretary to farms taking into consideration applications for such acreage filed with county committees. Export market acreage would be in addition to county, State, and national acreage allotments and the planting of such acreage would not create acreage history for purposes of future allotments. A farm on which additional price support is received on the basis of planting within the farm domestic allotment would not be eligible to plant export market acreage.

Regulations would prescribe procedures which would assure the exportation of a quantity of cotton produced on the farm equal to the average yield per acre for the farm multiplied by the export market acreage. The procedures would require the furnishing of a bond or other undertaking providing for the exportation of such cotton without benefit of any Government cotton export subsidy. In case of failure to export such cotton, liquidated damages would be payable to the

Commodity Credit Corporation at a rate per pound approximately equal to the marketing penalty on excess cotton under section 346(a) of the Agricultural Adjustment Act of 1938, as amended.

7. Paragraph (3) of section 106(b) would amend section 344(f)(8) of the Agricultural Adjustment Act of 1938, as amended, to permit a producer who participates in the domestic allotment program to protect his farm cotton allotment base by planting at least 75 percent of the farm domestic allotment.

8. Paragraph (4) of section 106(b) would amend section 377 of the Agricultural Adjustment Act of 1938, as amended, to permit a producer who participates in the domestic allotment program to protect his farm acreage history for upland cotton by planting at least 75 percent of the farm domestic allotment.

9. Paragraphs (5), (6), and (7) of section 106(b) would delete the definitions of farm and county normal yields from section 301(b) of the Agricultural Adjustment Act of 1938, as amended, and establish new definitions therefor. The county normal yield would be the average yield per acre, adjusted for abnormal weather conditions and any significant changes in production practices, during the 5 calendar years preceding the year in which the national marketing quota for the crop is proclaimed. The farm normal yield would be the average yield per acre, adjusted for abnormal weather conditions and any significant changes in production practices, during the 3 years preceding the year in which the determination is made.

The cotton industry in the United States is faced with many serious problems which cannot be resolved under present legislation. The price of our cotton for domestic use is much higher than its price for export; hence, our cotton mills must pay substantially more for cotton than their foreign competitors. This encourages increased usage by domestic mills of synthetic fibers, particularly rayon. Another serious problem for U.S. mills is the importation of cotton products, which has increased to new high levels in recent years. In 1960, for the first time since cotton manufacturing became a major industry in the United States, imports of cotton products exceeded exports.

Our stocks of cotton have risen to burdensome levels in the past 2 years. Domestic mill consumption and exports were at low levels during the 1962-63 marketing year and about 3 million bales were added to the carryover. Further deterioration in the supply situation has occurred this marketing year, even though total offtake is expected to be well above 1962-63. The record yield per acre from the 1963 crop was largely responsible. This yield was 524 pounds per acre, compared with the highest previous yield of 466 pounds in 1958. Thus, the carryover will be up about 2 million bales on August 1, 1964, above the amount on hand a year earlier. Under current estimates the carryover this coming August 1 will be nearly 13 million bales, of which about 10 million bales will be held by the Commodity Credit Corporation.

New legislation is needed in order to (1) eliminate the inequity of the two-price system under which domestic mills must pay substantially higher prices for cotton than foreign mills, (2) enable cotton to meet the price competition of synthetic fibers, (3) reduce Government expenditures for the cotton program, (4) reduce excessive stocks of cotton, and (5) maintain cotton producer income.

The committee amendment would authorize changes in present programs which would bring immediate relief in some problem areas

and permit steady progress toward achieving the five objectives set forth above. We believe that this proposal represents the best practical prospect for legislation to meet the problems of the cotton industry, and we recommend its enactment.

The provisions of the committee amendment on cotton are generally in accord with the proposal of the Cotton Producers Legislative Committee which the Department supported in its testimony before your committee on February 11, 1964. However, the committee's change from 10 acres to 15 acres in the provisions relating to the minimum acreage for farm domestic allotments will substantially decrease the reduction in expenditures which this proposal will achieve in comparison with the provisions of existing law.

There are attached four tables which show basic data for cotton under present law, under H.R. 6196 as approved by the House of Representatives, and under the committee amendment. You will note that under the domestic allotment-choice plan a substantial reduction in carryover is estimated, the cost of the program is less than other proposals designed to achieve comparable results, including programs under existing law, and net farm income is at a favorable level. According to the Department's projections as reflected in these tables, expenditures for the cotton program under the committee's proposal would be lower than under existing law by the following amounts: In fiscal year 1965, \$118 million; in fiscal year 1966, \$126 million; in fiscal year 1967, \$225 million; and in fiscal year 1968, \$327 million.

Upland cotton—Basic data for current legislation, H.R. 6196 as passed by the House and as amended by the Senate committee

Item	Current legislation		H.R. 6196, Cooley bill	
			As passed by the House	As amended by the Senate committee
	1963 crop	1964 crop	1964 crop	1964 crop
Acreage (thousands):				
Allotted.....	16,250	16,200	16,200	16,200
Soil bank, conservation reserve.....	586	413	413	413
Planted.....	14,710	14,800	14,800	12,650
Harvested.....	14,113	14,200	14,200	12,150
Yield: Pound per acre harvested.....	524	480	480	508
Domestic allotment (1,000 acres).....				10,800
Supply and utilization (1,000 bales):				
Production.....	15,350	14,200	14,200	12,850
Beginning stocks (including preseason ginning).....	11,000	12,850	12,850	12,850
Imports and city crop.....	100	100	100	100
Domestic disappearance.....	8,400	8,600	9,200	9,600
Exports.....	5,200	5,000	5,000	5,000
Ending stocks.....	12,850	13,550	12,950	11,200
Free stocks (July 31).....	3,000	3,000	3,000	3,500
CCC stocks (July 31).....	9,850	10,550	9,950	7,700
Support price per pound:				
Middling 1-inch.....cents.....	32.47	32.47	30.00	30.00
Average of crop.....	31.72	31.72	29.25	29.25
Producer payment rates or increased support.....do.....			2.47	13.5
Effective price:				
Domestic use (average of crop).....do.....	32.00	32.00	26.00	23.00
Export, per pound (average of crops).....do.....	23.50	23.00	23.00	23.00
CCC sales price (unrestricted use) (average of crops).....do.....	36.47	36.47	30.71	30.71
Export payment rate per pound.....do.....	8.5	9.0	6.5	0
Trade incentive rate per pound.....do.....			3.5	6.5
Farm value of production ¹.....million dollars.....	2,456	2,272	2,157	1,997

¹ On domestic allotment.

² Including any payment made to producers.

Upland cotton—Comparison of estimated expenditures under current legislation, H.R. 6196 as passed by House and as amended by Senate committee

[In millions of dollars]

Fiscal year	Current legislation		H. R. 6196, Cooley bill	
			As passed by the House	As amended by the Senate committee
	1963-64	1964-65	1964-65	1964-65
Major items of receipts or expenditures:				
Loans made.....	-1,280	-1,200	-1,018	-405
Loans repaid.....	+250	+304	+280	+207
Sales proceeds.....	+542	+563	+563	+403
Estimated carrying charges, interest, etc.....	-89	-94	-90	-60
Subtotal, price support.....	-577	-427	-265	+145
Export subsidy (100,000 bales).....	-4	-4	-3	0
Cotton products.....	-17	-18	-6	0
Public Law 480.....	-192	-117	-117	-117
Trade incentive payment.....			-161	¹ -374
Increase on 1st 15 bales.....			-62	
Price support payments.....				-102
Total major expenditures.....	-790	-566	-614	² -448
Change in CCC stocks (June 30) (from prior year).....	+1,830,000	+700,000	+100,000	-2,150,000

¹ This payment on 9.6 domestic consumption would be only \$312,000,000, balance of payment would be on cotton that would go for export. The additional cotton for export will be purchased from CCC at reduced prices.

² Expenditures under H.R. 6196 without the Jones amendment would be \$696,000,000, thus H.R. 6196 as amended by the Senate committee would cost some \$246,000,000 less and still go all the way to a one-price system.

³ If sufficient export acres were permitted to produce 300,000 bales, this would increase both expenditures and farm income about \$34,000,000

NOTE.—Does not include the 1-time transition expenditures that could be incurred in 1963-64 or 1964-65 under new legislation.

Upland cotton—Long-range basic data for current legislation and H.R. 6196 as amended by the Senate committee

Item	Current legislation			H. R. 6196 as amended by Senate committee		
	1965 crop	1966 crop	1967 crop	1965 crop	1966 crop	1967 crop
Acreage (thousands):						
Alotted.....	16,200	16,200	16,200	16,200	16,200	16,200
Soil bank, conservation reserve.....	334	320	300	334	320	300]
Planted.....	14,900	15,000	15,100	12,600	12,600	12,700
Harvested.....	14,300	14,400	14,500	12,100	12,100	12,200
Yield: Pounds per acre harvested.....	490	500	510	516	524	528
Domestic allotment (1,000 acres).....				10,800	10,800	10,800
Supply and utilization (1,000 bales):						
Production.....	14,600	15,000	15,400	13,000	13,200	13,400
(Including export market production of).....				(500)	(600)	(700)
Beginning stocks (including preseason ginning).....	13,550	14,650	16,250	11,200	9,700	8,200
Imports and city crop.....	100	100	100	100	100	100
Domestic disappearance.....	8,600	8,500	8,500	9,600	9,800	10,000
Exports.....	5,000	5,000	5,000	5,000	5,000	5,000
Ending stocks.....	14,650	16,250	18,250	9,700	8,200	6,700
Free stocks (July 31).....	3,000	3,000	3,000	3,500	3,500	3,600
CCC stocks (July 31).....	11,650	13,250	15,250	6,200	4,700	3,100
Support price per pound:						
Middling 1-inch.....cents.....	32.47	32.47	32.47	30.00	30.00	30.00
Average of crop.....do.....	31.72	31.72	31.72	29.25	29.25	29.25
Producer payment rates or increased support.....do.....				3.5	3.5	3.5
Effective price:						
Domestic use (average of crop).....do.....	32.00	32.00	32.00	23.00	23.00	23.00
Export, per pound (A-C).....do.....	23.00	23.00	23.00	23.00	23.00	23.00
CCC sales price (unrestricted use) (A-C).....do.....	36.47	36.47	36.47	30.71	30.71	30.71
Export payment rate per pound.....do.....	9.0	9.0	9.0	0	0	0
Trade incentive rate per pound.....do.....				6.5	6.5	6.5
Farm value of production ¹.....million dollars.....	2,336	2,400	2,464	2,019	2,047	2,073

¹ Including any payments made to producers.

Upland cotton—Long-range comparison of estimated expenditures under current legislation and H.R. 6196 as amended by Senate committee

[In millions of dollars]

Fiscal year	Current legislation			H.R. 6196 as amended by the Senate committee		
	1965-66	1966-67	1967-68	1965-66	1966-67	1967-68
Major items of receipts or expenditures:						
Loans made.....	-1,280	-1,360	-1,392	-369	-369	-369
Loans repaid.....	+320	+320	+288	+177	+177	+177
Sales proceeds.....	+563	+563	+563	+322	+322	+333
Estimated carrying charges, interest, etc....	-105	-119	-137	-48	-37	-24
Subtotal, price support..	-502	-596	-678	+82	+93	+117
Export subsidy (100,000 bales).....	-4	-4	-4	0	0	0
Cotton products.....	-17	-17	-17	0	0	0
Public Law 480.....	-117	-117	-117	-117	-117	-117
Trade incentive payment..				¹ -362	¹ -366	¹ -369
Increase on 1st 15 bales..						
Price support payments..				-117	-119	-120
Total major expenditures.....	-640	-734	-816	² -514	² -509	² -489
Change in CCC stocks (June 30) (from prior year).....	+1,100,000	+1,600,000	+2,000,000	-1,500,000	-1,500,000	-1,600,000

¹ This payment on domestic consumption would be only \$312,000,000 for 1965-66, \$318,000,000 for 1966-67, and \$325,000,000 for 1967-68, balance of payment would be on cotton that would go for export. The additional cotton for export will be purchased from CCC at reduced prices.

² If export acres were not permitted, both farm value of production and Government expenditures would be reduced about \$60,000,000, \$70,000,000, and \$80,000,000 for 1965-66, 1966-67, and 1967-68, respectively.

While gross producer income from cotton would be somewhat less under the committee amendment than under H.R. 6196 as it passed the House, net producer income would be somewhat more. In addition, producers choosing the domestic allotment would have the opportunity to earn income from alternative uses of the acreage that would otherwise be devoted to the production of cotton.

With respect to the additional price support for cooperators who choose to plant within their domestic allotments, the enclosed tables assume that this additional support will be 3½ cents a pound making a total price support level of 33½ cents (basis Middling-inch) for cotton of producers who choose the domestic allotment. Of course, this assumption and similar assumptions in the tables, such as the 6½-cent payment rate on cotton for export or domestic consumption, do not represent administrative decisions or commitments that these are the rates which will be established by the Secretary.

The Bureau of the Budget advises that there is no objection to the presentation of this report from the standpoint of the administration's program.

Sincerely yours,

ORVILLE L. FREEMAN.

TITLE II—WHEAT

COMMITTEE DELIBERATIONS

The committee gave careful consideration to a number of proposals which had been made affecting the 1964 crop. Some were mandatory and called for a referendum. Others provided a support rate of more than \$2.50 a bushel for domestically consumed wheat; direct payments instead of certificates, or a combination of the two methods of payment to producers; a combined wheat-and-feed grain program; or a massive land retirement program which would not be aimed specifically at commodities in surplus.

All of the proposals were evaluated and desirable features chosen. The legislation now reported out is in line with the President's message to agriculture, which contained the following:

* * * Changes in the wheat program are urgently needed to check a drastic decline in producer income from the 1964 crop. In the absence of additional legislation it is estimated that wheat producers will receive between \$500 and \$700 million less in 1964 than they did in 1963.

I recommend that the existing law be amended to permit producers to participate in a certificate program on a voluntary basis. The law should be designed to (1) raise the income of wheatgrowers substantially above what it would be in the absence of new legislation; (2) avoid increases in budgetary costs; (3) maintain the price of wheat at a level which will not increase the price of bread to the consumer; and (4) enable the United States to discharge its responsibilities and realize the benefits of the International Wheat Agreement.

In order to be effective for the 1964 wheat crop, the legislation must be enacted immediately. I urge prompt consideration and disposition of this legislation.

The bill approved by the committee is very similar to wheat program provisions in the Food and Agriculture Act of 1962. The major difference is that it provides a voluntary program for 1964 and 1965 and two types of certificates. The legislative changes as set forth are necessary mainly to amend the 1962 act to make these changes.

Under the committee bill, wheat income for the 1964 crop would be substantially increased—some \$400 to \$500 million—above that which would prevail under existing legislation. This can be attained under the committee bill at less cost than under any other proposal before the committee.

The two certificates provided in the bill will not only serve to hold budgetary costs in line but permit levels of price support for wheat in relation to its uses. With noncertificated wheat priced at close to its feeding value in relation to corn, substitution of wheat for feed grains would be feasible. Wheat for domestic food use, however, would be priced at about \$2, including the value of the certificate. This is the level it has been moving at in recent years and the bill would not result in any increase in the price of wheat to flour millers

and should therefore by itself have no effect whatsoever on the price presently paid for bread by consumers.

Wheat for export would be supported to help improve farm income and to make sure that U.S. actions will not endanger world wheat price stability and also to assure the maintenance of U.S. commitments and benefits under the International Wheat Agreement.

It is anticipated under the program authorized that the support level for wheat accompanied by domestic certificates would be about \$2 per bushel for the 1964 crop. With this support level we would not anticipate a price level for wheat which would result in increased flour and bread prices. No change has been made in the limitation on Commodity Credit Corporation resale prices.

The committee included a provision, similar to that in effect under previous wheat programs, to give producers in high-risk production areas an opportunity to seed beyond their allotment and store under bond the production from those overseeded acres. This wheat would be released only when the producer underplanted or as a result of adverse weather conditions was not able to harvest a normal crop from his allotment.

The committee authorized a national acreage reserve of not to exceed 1 million acres to be distributed among farmers whose allotment in relation to cropland is less than one-half of the average ratio prevailing in the county.

The committee also gave consideration to the effect this bill would have on farms with small allotments and determined that no change should be made in the legislation. With the program being voluntary, small producers as well as all others are free to increase their acreage if they find it to their advantage to stay out of the program. If, however, the small farmer chooses to participate in this voluntary program, he would be eligible for price support, certificates, and land diversion payments in the same manner as producers with large allotments.

In order to give Congress in 1965 time to evaluate the results and consider extension of the voluntary certificate plan in the reported bill, the final date for holding a wheat referendum for the 1966 crop, as required by existing law, has been deferred until August 1.

The bill contemplates that the Department, in operating the wheat marketing certificate program, will give full recognition to the potential impact of this program on the orderly marketing of wheat. In particular, the committee is concerned with the problems of transition from the present program to the wheat certificate program. It is recognized that new crop wheat will be harvested and moved into the marketing channels prior to the beginning of the marketing year. It is also recognized that stocks of wheat will be held in an inventory position, particularly by millers, as of the beginning of the marketing year. The committee expects that the Commodity Credit Corporation will take such steps as are necessary to assure that the benefits of the certificate program are extended to producers of wheat who harvest wheat prior to the beginning of the marketing year. The committee also expects that recognition will be given to stocks of wheat in inventory on the effective date of the program. The mechanics for handling this phase of the program are the responsibility of the Department of Agriculture. The statute contains adequate authority to handle this problem. The Secretary of Agri-

culture should, however, proceed with extreme caution in this matter. The principal concern of the committee is that neither windfall profits nor losses should be incurred by holders of wheat on the effective date of the new program, because of inadequate mechanics for handling this problem.

The committee also believes that the certificates should trade at face value or a preannounced value and that opportunities for speculation in certificates should be eliminated. This can best be accomplished by announcing in advance that CCC will be a free buyer and seller of certificates. This announcement should not preclude the handling of certificates in trade channels but it would eliminate the opportunity to hold certificates for financial gain. It would further eliminate the possibility of the disruption of orderly marketing because of an artificial shortage of certificates.

The committee, by referring to specific problems, is not inferring that these are the only problems involved in the transition to the wheat certificate program or the only possibilities of interference with the orderly marketing processes. They are cited as a caution to the Secretary of Agriculture to use care in developing and administering this program. Conferences with committees of Congress, farm organizations, and the grain trade are essential to the proper development of the mechanics for handling the wheat certificate program.

The committee also believes that it is important that the necessary mechanics of operation be worked out and announced in advance of the effective date of the program. Only in this manner can all producers and grain handlers have an opportunity to adjust their operations to the certificate program.

NEED FOR A WHEAT PROGRAM

On May 21 of this year, wheat farmers rejected a mandatory program. As a result, a massive expansion of wheat acreage and production was feared. Fortunately, these fears were not borne out. The recent crop report indicates that most of the winter wheat acreage has been seeded within the allotment. This makes it clear that most wheat farmers expect that there will be a new program for wheat in 1964 and most certainly one in 1965. If they had not, there would have been no concern over the effect of the Anfusio amendment, which reduces allotments under future programs as the result of overplanting.

Farmers' actions to date are not typical of what could be expected if allotment programs were discontinued for all time. In the absence of legislation, wheat farmers—many of whom have no alternative source of income or only a narrow choice of alternative crops—would be forced to seed all the land they can to make a living.

THE WORLD SITUATION

If existing legislation continues, can we expect increasing world demand to siphon off our excess production? World trade has been trending upward. At 1,579 million bushels in 1962-63, the volume of exports by all wheat producing countries was nearly 250 million bushels above the level of 6 years earlier—and more than 600 million bushels more than the 1950-54 average.

Significantly, however, during the same period world production rose approximately twice as fast as exports. Even with the 1963

drought, foreign production was 1.2 billion bushels more than the average of the early 1950's. (See tables 1 and 2.)

It is clear that world trade is increasing steadily, but world production is climbing at a much faster rate.

TABLE 1.—*Wheat and flour:*¹ *World exports by country, 1955-63*

[In millions of bushels]

Year ending June 30—	United States	Canada	Australia	Argentina	U.S.S.R.	Other	Total
1955.....	275	252	93	132	64	155	971
1956.....	345	289	102	115	37	152	1,040
1957.....	549	282	126	98	160	113	1,328
1958.....	402	317	61	78	144	188	1,190
1959.....	443	300	75	103	220	180	1,321
1960.....	510	279	116	78	203	165	1,351
1961.....	662	344	183	70	186	131	1,576
1962.....	718	363	229	86	186	163	1,745
1963 ²	638	331	182	66	177	185	1,579

¹ Includes wheat equivalent of flour.

² Preliminary.

Source: Agriculture Handbook No. 258, p. 75, and World Agricultural Production and Trade, January 1964.

TABLE 2.—*Wheat: World production, 1957-63*

[In millions of bushels]

Country	1957	1958	1959	1960	1961	1962	1963
U.S.S.R.....	1,800	2,300	1,900	1,700	1,900	2,000	1,500
United States.....	956	1,457	1,121	1,357	1,235	1,093	1,138
Canada.....	393	398	445	518	283	566	723
France.....	407	353	425	405	352	569	352
Other Western							
Europe.....	961	992	995	920	913	1,102	983
Eastern Europe.....	585	515	645	590	600	609	625
Argentina.....	214	245	215	150	190	190	230
Asia.....	1,915	1,915	1,915	1,920	1,865	1,990	1,995
Australia.....	98	215	198	274	246	307	366
Others.....	341	330	326	356	296	364	388
Total.....	7,670	8,720	8,185	8,190	7,880	8,730	8,240

Source: Agriculture Handbook No. 258, September 1963, revised and supplemented from USDA records.

THE U.S. SITUATION

Supplies, utilization, and carryover of wheat since 1951 are shown in table 3. During the 1962-63 marketing year carryover of stocks was reduced by 127 million bushels. While substantial exports are shown for the 1963-64 marketing year—as result of pending shipments to Iron Curtain countries—current developments may prove this figure to be optimistic. Disappearance during the current marketing year was last estimated at about 1.6 billion bushels, with a carryover on July 1, 1964, of about 740 million bushels. Certainly there is little basis for expecting exports during the year in which the 1964 crop is marketed to reach these levels. Exports of about 700 million bushels are indicated at this early date. (See table 1.)

TABLE 3.—Wheat—United States: Supply and distribution, and production factors, 1951 to date

Year beginning July 1 —	Supply			Utilization				Production factors					
	Beginning stocks	Produce- tion	Imports ¹	Total	Food	Seed and feed	Total	Exports ²	Total	Ending stocks	Planted acres	Harvested acres	Yield per harvested acre
	Million bushels	Million bushels	Million bushels	Million bushels	Million bushels	Million bushels	Million bushels	Million bushels	Million bushels	Million bushels	Millions	Millions	Bushels
1951	400	988	32	1,420	496	192	688	476	1,164	286	78.5	61.9	16.0
1952	256	1,306	22	1,584	488	172	660	318	978	606	78.6	71.1	18.4
1953	605	1,172	6	1,784	487	146	633	217	850	934	78.9	67.8	17.3
1954	984	984	4	1,922	485	125	611	275	886	1,036	62.5	54.4	18.1
1955	1,036	937	10	1,983	482	122	604	346	950	1,033	58.2	47.3	19.8
1956	1,034	1,005	8	2,047	482	106	588	350	1,138	909	60.7	46.8	20.2
1957	909	956	11	1,876	486	105	591	403	994	882	40.8	43.7	21.8
1958	882	1,457	8	2,347	497	112	609	443	1,052	852	56.0	51.0	27.5
1959	1,295	1,121	7	2,423	497	103	600	510	1,110	1,295	56.8	51.8	21.7
1960	1,313	1,357	8	2,678	497	108	605	662	1,267	1,411	54.9	51.9	26.2
1961	1,411	1,235	6	2,652	501	111	611	719	1,330	1,322	55.7	51.6	24.0
1962 ³	1,322	1,094	5	2,421	501	86	587	639	1,226	1,195	48.1	45.6	25.1
1963 ⁴	1,145	1,138	5	2,338	500	98	598	1,000	1,598	740	53.1	45.3	25.1

¹ Imports include full duty wheat, wheat imported for feed, and dutiable flour and other wheat products in terms of wheat equivalent.² Exports include flour wholly from U.S. wheat and other wheat products in terms of wheat equivalent.³ Preliminary—1963-64 imports and distribution projected.⁴ Basis December 1963 Crop Report, SRS, USDA.⁵ Basis October Stocks of Grain Report, SRS, USDA.⁶ Exports projected, subject to downward adjustment.

In the absence of legislation, a 1964 crop of about 1,300 million bushels is probable and with utilization during the 1964-65 marketing year—including exports—in the neighborhood of 1,350 million bushels, no substantial reduction in carryover can be expected. If no new legislation is enacted, prices received by farmers are expected to be at or slightly above the national loan rate of \$1.25 a bushel for the 1964 crop.

If no new legislation is provided, it is doubtful if wheat farmers will show the same restraint in their plantings in 1965 as they have so far this year. The effects of the Anfuso amendment would probably be far less compelling. In this situation, overplanting would occur and a crop of 1,600 to 1,700 million bushels is possible. This could only result in sharply reduced wheat prices to farmers, huge increases in CCC stocks, and increased costs to the Government.

SUPPLIES BY CLASS

Supplies of some classes of wheat are excessive. Durum wheat supplies on July 1, 1963, were exceptionally large, but these may be reduced sharply as result of sales to Russia. Quantities remaining, however, would be adequate to meet the Nation's needs. Supplies of Western White and Soft Red Winter are not excessive, but they are adequate to meet domestic requirements and exports for dollars. With a 49.5-million-acre wheat allotment, supplies of all classes of wheat should continue to be adequate. However, in the event that certain classes or types of wheat should be in short supply, section 334(i) of the Agricultural Adjustment Act of 1938 authorizes the Secretary to provide additional acreage to growers in order to assure the production of adequate supplies.

In addition, if the Secretary foresees an acute shortage of a particular class or type of wheat he is required under the provisions of Public Law 480 to curtail programing of the wheat in short supply under that law. Supply of wheat and export by classes is shown in tables 4 and 5.

TABLE 4.—Wheat—United States: Estimated supply and distribution by classes, 1957–61 average, and annually 1957 to date

[In millions of bushels]

Class	Supply				Utilization			Ending stocks
	Begin- ning stocks	Produc- tion	Imports	Total	Domes- tic	Exports	Total	
	1957-61							
Hard Red Winter....	860	687	-----	1,547	264	335	599	948
Soft Red Winter....	12	179	-----	191	131	45	176	15
Hard Red Spring....	221	171	8	400	139	42	181	219
Durum.....	20	27	-----	47	24	5	29	18
White.....	49	161	-----	210	45	120	165	45
Total.....	1,162	1,225	8	2,395	603	547	1,150	1,245
	1961-62 ¹							
Hard Red Winter....	1,104	754	-----	1,858	288	485	773	1,085
Soft Red Winter....	12	202	-----	214	134	56	190	24
Hard Red Spring....	237	116	6	359	130	42	172	187
Durum.....	20	21	-----	41	20	16	36	5
White.....	38	142	-----	180	40	119	159	21
Total.....	1,411	1,235	6	2,652	612	718	1,330	1,322
	1962-63 ¹							
Hard Red Winter....	1,085	537	-----	1,622	249	434	683	939
Soft Red Winter....	24	157	-----	181	136	40	176	5
Hard Red Spring....	187	175	5	367	136	39	175	192
Durum.....	5	70	-----	75	25	4	29	46
White.....	21	155	-----	176	41	122	163	13
Total.....	1,322	1,094	5	2,421	587	639	1,226	1,195
	1963-64 ^{1 2 3}							
Hard Red Winter....	939	544	-----	1,483	257	701	958	517
Soft Red Winter....	5	212	-----	217	135	78	213	4
Hard Red Spring....	192	162	5	359	140	60	200	159
Durum.....	46	50	-----	96	26	26	52	44
White.....	13	170	-----	183	40	135	175	8
Total.....	⁴ 1,195	⁴ 1,138	5	⁴ 2,338	598	⁵ 1,000	1,598	740

¹ Preliminary.² Imports and distribution projected.³ Exports by class have not been approved.⁴ Basis December 1963 crop report, and October stocks of grain report.⁵ Exports projected—subject to downward adjustments.

NOTES

Figures by classes are not based on survey or enumeration data and are therefore only approximations.
 All computations based on unrounded data.

TABLE 5.—United States: Wheat exports by classes ¹, dollar and Government-financed grain only

[In million of bushels]

Year beginning July 1—	Hard Red Spring	Hard Red Winter	Soft Red Winter	White	Durum	Mixed	Total
1957:							
Dollar sales	23.1	40.8	3.4	42.8	0.29	2.5	112.9
Government program ²	4.8	106.7	20.3	67.7	-----	14.8	214.4
Total	27.9	147.5	23.7	110.5	.29	17.3	327.3
Dollar percent	83.0	28.0	14.0	39.0	100	14	34.0
1958:							
Dollar sales	23.6	33.0	22.7	33.3	0	.64	113.2
Government program	8.4	160.9	17.0	59.4	0	2.8	248.5
Total	32.0	193.9	39.7	92.7	0	3.4	361.7
Dollar percent	74.0	17.0	57.0	36.0	-----	19	31.0
1959:							
Dollar sales	23.5	31.3	15.3	30.5	0	.15	100.7
Government program	12.2	185.1	21.7	92.5	0	.16	312.2
Total	35.7	216.4	37.0	123.0	0	.76	412.9
Dollar percent	66.0	14.0	41.0	25.0	-----	20	24.0
1960:							
Dollar sales	21.6	107.0	25.9	46.6	5.3	2.3	208.7
Government program	3.7	241.3	25.9	85.9	0	.1	357.0
Total	25.3	348.3	51.8	132.5	5.3	2.4	565.7
Dollar percent	85.0	31.0	50.0	35.0	100	96	36.0
1961:							
Dollar sales	23.1	67.4	39.0	55.0	15.9	1.7	202.1
Government program	6.0	328.7	13.4	57.1	0	.1	405.3
Total	29.1	396.1	52.4	112.1	15.9	1.8	607.4
Dollar percent	79.0	17.0	74.0	49.0	100	93	33.0
1962:							
Dollar sales	17.3	38.3	28.7	29.1	3.3	1.6	114.3
Government program	8.0	304.7	11.8	84.4	-----	10.8	419.7
Total	25.3	343.0	36.5	113.5	3.3	12.4	534.0
Dollar percent	68.0	11.0	68.0	26.0	100	13.0	21.0

¹ Inspection for export.² Special Government-financed programs such as Public Law 480 sales for foreign currencies (the major portion) donation, barter, and special long-term credit sales.

FARM INCOME

A very compelling reason for enacting farm legislation is to increase the income of wheatgrowers above the income they will have under existing legislation. Returns from the 1964 crop will probably be about \$600 million less than 1963 if the law is not changed. A drop of that magnitude would not only be felt by the 1¼ million wheat farmers, but by millions of others—those who live in the small towns and cities throughout the Great Plains area; in fact, throughout all of rural America and in our larger cities which produce and supply the machinery and materials used by wheat farmers.

MEETING U.S. OBLIGATIONS UNDER THE IWA

Under existing legislation, wheat is being supported at \$1.25 a bushel. Historically, the season average price is close to the support level. However, the usual seasonal pattern of U.S. farm prices could bring this down to about \$1.10 a bushel during the June–August harvesting season.

The range in International Wheat Agreement prices for No. 1 Manitoba wheat in store at Fort Williams-Port Arthur is \$1.62 to \$2.02 a bushel. The U.S. average farm price equivalent range is \$1.15 to \$1.55 a bushel. In practice, the exporting nations under the agreement generally sell at a relatively stable price within the range. Currently, this level for No. 1 Manitoba at Fort Williams-Port Arthur is about \$1.82, and the U.S. farm equivalent of that price is about \$1.35 a bushel—10 cents above the U.S. loan rate.

Under existing legislation, farm prices could be below IWA minimum prices and as much as 25 cents a bushel below current IWA levels. With a loan price of \$1.25 a bushel, it may be very difficult if not impossible for the United States to meet its commitments under the International Wheat Agreement. Hence to assure compliance with IWA and producers with benefits under the agreement, an export certificate of about 25 cents is needed as part of new legislation.

DEPARTMENT OF AGRICULTURE RECOMMENDATIONS ON WHEAT
LEGISLATION

DEPARTMENT OF AGRICULTURE,
Washington, D.C., February 20, 1964.

Hon. ALLEN J. ELLENDER,
Chairman, Committee on Agriculture and Forestry,
U.S. Senate.

DEAR MR. CHAIRMAN: This is in reply to your request for an analysis and report on the following wheat bills, S. 1946, S. 2357, S. 2492, S. 2258, S. 1581, and S. 1617; and your request for the Department's recommendations with respect to new wheat legislation, including specifically the proposal contained in the amendment of the Senate committee to H.R. 6196.

A brief summary of the various bills on which a report was requested is as follows:

S. 1946 provides a voluntary, certificate-type program for 1964 and subsequent crops of wheat, similar to the mandatory program voted down in the wheat referendum last spring, amends the Agricultural Adjustment Act of 1938 and the Food and Agriculture Act of 1962 by eliminating wheat marketing quotas and land use penalties. Compliance with allotments would not be mandatory, but participation would be required as a condition for eligibility for price support, wheat marketing certificates, and land diversion payments.

S. 2357 provides a permanent wheat domestic parity program beginning in 1964 and repeals wheat marketing quotas. The present system of acreage allotments would remain in effect with the minimum national allotment continued at an acreage designed to produce 1 billion bushels. Price support loans would reflect world prices and feeding value of wheat, and certificates would be issued to make up the difference between such price level and the parity price on an amount equal to the domestic food consumption of wheat. The President is given discretion to require processors to purchase certificates or allow the value of the certificate to be paid directly to producers by the CCC. The present diversion program would remain in effect for 1964 and 1965 but without monetary penalties for noncompliance. Price

support and certificates would be conditioned on compliance with acreage allotments and the diversion program.

S. 2492 is also a certificate-type program under which cooperating producers would be assured parity for their domestic food portion of production: \$2 per bushel on their export share, and the balance would be supported through loan at about \$1.30 per bushel.

CCC could not sell its stocks at less than 115 percent of support plus reasonable carrying costs. There would be no payment for diverting land from wheat.

S. 1617 would provide a voluntary program for massive retirement of general cropland. The program would (1) authorize long-term contracts for cropland retirement on a competitive bid basis; (2) emphasize retirement of whole farms; (3) withhold CCC stocks of wheat, feed grains, soybeans, and flaxseed from the market until prices reach at least 115 percent of the support price; (4) abolish marketing quotas and acreage allotments for wheat; and (5) repeal legislation authorizing feed grain programs for 1964 and 1965.

Price support would be available to participants and nonparticipants alike. All feed grains would be supported at 90 percent of preceding 3-year average of prices received, but not less than 50 percent of parity. Wheat would be supported at the U.S. farm price equivalent of the average world price during the preceding 3 marketing years, but not less than 50 percent of parity.

S. 2258 would authorize a voluntary acreage diversion program for wheat in the 1964 and 1965 crop years, if the Secretary determined that the supply of wheat is excessive. Wheat would be supported by loan at competitive world prices, with direct payments made to producers at two levels: (a) per bushel payments equal to the difference between \$2 and the price received by farmers for the 1964 crop (but not in excess of \$0.65) on one-half the normal production of the acreage of wheat planted for harvest; and (b) \$0.25 per bushel on the remaining normal production. In addition, the bill provides that CCC cannot sell its stocks for unrestricted use for less than 115 percent above the current support price plus reasonable carrying charges.

S. 1581 would put into effect, for 2 years, the 1963 program considered to be temporary in nature and primarily for the purpose of assisting producers in adjusting production, reducing program costs, and maintaining farm income until a long-range program could be put into effect. It would require holding another referendum for the 1964 crop.

We have made a careful analysis of these various proposals to determine the extent each would meet the criteria set forth in the President's message outlining the need for additional wheat legislation. In that message, he stated as follows:

"* * * I recommend that the existing law be amended to permit producers to participate in a certificate program on a voluntary basis. The law should be designed to (1) raise the income of wheat growers substantially above what it would be in the absence of new legislation; (2) avoid increases in budgetary costs; (3) maintain the price of wheat at a level which will not increase the price of bread to the consumer; and (4) enable the United States to discharge its

responsibilities and realize the benefits of the International Wheat Agreement.

Each of these proposals contain a number of desirable features. For example, a number of these bills such as S. 1946, S. 2357, and S. 2492 would increase farm income and embody a certificate-type program. All except S. 1581 are voluntary programs. Probably S. 1617 would be the least acceptable in all respects since it would fail to achieve the farm income objective and avoid increased budgetary costs. It would achieve the objective of reducing surpluses of wheat and feed grains only if farmers could be induced to retire about 75 million acres of cropland. A detailed report with respect to our views on this proposal is contained in the hearings before the House Agriculture Committee on "Cropland Retirement and Expiring Conservation Reserve Contracts," 87th Congress, 2d session, serial EE, pages 138-209.

On the basis of our analysis, we believe that it would be desirable to embody the best features of each of the proposed bills so as to meet the President's objective. In addition, in view of the short time remaining to make a program fully operative for the 1964 crop, it is essential that this proposal make as few changes from existing law and administrative determinations as is possible. Consequently, we recommend that existing law be modified to—

- (1) Provide for a voluntary certificate plan for 1964 and 1965 crops.

- (2) Provide a loan level which would price wheat competitively with feed grains and take into account competitive world prices.

- (3) Provide for diversion payments at a level which would cover producers' cost of carrying and caring for land diverted to conservation uses. This provision should be made applicable to the acres required to be diverted—difference between the allotment computed on the basis of 49.5 and 55 million acres, and provide authority to make such payments on additional acres of wheat allotment land which the producer may wish to divert to a conservation use.

4. Provide for the issuing of two types of certificates—one covering domestic food use valued at such level which when added to the loan rate for noncertificated wheat would result in maintaining the cost of what to domestic processors and millers at approximately the level in recent years, and one for export certificates valued at such a level which when added to the loan level (or anticipated market prices during any part of the marketing season and for any grade, class, or location) would make it possible for us to discharge our responsibilities under the International Wheat Agreement.

This type of program requires only a minimum of changes in the existing law—as well as administrative regulations. This is important. There is little time to make a new program fully effective for the 1964 crop.

If legislation is enacted embodying the above principles, it would substantially raise the income of wheat producers over the level expected for 1964. Further, although the program is voluntary, we believe that a large majority of the producers would comply with their allotment and thereby the program would achieve the goal of reducing stocks. Further, the authority to provide export certificates

valued differently from the domestic certificates would reduce export subsidy costs, while assuring that U.S. obligations and responsibility under the IWA are fully met and realized. Such a program will reduce the cost of the wheat program from levels of recent years and will be fully consistent with the President's budget request for fiscal year 1965 for wheat.

We believe that the provision relating to wheat contained in the amendment of the Senate Committee on Agriculture and Forestry to H.R. 6196 meets the objectives outlined above, and we recommend their enactment.

If the wheat farmer is to benefit from a new voluntary wheat program, there must be prompt consideration and disposition of this legislation.

The Bureau of the Budget advises that there is no objection to submitting this report from the standpoint of the administration's program.

Sincerely yours,

ORVILLE L. FREEMAN.

SECTION-BY-SECTION EXPLANATION

Section 1. Short title.—The first section provides that the act may may be cited as the "Agricultural Act of 1964."

TITLE I—COTTON

Section 101. Payments in kind to equalize cost of cotton to domestic and foreign users.—Section 101 of the bill adds a new section 348 to the Agricultural Adjustment Act of 1938 to authorize payments in kind to eliminate inequities in the cost of raw upland cotton consumed by domestic and foreign users of cotton. The bill provides that such payments shall be made to persons other than producers, first, in amounts as the Secretary determines will eliminate such inequities, and secondly, beginning August 1 of the marketing year for the first crop for which the domestic allotment choice program is in effect, in amounts necessary to make U.S. cotton available to domestic mills at prices not in excess of the price paid by foreign users. Although the bill excludes producers as recipients, it does not specify to whom these equalization payments shall be made, but rather leaves that to the determination of the Secretary. Such payments could be made to the first buyer, the last seller, the user of the cotton, or possibly others, as would best accomplish the purposes of this section. If payments are made to the first buyer of cotton, such payments could be made on all cotton marketed domestically regardless of whether the cotton is eventually consumed domestically or is exported.

Payments under this section are authorized for the period from the enactment of the bill through July 31, 1968. Consistent with the basic purpose of this provision to eliminate the two-price system, provision is made for such payments as may be necessary to make any bales of cotton in inventory on the date of enactment of the bill available for consumption at prices consistent with the price objective of this section. Broad authority is given to the Secretary to issue regulations prescribing the terms and conditions upon which payments authorized by this section are to be made.

Section 102. Finality of payments.—Section 102 makes applicable to the payments authorized by section 348, existing provisions of law relating to the finality of determinations respecting program payments generally.

Section 103. Research program and price support.—Subsection (a) of section 103 would add a new provision to the Agricultural Act of 1949 authorizing and directing the Secretary to conduct a special research program designed to reduce the cost of producing upland cotton. An appropriation of not to exceed \$10 million annually is authorized. The Department of Agriculture already has very broad authority to conduct research, including research of the type provided for by this section. For instance, Revised Statutes, section 520, establishing the Department, provided: "There shall be at the seat of government a Department of Agriculture, the general design and duties of which shall be to acquire and to diffuse * * * useful information on subjects connected with agriculture, in the most general and comprehensive sense of that word * * *" (5 U.S.C. 511). Section 1 of the act of June 29, 1935 (7 U.S.C. 427), directs the Secretary to conduct research into new and improved methods of production among other subjects. The Department of Agriculture and Related Agencies Appropriations Act, 1964, in addition to appropriating funds for production research, provided for transfer of \$15 million of Commodity Credit Corporation funds to research funds for "cost of production research" and other purposes. It also provided for the use of section 32 funds to "increase domestic consumption of surplus farm commodities," and the legislative history of this provision showed that research into weed control and other matters which might result in reductions in costs was contemplated. While there is adequate authority, therefore, for research aimed at reducing production costs, this section would emphasize the importance of such research, direct that it be carried out, and require reports to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture and Forestry of the Senate.

Subsection (b) of section 103 of the bill would amend section 103 of the Agricultural Act of 1949, relating to price support for cotton. The price support for the 1964 crop is fixed by the bill at 30 cents per pound for Middling 1-inch cotton. For the 1965 and subsequent crops, the Secretary would be authorized, as under present law, to establish the support level for upland cotton at a level between 65 and 90 percent of parity, after considering the factors specified in section 401(b) of the act. The bill also would amend section 401(b) to add changes in cost of production as an additional factor which the Secretary must consider in determining the support level for upland cotton.

The bill provides for additional price support on the 1964, 1965, 1966, and 1967 crops of upland cotton to cooperators on whose farms the acreage planted for harvest to upland cotton does not exceed the farm domestic allotment established under section 350 of the Agricultural Adjustment Act, as added by the Agricultural Act of 1964. This additional price support would be at a level determined by the Secretary up to 15 percent in excess of the basic support level and is to be provided on the normal yield of the acreage planted for harvest within the farm domestic allotment.

This additional price support could be carried out by purchases at the higher level and simultaneous sales back at the lower level, by

loans at the higher level which would be repayable at the lower level, or by similar operations, including payment-in-kind certificates to producers, redeemable by CCC. The purpose of providing these alternatives is to keep cotton in the normal channels of trade as far as practicable. The CCC also is directed to assist producers and others in the marketing of payment-in-kind certificates. The authority for such assistance is the same as existing law relating to payment-in-kind certificates under the feed grain and wheat stabilization programs.

Subsection (c) of section 103 would amend section 401(b) of the Agricultural Act of 1949 to add changes in the cost of producing cotton as an additional factor to be used in determining the level of price support for the 1965 and subsequent cotton crops. The Department of Agriculture testified that land values would be taken into account in determining production cost changes.

Section 104. Sales prices of cotton by CCC.—Section 104 of the bill would amend section 407 of the Agricultural Act of 1949 to authorize the CCC, effective August 1, 1964, to sell upland cotton for unrestricted use at not to exceed 105 percent of the current loan rate under section 103(a) of that act, plus reasonable carrying charges. At the present time, the minimum sales price for cotton for unrestricted use is 115 percent of the loan rate, plus reasonable carrying charges.

SECTION 105. Domestic allotment choice program.—Section 105 would add a new section 350 to the Agricultural Adjustment Act of 1938 for the purpose of providing producers with a choice program of reduced acreage and higher price support for the 1964, 1965, 1966, and 1967 crops of upland cotton. There would be established for each farm a domestic allotment in acres, which would be a percentage (i.e., ratio of national domestic allotment to national acreage allotment) of the smaller of (i) the farm acreage allotment established under section 344 or (ii) the acreage planted to cotton in whichever of the 2 preceding years the acreage was the higher. In determining the acreage planted in those years, there would be included acreage regarded as planted under conservation programs, but not acreage regarded as planted for purposes of section 344(m) or section 377 of the act. Any producer who planted 90 percent or more of the farm acreage allotment in either of those years would be deemed to have planted the entire allotment for such years for the purposes of this provision. There also would be established a minimum farm domestic allotment equal to the smaller of the farm acreage allotment established under section 344, or 15 acres. Except for the year 1964, this minimum allotment provision would not apply to any farm whose acreage allotment was reduced under section 344(m) of the act. The national domestic allotment would be the acreage required to produce the estimated domestic consumption of upland cotton for the marketing year beginning in the calendar year in which the crop, for which the determination is made, is to be produced. For example, for the 1964 crop, such estimated consumption would be for the marketing year August 1, 1964, to August 1, 1965.

Section 106. Export market acreage.—Section 106 would amend the Agricultural Adjustment Act of 1938 by adding a new section 349 authorizing the Secretary to permit the planting of cotton above the farm acreage allotment for export purposes. The export market acreage for 1964 would be a uniform percentage, not exceeding 10

percent, of each farm acreage allotment, as determined by the Secretary. For the 1965, 1966, and 1967 crops, the amount of export market acreage would be determined by the Secretary after such hearing and investigation as he finds necessary. The bill provides that the amount of export market acreage for any crop could not exceed an acreage which the Secretary determined would increase the carryover at the beginning of the marketing year for the next succeeding crop above 1 million bales less than the carryover on the same date 1 year earlier. This limitation, however, would not apply to the export market acreage for any crop if the estimated carryover as of the beginning of the marketing year for such crop did not exceed 8 million bales. This limitation would mean, for example, that the Secretary could not permit producers to plant export acreage for the 1964 crop in an amount that would increase the estimated carryover of cotton on August 1, 1965, above 1 million bales less than the estimated carryover of cotton on hand August 1, 1964.

As will be noted, any export market acreage permitted in 1964 would be a percentage of each farm allotment, but for 1965, 1966, and 1967 the total export market acreage would be apportioned to States on the basis of the State acreage allotments and, in turn, allocated to farms after considering applications filed for such acreage with the county committee in which the farm is located. The production from the export market acreage would not be considered in establishing future State, county, and farm acreage allotments. This provision relating to export market acreage would not apply to extra-long staple cotton or to any farm which elected to participate in the domestic allotment choice program.

The bill provides that the producers on any farm on which there is export market acreage, or the purchasers of the cotton from such acreage, shall, under regulations issued by the Secretary, furnish a bond or other such undertaking providing for the exportation, without benefit of any Government subsidy, of a quantity of cotton produced on the farm equal to the average yield multiplied by the number of export market acres on the farm. The average yield would be determined in accordance with regulations of the Secretary and could include appraisal where necessary. The bill requires that in the event of default of a person furnishing such bond, he shall be liable for liquidated damages in an amount which the Secretary determines will approximate the amount payable on excess cotton under the cotton marketing quota provisions of the act. If a bond is not furnished, or if appropriate payment in lieu of a bond is not made, as required by regulations of the Secretary, or if the acreage planted to cotton on the farm exceeds the farm acreage allotment by more than the export market acreage, all acreage in excess of the farm acreage allotment established under section 344 would be considered "excess acreage" for purposes of the marketing quota penalty provisions of the act, and for price support purposes.

Section 106 of the bill would also add provisions to the Agricultural Adjustment Act of 1938 to protect the farm base of any farm participating in the domestic allotment choice program if the acreage planted on the farm was at least 75 percent of the farm domestic allotment. These provisions are similar to the provisions of existing law which provide for protection of the farm base of any farm planting 75 percent or more of the farm acreage allotment.

Section 106 also includes other amendments to the Agricultural Adjustment Act of 1938, as amended, relating to the normal yield for the county and farm, to include, in the case of the county yield, authority to adjust for significant changes in cotton production practices, and in the case of the farm yield, to limit the years to 3 rather than 5 and also include authority to adjust for significant changes in cotton production practices on the farm.

TITLE II—WHEAT

Section 201 of the bill would amend the present law to provide that marketing quotas shall not be in effect for the 1965 crop of wheat. Section 201 provides that the Secretary shall proclaim a national acreage allotment of not less than 49,500,000 acres for the 1965 crop of wheat.

Section 202 contains a number of amendments to the Agricultural Adjustment Act of 1938. Amendment (1) would authorize the Secretary to establish, beginning with the 1965 crop, a reserve of not to exceed 1 million acres out of the national acreage allotment for apportionment to counties for the purpose of making adjustments in allotments on farms on which the ratio of the wheat acreage allotment to cropland on the farm is less than half the average ratio of wheat acreage allotment to cropland on farms in the county.

Amendments (2), (3), and (4), and a part of (1), suspend for 1965 the existing provisions of law which result in farms, as well as the county and State, losing wheat acreage history when producers exceed their acreage allotments. Under the amendments, farms, counties, and States would neither lose nor gain wheat acreage history as a result of producers complying or not complying with their 1965 allotments.

Amendment (5) would postpone the final date for holding the wheat referendum to August 1 of the calendar year in which the national marketing quota is proclaimed. Under existing law, the referendum is required to be held not later than 60 days after the quota is proclaimed. The quota must be proclaimed by April 15.

Amendment (6) would suspend the land-use penalties through the 1965 crop and make the diversion of land from the production of wheat only a condition of eligibility for receiving wheat marketing certificates.

Amendment (7) would add a provision to make it clear that any producer who complies with his 1964 farm acreage allotment is eligible to receive diversion payments under the 1964 program even through compliance with part of the requirements of the program many already have occurred before the program is promulgated. This amendment also makes a technical change in the existing law to make it clear that the maximum limit on diversion payments of 50 percent of the price support rate has reference to the price support rate for noncertificate wheat.

Amendment (8) would extend to June 30, 1965, the authority to use Commodity Credit Corporation funds for administrative expenses in carrying out the wheat diversion program.

Amendment (9) amends the existing law to provide that a voluntary wheat marketing certificate program shall be in effect for the 1964 and 1965 crops of wheat. Under existing law, such program would be in effect only if a marketing quota program were in effect.

Amendment (10) is a technical amendment to substitute for the present language in the existing law the term "food product" which is defined in amendment (16) of this section.

Amendment (11) would provide for the use of two certificates—a domestic certificate for wheat used for domestic consumption and an export certificate for wheat used for export.

Amendment (12) would authorize producers who exceed their 1965 wheat allotments to store their excess wheat in accordance with regulations issued by the Secretary and be eligible for wheat marketing certificates. Wheat stored under this provision cannot be removed from storage until a subsequent year when the acreage allotment is underplanted or the production on the acreage allotment is less than normal. If the wheat is removed contrary to these conditions, the producer would be required to pay an amount equal to $1\frac{1}{2}$ times the value of the wheat marketing certificates issued with respect to the farm for the year in which the wheat on the acreage in excess of the allotment was produced. Producers who exceed their allotment and store their excess wheat would not be eligible for diversion payments.

Amendment (13) would authorize a face value to be established for export certificates different from the face value established for domestic certificates.

Amendment (14) would authorize Commodity Credit Corporation to purchase certificates from producers and thereby eliminate the necessity for certificates to accompany wheat in the market. Under existing law, the producer would have to sell his certificates to the purchaser of his wheat.

Amendment (15) makes several minor changes in the existing provisions for handling marketing certificates. One change is technical, to make it clear that certificates are required on all wheat processed into food products whether sold, removed for sale, or removed for consumption. Since the purpose of requiring certificates on wheat and wheat products exported is not to obtain revenue, but solely to regulate the price at which such products are exported and eliminate the possibility of windfall profits, another change made by this amendment provides that Commodity Credit Corporation shall refund to the exporter such part of the cost of the certificate as the Secretary determines will make U.S. wheat and wheat flour generally competitive in the world market, avoid disruption of world market prices, and fulfill the international obligations of the United States. A further change made by this amendment authorizes the Secretary to exempt from the requirement to have marketing certificates, wheat which is donated abroad and wheat processed for use on the farm where grown.

Amendment (16) defines "food products" to include flour, semolina, farina, bulgur, beverage, and any other product composed wholly or partly of wheat which the Secretary may determine to be a food product. The effect of this amendment is to require a certificate on all wheat processed into such products irrespective of whether such products are actually used for human consumption.

Section 203 would amend the price support provisions for wheat. Under the amendment, price support for wheat accompanied by domestic certificates would remain the same as it is under existing law, namely, not less than 65 percent or more than 90 percent of the parity price. Price support for wheat accompanied by export certificates would be at such level, not to exceed 90 percent of the

parity price, as the Secretary determines appropriate, taking into consideration the factors specified in section 401(b). Price support for wheat not accompanied by marketing certificates would remain the same as it is under existing law; namely, at such level not in excess of 90 percent of the parity price, as the Secretary determines appropriate taking into consideration competitive world prices of wheat, the feeding value of wheat in relation to feed grains, and the level at which price support is made available for feed grains.

This amendment also provides that producers who exceed their 1965 allotment and store the excess wheat under the provisions contained in amendment (12) of section 202 of the bill shall be eligible for price support on the wheat produced within the allotment but not on the excess wheat.

Section 204 would amend the present section 407 of the Agricultural Act of 1949 relating to restrictions on sales by Commodity Credit Corporation, to provide that during the marketing years for the 1964 and 1965 crops the minimum sales price for wheat will be 105 percent of the support price for noncertificate wheat, plus carrying charges.

CHANGES IN EXISTING LAW

In compliance with subsection (4) of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

AGRICULTURAL ADJUSTMENT ACT OF 1938

Sec. 301 * * *

(b) DEFINITIONS APPLICABLE TO ONE OR MORE COMMODITIES. For the purposes of this title—

* * * * *

(13) * * *

(B) "Normal yield" for any country, in the case of [cotton or] peanuts, shall be the average yield per acre of [cotton or] peanuts for the country, adjusted for abnormal weather conditions, during the five calendar years immediately preceding the year in which such normal yield is determined.

* * * * *

(G) "Normal yield" for any farm, in the case of corn [, cotton] or peanuts, shall be the average yield per acre of corn [, cotton,] or peanuts, as the case may be, for the farm, adjusted for abnormal weather conditions during the five calendar years immediately preceding the year in which such normal yield is determined. If for any such year the data are not available or there is no actual yield, then the normal yield for the farm shall be appraised in accordance with regulations of the Secretary, taking into consideration abnormal weather conditions, the normal yield for the county, and the yield in years for which data are available.

(H) "Normal yield" for any county, for any crop of cotton, shall be the average yield per acre of cotton for the county, adjusted for abnormal weather conditions and any significant changes in production practices during the five calendar years immediately preceding the year in which

the national marketing quota for such crop is proclaimed. If for any such year the data are not available, or there is no actual yield, an appraised yield for such year, determined in accordance with regulations issued by the Secretary, shall be used as the actual yield for such year.

(I) "Normal yield" for any farm, for any crop of cotton, shall be the average yield per acre of cotton for the farm, adjusted for abnormal weather conditions and any significant changes in production practices during the three calendar years immediately preceding the year in which such normal yield is determined. If for any such year the data are not available or there is no actual yield, then the normal yield for the farm shall be appraised in accordance with regulations of the Secretary, taking into consideration abnormal weather conditions, the normal yield for the county, changes in production practices, and the yield in years for which data are not available.

* * * * *

APPORTIONMENT OF NATIONAL ACREAGE ALLOTMENT

SEC. 334. (a) The national acreage allotment for wheat, less a reserve of not to exceed one per centum thereof for apportionment as provided in this subsection, *and less the special acreage reserve provided for in this subsection*, shall be apportioned by the Secretary among the several States on the basis of the acreage seeded for the production of wheat during the ten calendar years immediately preceding the calendar year in which the national acreage allotment is determined (plus, in applicable years, the acreage diverted under previous agricultural adjustment and conservation programs), with adjustments for abnormal weather conditions and for trends in acreage during such period: *Provided*, That in establishing State acreage allotments the acreage seeded for the production of wheat plus the acreage diverted for 1959 and any subsequent year for any farm on which the entire amount of the farm marketing excess is delivered to the Secretary or stored in accordance with applicable regulations to avoid or postpone payment of the penalty shall be the base acreage of wheat determined for the farm under the regulations issued by the Secretary for determining farm wheat acreage allotments for such year, but if any part of the amount of wheat so stored is later depleted and penalty becomes due by reason of such depletion, for the purpose of establishing State wheat acreage allotments subsequent to such depletion the seeded plus diverted acreage of wheat for the farm for the year in which the excess was produced shall be reduced to the farm wheat acreage allotment for such year: *Provided further*, *That in establishing State acreage allotments, the acreage seeded for the production of wheat plus the acreage diverted for 1965 for any farm shall be the base acreage of wheat determined for the farm under the regulations issued by the Secretary for determining farm wheat acreage allotments for such year.* The reserve acreage set aside herein for apportionment by the Secretary shall be used to make allotments to counties, in addition to the county allotments made under subsection (b) of this section, on the basis of the relative needs of counties for additional allotment because of reclamation and other new areas coming into the production of wheat during the ten calendar years ending with the calendar year in which the national acreage allotment is proclaimed. *There shall also be made available, beginning with the 1965 crop, a special*

acreage reserve of not in excess of one million acres as determined by the Secretary to be desirable for the purposes hereof which shall be in addition to the national acreage reserve provided for in this subsection. Such special acreage reserve shall be used to make additional allotments to counties on the basis of the relative needs of counties, as determined by the Secretary, for additional allotment to make adjustments in the allotments on old wheat farms, (i.e., farms on which wheat has been seeded or regarded as seeded to one or more of the three crops immediately preceding the crop for which the allotment is established) on which the ratio of wheat acreage allotment to cropland on the farm is less than one-half the average ratio of wheat acreage allotment to cropland on old wheat farms in the county. Such adjustments shall not provide an allotment for any farm which would result in an allotment-cropland ratio for the farm in excess of one-half of such county average ratio and the total of such adjustments in any county shall not exceed the acreage made available therefor in the county. Such apportionment from the special acreage reserve shall be made only to counties where wheat is a major income-producing crop, only to farms on which there is limited opportunity for the production of an alternative income-producing crop, and only if an efficient farming operation on the farm requires the allotment of additional acreage from the special acreage reserve. For the purposes of making adjustments hereunder the cropland on the farm shall not include any land developed as cropland subsequent to the 1963 crop year.

(b) The State acreage allotment for wheat, less a reserve of not to exceed 3 per centum thereof for apportionment as provided in subsection (c) of this section, shall be apportioned by the Secretary among the counties in the State, on the basis of the acreage seeded for the production of wheat during the ten calendar years immediately preceding the calendar year in which the national acreage allotment is determined (plus, in applicable years, the acreage diverted under previous agricultural adjustment and conservation programs), with adjustments for abnormal weather conditions and trends in acreage during such period and for the promotion of soil-conservation practices: *Provided*, That in establishing county acreage allotments the acreage seeded for the production of wheat plus the acreage diverted for 1959 and any subsequent year for any farm on which the entire amount of the farm marketing excess is delivered to the Secretary or stored in accordance with applicable regulations to avoid or postpone payment of the penalty shall be the base acreage of wheat determined for the farm under the regulations issued by the Secretary for determining farm wheat acreage allotments for such year, but if any part of the amount of wheat so stored is later depleted and penalty becomes due by reason of such depletion, for the purpose of establishing county acreage allotments subsequent to such depletion the seeded plus diverted acreage of wheat for the farm for the year in which the excess was produced shall be reduced to the farm wheat acreage allotment for such year: *Provided further*, That in establishing county acreage allotments, the acreage seeded for the production of wheat plus the acreage diverted for 1965 for any farm shall be the base acreage of wheat determined for the farm under the regulations issued by the Secretary for determining farm wheat acreage allotments for such year.

(c)(1) The allotment to the county shall be apportioned by the Secretary, through the local committees, among the farms within the

county on the basis of past acreage of wheat, tillable acres, crop-rotation practices, type of soil, and topography. Not more than 3 per centum of the State allotment shall be apportioned to farms on which wheat has not been planted during any of the three marketing years immediately preceding the marketing year in which the allotment is made. For the purpose of establishing farm acreage allotments—(i) the past acreage of wheat on any farm for 1958 or 1965 shall be the base acreage determined for the farm under the regulations issued by the Secretary for determining 1958 or 1965 farm wheat acreage allotments; (ii) if subsequent to the determination of such base acreage the 1958 or 1965 wheat acreage allotment for the farm is increased through administrative, review, or court proceedings, the 1958 or 1965 farm base acreage shall be increased in the same proportion; and (iii) the past acreage of wheat for 1959 and any subsequent year *except 1965* shall be the wheat acreage on the farm which is not in excess of the farm wheat acreage allotment, plus, in the case of any farm which is in compliance with its farm wheat acreage allotment, the acreage diverted under such wheat allotment programs: *Provided, That for 1959 and subsequent years in the case of any farm on which the entire amount of the farm marketing excess is delivered to the Secretary or stored in accordance with applicable regulations to avoid or postpone payment of the penalty, the past acreage of wheat for the year in which such farm marketing excess is so delivered or stored shall be the farm base acreage of wheat determined for the farm under the regulations issued by the Secretary for determining farm wheat acreage allotments for such year, but if any part of the amount of wheat so stored is later depleted and penalty becomes due by reason of such depletion, for the purpose of establishing farm wheat acreage allotments subsequent to such depletion the past acreage of wheat for the farm for the year in which the excess was produced shall be reduced to the farm wheat acreage allotment for such year.*

* * * * *

(g) Notwithstanding any other provision of law, no acreage in the commercial wheat-producing area seeded to wheat for harvest as grain in 1958 or thereafter *except 1965* in excess of acreage allotments shall be considered in establishing future State and county acreage allotments except as prescribed in the provisos to the first sentence of subsections (a) and (b), respectively, of this section. The planting on a farm in the commercial wheat-producing area of wheat of the 1958 or any subsequent crop for which no farm wheat acreage allotment was established shall not make the farm eligible for an allotment as an old farm pursuant to the first sentence of subsection (c) of this section nor shall such farm by reason of such planting be considered ineligible for an allotment as a new farm under the second sentence of such subsection.

* * * * *

REFERENDUM

SEC. 336. If a national marketing quota for wheat for one, two, or three marketing years is proclaimed, the Secretary shall, [not later than sixty days after such proclamation is published in the Federal Register] *not later than August 1 of the calendar year in which such national marketing quota is proclaimed*, conduct a referendum, by

secret ballot, of farmers to determine whether they favor or oppose marketing quotas for the marketing year or years for which proclaimed. Any producer who has a farm acreage allotment shall be eligible to vote in any referendum held pursuant to this section, except that a producer who has a farm acreage allotment of less than fifteen acres shall not be eligible to vote unless the farm operated elected pursuant to section 335 to be subject to the farm marketing quota. The Secretary shall proclaim the results of any referendum held hereunder within thirty days after the date of such referendum, and if the Secretary determines that more than one-third of the farmers voting in the referendum voted against marketing quotas, the Secretary shall proclaim that marketing quotas will not be in effect with respect to the crop of wheat produced for harvest in the calendar year following the calendar year in which the referendum is held. If the Secretary determines that two-thirds or more of the farmers voting in a referendum approve marketing quotas for a period of two or three marketing years, no referendum shall be held for the subsequent year or years of such period.

* * * * *

(Note.—Subsection (a)(1) below is superseded only effective with respect to the crops planted for harvest in 1964 and 1965.)

SEC. 339. (a)(1) [During any year in which marketing quotas for wheat are in effect, the producers on any farm (except a new farm receiving an allotment from the reserve for new farms) on which any crop is produced on acreage required to be diverted from the production of wheat shall be subject to a penalty on such crop, in addition to any marketing quota penalty applicable to such crops, as provided in this subsection unless (1) the crop is designated by the Secretary as one which is not in surplus supply and will not be in surplus supply if it is permitted to be grown on the diverted acreage, or as one the production of which will not substantially impair the purpose of the requirements of this section, or (2) no wheat is produced on the farm, and the producers have not filed an agreement or a statement of intention to participate in the payment program formulated pursuant to subsection (b) of this section. The acreage required to be diverted from the production of wheat on the farm shall be an acreage of cropland equal to the number of acres determined by multiplying the farm acreage allotment by the diversion factor determined by dividing the number of acres by which the national acreage allotment is reduced below fifty-five million acres by the number of acres in the national acreage allotment. The actual production of any crop subject to penalty under this subsection shall be regarded as available for marketing and the penalty on such crop shall be computed on the actual acreage of such crop at the rate of 65 per centum of the parity price per bushel of wheat as of May 1 of the calendar year in which such crop is harvested, multiplied by the normal yield of wheat per acre established for the farm. Until the producers on any farm pay the penalty on such crop, the entire crop of wheat produced on the farm and any subsequent crop of wheat subject to marketing quotas in which the producer has an interest shall be subject to a lien in favor of the United States for the amount of the penalty. Each producer having an interest in the crop or crops on acreage diverted or required to be diverted from the production of wheat shall be jointly and severally liable for the entire

amount of the penalty. The persons liable for the payment or collection of the penalty under this section shall be liable also for interest thereon at the rate of 6 per centum per annum from the date the penalty becomes due until the date of payment of such penalty.] As a condition of eligibility for wheat marketing certificates with respect to any farm, the producers on such farm shall be required to divert from the production of wheat to an approved conservation use an acreage of cropland on the farm equal to the number of acres determined by multiplying the farm acreage allotment by the diversion factor, and to participate in any program formulated under subsection (b) to the extent prescribed by the Secretary. Such diversion factor shall be determined by dividing the number of acres by which the national acreage allotment is reduced below fifty-five million acres by the number of acres in the national acreage allotment.

* * * * *

(b) The Secretary is authorized to formulate and carry out a program with respect to the 1964 and 1965 crops of wheat under which, subject to such terms and conditions as he determines are desirable to effectuate the purposes of this section, payments may be made in amounts not in excess of 50 per centum of the estimated basic county support rate for wheat not accompanied by marketing certificates on the normal production of the acreage diverted taking into account the income objectives of the Act, determined by the Secretary to be fair and reasonable with respect to acreage diverted pursuant to subsection (a) of this section. Any producer who complies with his 1964 farm acreage allotment for wheat and with the other requirements of the program shall be eligible to receive payments under the program for the 1964 crop of wheat. The Secretary may permit producers on any farm to divert from the production of wheat an acreage, in addition to the acreage diverted pursuant to subsection (a), equal to 20 per centum of the farm acreage allotment for wheat: *Provided*, That the producers on any farm may, at their election, divert such acreage in addition to the acreage diverted pursuant to subsection (a), as will bring the total acreage diverted on the farm to fifteen acres. Such program shall require (1) that the diverted acreage shall be devoted to conservation uses approved by the Secretary; (2) that the total acreage of cropland on the farm devoted to soil-conserving uses, including summer fallow and idle land but excluding the acreage diverted as provided above, shall be not less than the total average acreage of cropland devoted to soil-conserving uses including summer fallow and idle land on the farm during a representative period, as determined by the Secretary, adjusted to the extent the Secretary determines appropriate for (i) abnormal weather conditions or other factors affecting production, (ii) established crop-rotation practices on the farm, (iii) participation in other Federal farm programs, (iv) unusually high percentage of land on the farm devoted to conserving uses, and (v) other factors which the Secretary determines should be considered for the purpose of establishing a fair and equitable soil-conserving acreage for the farm; and (3) that the producer shall not knowingly exceed (i) any farm acreage allotment in effect for any commodity produced on the farm, and (ii) except as the Secretary may by regulations prescribe, with the farm acreage allotments on any other farm for any crop in which the producer has a share: *Provided*, That no producer shall be

deemed to have exceeded a farm acreage allotment for wheat if the entire amount of the farm marketing excess is delivered to the Secretary or stored in accordance with applicable regulations to avoid or postpone payment of the penalty: *And provided further*, That no producer shall be deemed to have exceeded a farm acreage allotment for any crop of wheat if the farm is exempt from the farm marketing quota for such crop under section 335. The producers on a new farm shall not be eligible for payments hereunder. The Secretary shall provide for the sharing of payment among producers on the farm on a fair and equitable basis. Payments may be made in cash or in wheat.

* * * * *

(h) The Commodity Credit Corporation is authorized to utilize its capital funds and other assets for the purpose of making the payments authorized in this section and to pay administrative expenses necessary in carrying out this section during the period ending [June 30, 1963] June 30, 1965. There is authorized to be appropriated such amounts as may be necessary thereafter to pay such administrative expenses.

* * * * *

SEC. 344. (f)

* * * * *

(8) Notwithstanding the foregoing provisions of paragraphs (2) and (6) of this subsection, the Secretary shall, if allotments were in effect the preceding year, provide for the county acreage allotment for the 1959 and succeeding crops of cotton, less the acreage reserved under paragraph (3) of this subsection, to be apportioned to farms on which cotton has been planted in any one of the three years immediately preceding the year for which such allotment is determined, on the basis of the farm acreage allotment for the year immediately preceding the year for which such apportionment is made, adjusted as may be necessary (i) for any change in the acreage of cropland available for the production of cotton, or (ii) to meet the requirements of any provision (other than those contained in paragraphs (2) and (6)) with respect to the counting of acreage for history purposes: *Provided*, That, beginning with allotments established for the 1961 crop of cotton, if the acreage actually planted (or regarded as planted under the Soil Bank Act, the Great Plains program, and the release and reapportionment provisions of subsection (m)(2) of this section) to cotton on the farm in the preceding year was less than 75 per centum of the farm allotment for such year *or, in the case of a farm which qualified for price support on the crop produced in such year under section 108(b) of the Agricultural Act of 1949, as amended, 75 per centum of the farm domestic allotment established under section 350 for such year, whichever is smaller*, in lieu of using such allotment as the farm base as provided in this paragraph, the base shall be the average of (1) the cotton acreage for the farm for the preceding year as determined for purposes of this proviso and (2) the allotment established for the farm pursuant to the provisions of this subsection (f) for such preceding year; and the 1958 allotment used for establishing the minimum farm allotment under paragraph (1) of this subsection (f) shall be adjusted to the average acreage so determined. The base for a farm shall not be adjusted as provided in this paragraph if the county committee determines that failure to plant at least 75

per centum of the farm allotment was due to conditions beyond the control of producers on the farm. The Secretary shall establish limitations to prevent allocations of allotment to farms not affected by the foregoing proviso, which would be excessive on the basis of the cropland, past cotton acreage, allotments for other commodities, and good soil conservation practices on such farms.

* * * * *

SEC. 348. In order to maintain and expand domestic consumption of upland cotton produced in the United States and to prevent discrimination against the domestic users of such cotton, notwithstanding any other provision of law, the Commodity Credit Corporation, under such rules and regulations as the Secretary may prescribe, is authorized and directed for the period beginning with the date of enactment of this section and ending July 31, 1968, to make payments through the issuance of payment-in-kind certificates to persons other than producers in such amounts and subject to such terms and conditions as the Secretary determines will eliminate inequities due to differences in the cost of raw cotton between domestic and foreign users of such cotton, including such payments as may be necessary to make raw cotton in inventory on the date of enactment of this section available for consumption at prices consistent with the purposes of this section: Provided, That for the period beginning August 1 of the marketing year for the first crop for which price support is made available under section 103(b) of the Agricultural Act of 1949, as amended, and ending July 31, 1968, such payments shall be made in an amount which will make upland cotton produced in the United States available for domestic use at a price which is not in excess of the price at which such cotton is made available for export.

SEC. 349. (a) The acreage allotment established under the provisions of section 344 of this Act for each farm for the 1964 crop may be supplemented by the Secretary by an acreage equal to such percentage, but not more than 10 per centum, of such acreage allotment as he determines will not increase the carryover of upland cotton at the beginning of the marketing year for the next succeeding crop above one million bales less than the carryover on the same date one year earlier, if the carryover on such earlier date exceeds eight million bales. For the 1965, 1966 and 1967 crops, the Secretary may, after such hearing and investigation as he finds necessary, announce an export market acreage which he finds will not increase the carryover of upland cotton at the beginning of the marketing year for the next succeeding crop above one million bales less than the carryover on the same date one year earlier, if the carryover on such earlier date exceeds eight million bales. Such export market acreage shall be apportioned to the States on the basis of the State acreage allotments established under section 344 and apportioned by the States to farms receiving allotments under section 344, pursuant to regulations issued by the Secretary, after considering applications for such acreage filed with the county committee of the county in which the farm is located. The "export market acreage" on any farm shall be the number of acres, not exceeding the maximum export market acreage for the farm established pursuant to this subsection, by which the acreage planted to cotton on the farm exceeds the farm acreage allotment. For purposes of sections 345 and 374 of this Act and the provisions of any law requiring compliance with a farm acreage allotment as a condition of eligibility for price support or payments under any farm program, the farm acreage allotment for farms with export market acreage shall be the sum of the farm acreage

allotment established under section 344 and the maximum export market acreage. Export market acreage shall be in addition to the county, State, and national acreage allotments and shall not be taken into account in establishing future State, county, and farm acreage allotments. The provisions of this section shall not apply to extra long staple cotton or to any farm which receives price support under section 103(b) of the Agricultural Act of 1949, as amended.

(b) The producers on any farm on which there is export market acreage or the purchasers of cotton produced thereon shall, under regulations issued by the Secretary, furnish a bond or other undertaking prescribed by the Secretary providing for the exportation, without benefit of any Government cotton export subsidy and within such period of time as the Secretary may specify, of a quantity of cotton produced on the farm equal to the average yield for the farm multiplied by the export market acreage as determined pursuant to regulations issued by the Secretary. The bond or other undertaking given pursuant to this section shall provide that, upon failure to comply with the terms and conditions thereof, the person furnishing such bond or other undertaking shall be liable for liquidated damages in an amount which the Secretary determines and specifies in such undertaking will approximate the amount payable on excess cotton under section 346(a). The Secretary may, in lieu of the furnishing of a bond or other undertaking, provide for the payment of an amount equal to that which would be payable as liquidated damages under such bond or other undertaking. If such bond or other undertaking is not furnished, or if payment in lieu thereof is not made as provided herein, at such time and in the manner required by regulations of the Secretary, or if the acreage planted to cotton on the farm exceeds the farm acreage allotment established under the provisions of section 344 by more than the maximum export market acreage, the farm acreage allotment shall be the acreage so established under section 344. Amounts collected by the Secretary under this section shall be remitted to the Commodity Credit Corporation and used by the Corporation to defray costs of encouraging export sales of cotton under section 203 of the Agricultural Act of 1956, as amended.

SEC. 350. In order to provide producers with a choice program of reduced acreage and higher price support, the Secretary shall establish for each farm for the 1964, 1965, 1966, and 1967 crops of upland cotton a farm domestic allotment in acres. The farm domestic allotment shall be the percentage which the national domestic allotment is of the national acreage allotment established under section 344(a) applied as a percentage of the smaller of (1) the farm acreage allotment established under section 344, or (2) the higher acreage actually planted or regarded as planted on the farm (excluding acreage regarded as planted under sections 344(m)(2) and 377) in the two years preceding the year for which such allotment is established: Provided, That any farm planting 90 per centum or more of the allotment shall, for the purpose of (2) above, be considered as having planted the entire farm allotment: Provided further, That, except for farms the acreage allotments of which are reduced under section 344(m), the farm domestic allotment shall not be less than the smaller of 15 acres or the farm acreage allotment established under section 344, but this proviso shall be applicable to the 1964 crop; without regard to the exception stated herein. The national domestic acreage allotment for any crop shall be that acreage, based upon the national average yield per acre of cotton for the four years immediately preceding the calendar year in which the national acreage allotment is proclaimed, required to make available

from such crop an amount of upland cotton equal to the estimated domestic consumption for the marketing year for such crop. The Secretary shall proclaim the national domestic acreage allotment for the 1964 crop not later than April 1, 1964, and for each subsequent crop not later than December 15 of the calendar year preceding the year in which the crop is to be produced.

* * * * *

COURT JURISDICTION

SEC. 376. The several district courts of the United States are hereby vested with jurisdiction specifically to enforce the provisions of this title. If and when the Secretary shall so request, it shall be the duty of the several United States attorneys in their respective districts, under the direction of the Attorney General, to institute proceedings to collect the penalties provided in this title. The remedies and penalties provided for herein shall be in addition to, and not exclusive of, any of the remedies or penalties under existing law. *This section also shall be applicable to liquidated damages provided for pursuant to section 349 of this title.*

SEC. 377. In any case in which, during any year beginning with 1956, the acreage planted to a commodity on any farm is less than the acreage allotment for such farm, the entire acreage allotment for such farm (excluding any allotment released from the farm or reapportioned to the farm and any allotment provided for the farm pursuant to subsection (f)(7)(A) of section 344) shall, except as provided herein, be considered for the purpose of establishing future State, county and farm acreage allotments to have been planted to such commodity in such year on such farm, but the 1956 acreage allotment of any commodity shall be regarded as planted under this section only if the owner or operator on such farm notified the county committee prior to the sixtieth day preceding the beginning of the marketing year for such commodity of his desire to preserve such allotment: *Provided*, That beginning with the 1960 crop, except for federally owned land, the current farm acreage allotments established for a commodity shall not be preserved as history acreage pursuant to the provisions of this section unless for the current year or either of the two preceding years an acreage equal to 75 per centum or more of the farm acreage allotment for such year *or, in the case of upland cotton on a farm which qualified for price support on the crop produced in any such year under section 108(b) of the Agricultural Act of 1949, as amended, 75 per centum of the farm domestic allotment established under section 350 for any such year, whichever is smaller*, was actually planted or devoted to the commodity on the farm (or was regarded as planted under provisions of the Soil Bank Act or the Great Plains program): *Provided further*, That this section shall not be applicable in any case, within the period 1956 to 1959, in which the amount of the commodity required to be stored to postpone or avoid payment of penalty has been reduced because the allotment was not fully planted. Acreage history credits for released or reapportioned acreage shall be governed by the applicable provisions of this title pertaining to the release and reapportionment of acreage allotments.

* * * * *

(Note.—Section 379b below is superseded effective only with respect to the crops planted for harvest in 1964 and 1965.)

WHEAT MARKETING ALLOCATION

SEC. 379b. [During any marketing year for which a marketing quota is in effect for wheat, beginning with the marketing year for the 1964 crop, a wheat marketing allocation program shall be in effect as provided in this subtitle. Whenever a wheat marketing allocation program is in effect for any marketing year, the Secretary shall determine (1) the wheat marketing allocation for such year which shall be the amount of wheat which in determining the national marketing quota for such marketing year he estimated would be used during such year for [human consumption in the United States, as food, food products, and beverages, composed wholly or partly of wheat] *food products for consumption in the United States*¹ and that portion of the amount of wheat which in determining such quota he estimated would be exported in the form of wheat or products thereof during the marketing year on which the Secretary determines that marketing certificates shall be issued to producers in order to achieve, insofar as practicable, the price and income objectives of this subtitle, and (2) the national allocation percentage which shall be the percentage which the national marketing allocation is of the national marketing quota. Each farm shall receive a wheat marketing allocation for such marketing year equal to the number of bushels obtained by multiplying the number of acres in the farm acreage allotment for wheat by the normal yield of wheat for the farm as determined by the Secretary, and multiplying the resulting number of bushels by the national allocation percentage. If a noncommercial wheat-producing area is established for any marketing year, farms in such area shall be given wheat marketing allocations which are determined by the Secretary to be fair and reasonable in relation to the wheat marketing allocation given producers in the commercial wheat-producing area.] *A wheat marketing allocation program as provided in this subtitle shall be in effect for the marketing years for the 1964 and 1965 crops. Whenever a wheat marketing allocation program is in effect for any marketing year the Secretary shall determine (1) the wheat marketing allocation for such year which shall be the amount of wheat he estimates will be used during such year for food products for consumption in the United States and that portion of the amount of wheat which he estimates will be exported in the form of wheat or products thereof during the marketing year on which the Secretary determines that marketing certificates shall be issued to producers in order to achieve, insofar as practicable, the price and income objectives of this subtitle, and (2) the national allocation percentage for such year which shall be the percentage which the national marketing allocation is of the national marketing quota proclaimed for the 1964 crop, less the expected production on the acreage allotments for farms which will not be in compliance with the requirements of the program. Each farm shall receive a wheat marketing allocation for such marketing year equal to the number of bushels obtained by multiplying the number of acres in the farm acreage allotment for wheat by the normal yield of wheat for the farm as determined by the Secretary, and multiplying the resulting number of bushels by the national allocation percentage.*

¹ This amendment is effective with respect to the crops planted for harvest in the calendar year 1966 and any subsequent year.

MARKETING CERTIFICATES

Sec. 379c. (a) The Secretary shall provide for the issuance of wheat marketing certificates for each marketing year for which a wheat marketing allocation program is in effect for the purpose of enabling producers on any farm with respect to which certificates are issued to receive, in addition to the other proceeds from the sale of wheat, an amount equal to the value of such certificates. The wheat marketing certificates issued with respect to any farm for any marketing year shall be in the amount of the farm wheat marketing allocation for such year, but not to exceed (i) the actual acreage of wheat planted on the farm for harvest in the calendar year in which the marketing year begins multiplied by the normal yield of wheat for the farm, plus (ii) the amount of wheat stored *under section 379c(b) or to avoid or postpone a marketing quota penalty, which is released from storage during the marketing year on account of underplanting or underproduction, and if this limitation operates to reduce the amount of wheat marketing certificates which would otherwise be issued with respect to the farm, such reduction shall be made first from the amount of export certificates which would otherwise be issued.* The Secretary shall provide for the sharing of wheat marketing certificates among producers on the farm on the basis of their respective shares in the wheat crop produced on the farm, or the proceeds therefrom. *The Secretary shall, in accordance with such regulation as he may prescribe, provide for the issuance of domestic marketing certificates for the portion of the wheat marketing allocation representing wheat used for food products for consumption in the United States and for the issuance of export marketing certificates for the portion of the wheat marketing allocation used for exports.*

(b) No producer shall be eligible to receive wheat marketing certificates with respect to any farm for any marketing year in which a marketing quota penalty is assessed for any commodity on such farm or in which the farm has not complied with the land-use requirements of section 339 to the extent prescribed by the Secretary, or in which, except as the Secretary may by regulation prescribe, the producer exceeds the farm acreage allotment on any other farm for any commodity in which he has an interest as a producer. No producer shall be deemed to have exceeded a farm acreage allotment for wheat if the entire amount of the farm marketing excess is delivered to the Secretary or stored in accordance with applicable regulations to avoid or postpone payment of the penalty. No producer shall be deemed to have exceeded the farm acreage allotment for wheat on any other farm, if such farm is exempt from the farm marketing quota for such crop under section 335. *For purposes of this section, but not for purposes of diversion payments under subsection (b) of section 339, a producer shall be deemed not to have exceeded the farm acreage allotment for wheat if the acreage in excess of the farm acreage allotment does not exceed 50 per centum of the farm acreage allotment and the amount of wheat produced on the acreage in excess of the farm acreage allotment is stored in accordance with regulations issued by the Secretary. The amount of wheat required to be stored hereunder shall be an amount equal to twice the normal yield of wheat per acre established for the farm multiplied by the number of acres of such crop of wheat on the farm in excess of the farm acreage allotment for such crop unless the producer, in accordance with*

regulations prescribed by the Secretary and within the time prescribed therein, establishes to the satisfaction of the Secretary the actual production of such crop of wheat on the farm. If such actual production is so established, the amount of wheat required to be stored shall be such actual production less the actual production of the farm wheat acreage allotment based upon the average yield per acre for the entire wheat acreage on the farm: Provided however, That the amount of wheat required to be stored shall not be larger than the amount by which the actual production so established exceeds the normal production of the farm wheat acreage allotment. At the time and to the extent of any depletion in the amount of wheat so stored, except depletion resulting from the release of wheat from storage on account of underplanting or underproduction, as provided below or depletion resulting from some cause beyond the control of the producer, the producer shall pay an amount to the Secretary equal to one and one-half times the value of the wheat marketing certificates issued with respect to the farm for the year in which the wheat on the acreage in excess of the allotment was produced. Whenever the planted acreage of the then current crop of wheat on the farm is less than the farm acreage allotment, the total amount of wheat from any previous crops stored hereunder or stored in order to avoid or postpone a marketing quota penalty shall be reduced by that amount which is equal to the normal production of the number of acres by which the farm acreage allotment exceeds the planted acreage, and whenever the actual production of the acreage of wheat is less than the normal production of the farm acreage allotment, the total amount of wheat from any previous crops stored hereunder or in order to avoid a marketing quota penalty shall be reduced by that amount which together with the actual production of the then current crop will equal the normal production of the farm acreage allotment.¹

(c) [Whenever a wheat marketing allocation program is in effect for any marketing year, the Secretary shall determine and proclaim for such marketing year the face value per bushel of marketing certificates. The face value per bushel of marketing certificates shall be equal to the amount by which the level of price support for wheat accompanied by certificates exceeds the level of price support for wheat not accompanied by certificates (noncertificate wheat).] The Secretary shall determine and proclaim for each marketing year the face value per bushel of wheat marketing certificates. The face value per bushel of domestic certificates shall be the amount by which the level of price support for wheat accompanied by domestic certificates exceeds the level of price support for wheat not accompanied by certificates (noncertificate wheat); and the face value per bushel of export certificates shall be the amount by which the level of price support for wheat accompanied by export certificates exceeds the level of price support for noncertificate wheat.

* * * * *

Marketing Restrictions

Sec. 379d. (a) [All persons are prohibited from acquiring marketing certificates from the producer to whom such certificates are issued, unless such certificates are acquired in connection with the acquisition from such producer of a number of bushels of wheat equivalent to the marketing certificates.] Marketing certificates shall be transferable only in accordance with regulations prescribed by the Secre-

¹ This amendment is effective only with respect to the crop planted for harvest in the calendar year 1965.

tary. Any unused certificates legally held [by persons other than the producer to whom such certificates are issued] *by any person* shall be purchased by Commodity Credit Corporation if tendered to the Corporation for purchase in accordance with regulations prescribed by the Secretary. [Notwithstanding the foregoing provisions of this section, Commodity Credit Corporation is authorized to purchase from producers certificates not accompanied by wheat in cases where the Secretary determines that it would constitute an undue hardship to require the producer to transfer his certificates only in connection with the disposition of wheat.]

(b) [During any marketing year for which a wheat marketing allocation program is in effect, (i) all persons engaged in the processing of wheat into food products shall, prior to marketing any such product for human food in the United States, acquire marketing certificates equivalent to the number of bushels of wheat contained in such product and (ii) all persons exporting wheat or food products shall prior to such export acquire marketing certificates equivalent to the number of bushels so exported. Marketing certificates shall be valid to cover only sales or exportations made during the marketing year with respect to which they are issued, and after being once used to cover a sale or export of a food product or an export of wheat shall be void and shall be disposed of in accordance with regulations prescribed by the Secretary. Notwithstanding the foregoing provisions hereof, the Secretary may require marketing certificates issued for any marketing year to be acquired to cover sales or exportations made on or after the date during the calendar year in which wheat harvested in such calendar year begins to be marketed as determined by the Secretary even though such wheat is marketed prior to the beginning of the marketing year, and marketing certificates for such marketing year shall be valid to cover sales or exportations made on or after the date so determined by the Secretary.] *During any marketing year for which a wheat marketing allocation program is in effect, (i) all persons engaged in the processing of wheat into food products shall, prior to marketing any such food product or removing such food product for sale or consumption, acquire domestic marketing certificates equivalent to the number of bushels of wheat contained in such product and (ii) all persons exporting wheat shall, prior to such export, acquire export marketing certificates equivalent to the number of bushels so exported. In order to expand international trade in wheat and wheat flour and promote equitable and stable prices therefor, the Commodity Credit Corporation shall, upon the exportation from the United States of any wheat or wheat flour, make a refund to the exporter or allow him a credit against the amount payable by him for marketing certificates, in such amount as the Secretary determines will make United States wheat and wheat flour generally competitive in the world market, avoid disruption of world market prices, and fulfill the international obligations of the United States. The Secretary may exempt wheat exported for donation abroad and other noncommercial exports of wheat and wheat processed for use on the farm where grown from the requirements of this subsection. Marketing certificates shall be valid to cover only sales or removals for sale or consumption or exportations made during the marketing year with respect to which they are issued, and after being once used to cover a sale or removal for sale or consumption or export of a food product or an export of wheat shall be void and shall be disposed of in accordance with regulations prescribed by the Secretary.*

Notwithstanding the foregoing provisions hereof, the Secretary may require marketing certificates issued for any marketing year to be acquired to cover sales, removals, or exportations made on or after the date during the calendar year in which wheat harvested in such calendar year begins to be marketed as determined by the Secretary even though such wheat is marketed prior to the beginning of the marketing year, and marketing certificates for such marketing year shall be valid to cover sales, removals, or exportations made on or after the date so determined by the Secretary.

* * * * *

(d) As used in this subtitle, the term "food products" means [any product composed wholly or partly of wheat to be used for human consumption, including beverage] *flour, semolina, farina, bulgur, beverage, and any other product composed wholly or partly of wheat which the Secretary may determine to be a food product.*

* * * * *

FINALITY OF FARMERS' PAYMENTS AND LOANS

SEC. 385. The facts constituting the basis for any Soil Conservation Act payment, parity payment, payment under section 339, loan, or price support operation, or the amount thereof, when officially determined in conformity with the applicable regulations prescribed by the Secretary or by the Commodity Credit Corporation, shall be final and conclusive and shall not be reviewable by any other officer or agency of the Government. In case any person who is entitled to any such payment dies, becomes incompetent, or disappears before receiving such payment, or is succeeded by another who renders or completes the required performance, the payment shall, without regard to any other provisions of law, be made as the Secretary of Agriculture may determine to be fair and reasonable in all the circumstances and provided by regulations. *This section also shall be applicable to payments provided for under section 348 of this title.*

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AGRICULTURAL ACT OF 1949

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PRICE SUPPORT FOR 1961 AND SUBSEQUENT YEARS (COTTON)

SEC. 103. (a) Notwithstanding the provisions of section 101 of this Act, price support to cooperators for each crop of upland cotton, beginning with the 1961 crop, for which producers have not disapproved marketing quotas shall be at such level not more than 90 per centum of the parity price therefor nor less than the minimum level prescribed below as the Secretary determines appropriate after consideration of the factors specified in section 401(b) of this Act. For the 1961 crop the minimum level shall be 70 per centum of the parity price therefor, and for each subsequent crop the minimum level shall be 65 per centum of the parity price therefor: *Provided, That the price support for the 1964 crop shall be a national average support price which reflects 30 cents per pound for middling one-inch cotton.* Price support in the case of noncooperators and in case marketing quotas are disapproved shall be as provided in section 101(d) (3) and (5).

(b) If producers have not disapproved marketing quotas, the Secretary shall provide additional price support on the 1964, 1965, 1966 and 1967 crops of upland cotton to cooperators on whose farms the acreage planted to upland cotton for harvest does not exceed the farm domestic allotment established under section 350 of the Agricultural Adjustment Act of 1938, as amended. Such additional support shall be at a level up to 15 per centum in excess of the basic level of support established under subsection (a) and shall be provided on the normal yield of the acreage planted for harvest within the farm domestic allotment.

(c) In order to keep upland cotton to the maximum extent practicable in the normal channels of trade, any additional price support under subsection (b) of this section may be carried out through the simultaneous purchase of cotton at the support price therefor under subsection (b) and the sale of such cotton at the support price therefor under subsection (a) or similar operations, including loans under which the cotton would be redeemable by payment of the amount for which the cotton would be redeemable if the loan thereon had been made at the support price for such cotton under subsection (a), or payments-in-kind through the issuance of certificates which the Commodity Credit Corporation shall redeem for cotton under regulations issued by the Secretary. If such additional support is provided through the issuance of payment-in-kind certificates, such certificates shall have a value per pound of cotton equal to the difference between the level of support established under subsection (a) and the level of support established under subsection (b). The Corporation may, under regulations prescribed by the Secretary, assist the producers and persons receiving payment-in-kind certificates under this section and section 348 of the Agricultural Adjustment Act of 1938, as amended, in the marketing of such certificates at such time and in such manner as the Secretary determines will best effectuate the purposes of the program authorized by this section and such section 348. In the case of any certificates not presented for redemption within 30 days of the date of its issuance, reasonable costs of storage and other carrying charges as determined by the Secretary for the period beginning 30 days after its issuance and ending with the date of its presentation for redemption shall be deducted from the value of the certificate.

* * * * *

SEC. 104. * * *

(c) The Secretary of Agriculture is hereby authorized and directed to conduct a special cotton research program designed to reduce the cost of producing upland cotton in the United States at the earliest practicable date. There are hereby authorized to be appropriated such sums, not to exceed \$10,000,000 annually, as may be necessary for the Secretary to carry out this special research program. The Secretary shall report annually to the Committee on Agriculture of the House of Representatives and to the Committee on Agriculture and Forestry of the Senate with respect to the results of such research.

* * * * *

PRICE SUPPORT FOR 1964 AND SUBSEQUENT YEARS (WHEAT)

SEC. 107. [Notwithstanding the provisions of section 101 of this Act, beginning with the 1964 crop—

(1) price support for wheat accompanied by marketing certificates shall be at such level not less than 65 per centum or more

than 90 per centum of the parity price therefor as the Secretary determines appropriate taking into consideration the factors specified in section 401(b),

(2) if marketing quotas are in effect for wheat price support for wheat not accompanied by marketing certificates shall be at such level as the Secretary determines appropriate taking into consideration competitive world prices of wheat, the feeding value of wheat in relation to feed grains, and the level at which price support is made available for feed grains,

(3) price support shall be made available only to cooperators; and if a commercial wheat-producing area is established for such crop, price support shall be made available only in the commercial wheat-producing area,

(4) the level of price support for any crop of wheat for which a national marketing quota is not proclaimed or for which marketing quotas have been disapproved by producers shall be as provided in section 101, and

(5) if marketing quotas are in effect for the crop of wheat, a "cooperator" with respect to any crop of wheat produced on a farm shall be a producer who (i) does not knowingly exceed (A) the farm acreage allotment for wheat or any other commodity on the farm or (B) except as the Secretary may by regulation prescribe, the farm acreage allotment on any other farm for any commodity in which he has an interest as a producer, and (ii) complies with the land-use requirements of section 339 of the Agricultural Adjustment Act of 1938, as amended, to the extent prescribed by the Secretary. If marketing quotas are not in effect for the crop of wheat, a "cooperator" with respect to any crop of wheat produced on a farm shall be a producer who does not knowingly exceed the farm acreage allotment for wheat. No producer shall be deemed to have exceeded a farm acreage allotment for wheat if the entire amount of the farm marketing excess is delivered to the Secretary or stored in accordance with applicable regulations to avoid or postpone payment of the penalty, but the producer shall not be eligible to receive price support on such marketing excess. No producer shall be deemed to have exceeded the farm acreage allotment for wheat on any other farm, if such farm is exempt from the farm marketing quota for such crop under section 335.】 *Notwithstanding the provisions of section 101 of this Act, beginning with the 1964 crop—*

(1) *Price support for wheat accompanied by domestic certificates shall be at such level not less than 65 per centum or more than 90 per centum of the parity price therefor as the Secretary determines appropriate, taking into consideration the factors specified in section 401(b).*

(2) *Price support for wheat accompanied by export certificates shall be at such level not more than 90 per centum of the parity price therefor as the Secretary determines appropriate, taking into consideration the factors specified in section 401(b).*

(3) *Price support for wheat not accompanied by marketing certificates shall be at such level, not in excess of 90 per centum of the parity price therefor, as the Secretary determines appropriate, taking into consideration competitive world prices of wheat, the feeding value of wheat in relation to feed grains, and the level at which price support is made available for feed grains.*

(4) Price support shall be made available only to cooperators; and, if a commercial wheat-producing area is established for such crop, price support shall be made available only in the commercial wheat-producing area.

(5) Effective with respect to crops planted for harvest in the calendar year 1966 and any subsequent year, the level of price support for any crop of wheat for which a national marketing quota is not proclaimed or for which marketing quotas have been disapproved by producers shall be as provided in section 101.

(6) A "cooperator" with respect to any crop of wheat produced on a farm shall be a producer who (i) does not knowingly exceed (A) the farm acreage allotment for wheat on the farm or (B) except as the Secretary may by regulation prescribe, the farm acreage allotment for wheat on any other farm on which the producer shares in the production of wheat, and (ii) complies with the land-use requirements of section 339 of the Agricultural Adjustment Act of 1938, as amended, to the extent prescribed by the Secretary. Effective with respect to crops planted for harvest in the calendar year 1966 and any subsequent year, if marketing quotas are not in effect for the crop of wheat, a "cooperator" with respect to any crop of wheat produced on a farm shall be a producer who does not knowingly exceed the farm acreage allotment for wheat. No producer shall be deemed to have exceeded a farm acreage allotment for wheat if the entire amount of the farm marketing excess is delivered to the Secretary or stored in accordance with applicable regulations to avoid or postpone payment of the penalty, but the producer shall not be eligible to receive price support on such marketing excess. No producer shall be deemed to have exceeded the farm acreage allotment for wheat on any other farm, if such farm is exempt from the farm marketing quota for such crop under section 335. No producer shall be deemed to have exceeded a farm acreage allotment for wheat if the production on the acreage in excess of the farm acreage allotment is stored pursuant to the provisions of section 379c(b), but the producer shall not be eligible to receive price support on the wheat so stored.

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FACTORS

SEC. 401. * * *

(b) Except as otherwise provided in this Act, the amounts, terms, and conditions of price support operations and the extent to which such operations are carried out, shall be determined or approved by the Secretary. The following factors shall be taken into consideration in determining, in the case of any commodity for which price support is discretionary, whether a price-support operation shall be undertaken and the level of such support and, in the case of any commodity for which price support is mandatory, the level of support in excess of the minimum level prescribed for such commodity: (1) the supply of the commodity in relation to the demand therefor, (2) the price levels at which other commodities are being supported and, in the case of feed grains, the feed values of such grains in relation to corn, (3) the availability of funds, (4) the perishability of the commodity, (5) the importance of the commodity to agriculture and the national economy, (6) the ability to dispose of stocks acquired through a price-support operation, (7) the need for offsetting temporary losses

of export markets, [and] (8) the ability and willingness of producers to keep supplies in line with demand, and (9), *in the case of upland cotton, changes in the cost of producing such cotton.*

* * * * *

SALES IN GENERAL

SEC. 407. The Commodity Credit Corporation may sell any farm commodity owned or controlled by it at any price not prohibited by this section. In determining sales policies for basic agricultural commodities or storable nonbasic commodities, the Corporation should give consideration to the establishing of such policies with respect to prices, terms, and conditions as it determines will not discourage or deter manufacturers, processors, and dealers from acquiring and carrying normal inventories of the commodity of the current crop. The Corporation shall not sell any basic agricultural commodity or storable nonbasic commodity at less than 5 per centum above the current support price for such commodity, plus reasonable carrying charges: *Provided*, That effective with the beginning of the marketing year for the 1961 crop, the Corporation shall not sell any upland or extra long staple cotton for unrestricted use at less than 15 per centum above the current support price for cotton plus reasonable carrying charges, except that the Corporation may, in an orderly manner and so as not to affect market prices unduly, sell for unrestricted use at the market price at the time of sale a number of bales of cotton equal to the number of bales by which the national marketing quota for such marketing year is reduced below the estimated domestic consumption and exports for such marketing year pursuant to the provisions of section 342 of the Agricultural Adjustment Act of 1938, as amended: *Provided further*, That beginning August 1, 1964, the Commodity Credit Corporation may sell upland cotton for unrestricted use at not less than 105 per centum of the current loan rate for such cotton under section 103(a) plus reasonable carrying charges: [Provided, That if a wheat marketing allocation program is in effect, the current support price for wheat shall be the support price for wheat accompanied by marketing certificate and wheat sold shall be accompanied by a marketing certificate] *Provided further*, That if a wheat marketing allocation program is in effect, the current support price for wheat shall be the support price for wheat not accompanied by marketing certificates.¹ The foregoing restrictions shall not apply to (A) sales for new or byproduct uses; (B) sales of peanuts and oilseeds for the extraction of oil; (C) sales for seed or feed if such sales will not substantially impair any price-support program; (D) sales of commodities which have substantially deteriorated in quality or as to which there is a danger of loss or waste through deterioration or spoilage; (E) sales for the purpose of establishing claims arising out of contract or against persons who have committed fraud, misrepresentation, or other wrongful acts with respect to the commodity; (F) sales for export; (G) sales of wool; and (H) sales for other than primary uses. Notwithstanding the foregoing, the Corporation, on such terms and conditions as the Secretary may deem in the public interest, shall make available any farm commodity or product thereof owned or controlled by it for use in relieving distress (1) in any area in the United States declared by the

¹ This proviso effective only with respect to the marketing years beginning in the calendar years 1964 and 1965.

President to be an acute distress area because of unemployment or other economic cause if the President finds that such use will not displace or interfere with normal marketing of agricultural commodities and (2) in connection with any major disaster determined by the President to warrant assistance by the Federal Government under Public Law 875, Eighty-first Congress, as amended (42 U.S.C. 1855) and shall make feed owned or controlled by it available at any price not less than 75 per centum of the current support price for such feed (or a comparable price if there is no current support price) for assistance in the preservation and maintenance of foundation herds of cattle (including producing dairy cattle), sheep, and goats, and their offspring, in any area of the United States where, because of flood, drought, fire, hurricane, earthquake, storm, disease, insect infestation, or other catastrophe in such areas, the Secretary determines that an emergency exists which warrants such assistance, such feed to be made available only to persons who do not have, and are unable to obtain through normal channels of trade without undue financial hardship, sufficient feed for such livestock. Except on a reimbursable basis, the Corporation shall not bear any costs in connection with making such commodity available beyond the cost of the commodities to the Corporation in store and the handling and transportation costs in making delivery of the commodity to designated agencies at one or more central locations in each State. Nor shall the foregoing restrictions apply to sales of commodities the disposition of which is desirable in the interest of the effective and efficient conduct of the Corporation's operations because of the small quantities involved, or because of age, location or questionable continued storability, but such sales shall be offset by such purchases of commodities as the Corporation determines are necessary to prevent such sales from substantially impairing any price-support program, but in no event shall the purchase price exceed the then current support price for such commodities. For the purposes of this section, sales for export shall not only include sales made on condition that the identical commodities sold be exported, but shall also include sales made on condition that commodities of the same kind and of comparable value or quantity be exported, either in raw or processed form. Notwithstanding the foregoing, whenever prior to December 31, 1963, the Secretary determines it necessary in order to assure the Nation an adequate supply of milk free of contamination by radioactive fallout, he may make feed owned or controlled by the Commodity Credit Corporation available to producers of milk in any area or areas of the United States at such prices and on such terms and conditions as he deems appropriate in the public interest.

MINORITY VIEWS

The wheatgrowers of the United States emphatically rejected the strict-control wheat certificate plan submitted to them in the referendum in 1963, despite the efforts and methods used in an attempt to force it upon them. The majority of wheat producers clearly indicated that they wanted to move away from restrictive Government programs and to assume greater personal responsibility in the production and marketing of wheat.

The wheat provisions of H.R. 6196 would reject this mandate from the wheat farmers, and impose without referendum a so-called "voluntary program," "voluntary" in name only, as it provides penalties for those who do not participate that leave the farmer with no real choice—the farmer must volunteer "or else." The proposed "voluntary plan" embodies a great deal of compulsion and Government allocation of the market for food wheat without regard to the quality of wheat a grower produces or the use that is actually made of it. The proposal to require exporters to purchase marketing certificates would set up a mechanism that could be used to hold domestic wheat prices below the world level. The opportunity to stay out of the program would really amount to nothing more than a feed wheat exemption. Such a plan could be expected to restrict production of milling quality wheats and to encourage additional production of high-yield feed wheats. The wheat producers who voted against the certificate plan last May do not want a control program with a feed-wheat exemption—they want an opportunity to compete for markets on the basis of comparative advantage.

Participation in the certificate plan contained in the provisions of the present bill would be compulsory, not voluntary, for wheat processors; they would be compelled to make payments to the Government for the privilege of handling wheat. This is clearly a commodity processing tax, a "bread tax" the ultimate burden of which would be borne by the consumers, placing the heaviest burden on the lower income groups who spend the largest proportion of their income for bread and flour.

The present outlook for wheat is far brighter than the picture painted by proponents of a "yes" vote in their efforts to force approval of the certificate program in last year's referendum. Uncertain as to future prices, producers exercised considerable and wise restraint last fall in seeding winter wheat; where the U.S. Department of Agriculture predicted a "no vote" in the referendum would result in growers planting 70 million acres or more in wheat, of which approximately 54.5 million acres would be winter wheat, the present official estimate of last fall's planting indicated only 43 million acres were actually seeded to wheat. Export prospects have been improved by poor crops abroad. Where exports totaled 639 million bushels last year and 720 million bushels in the previous record year of 1961-62, it is now estimated exports may reach a record 1 billion bushels in the current marketing year. The carryover of wheat is being reduced, and

could be down to about 725 million bushels by July 1, 1964, the lowest for any year since 1953. The market system thus has begun to work in wheat. The futures market has shown little regard for the pre-referendum predictions that the farm price of wheat would drop to \$1 per bushel or less if farmers disapproved the certificate plan; and the market has begun to reflect changes in the supply-demand situation. There may never be a better time for wheat producers to make the transition to freer markets.

The only sure way to solve our wheat problems is to let the market system guide production and consumption; the wheatgrowers who voted "no" in the referendum understand this fact. They want sensible, uncomplicated, and workable wheat legislation in the direction of less, not more, control. They want to move away from restrictive Government programs and to assume greater personal responsibility in the production and marketing of wheat, and to restore the farmer to a place of economic competition with other sectors of our economy.

Artificial efforts to control wheat production have failed. They have created inefficiencies in production of farm commodities, have increased production costs, and have shifted the surplus problem from one commodity to another. Program "benefits" have been capitalized into land values, creating problems for those who must rent or buy land in order to farm. The programs have been costly in relation to the limited results that have been achieved. The program approved by the committee, in H.R. 6196, would have these same deficiencies and create new problems.

The farmer does not want a dole or handout; probably no other member of our society is as independent by nature as is the American farmer, who wants only a chance to work his land, raise his crops and livestock and sell them in the marketplace for a fair price. Rather than the complicated legislation being reported by the committee, I would propose to—

- (1) Repeal existing authority for wheat allotment, marketing quota, and certificate programs. Each farmer would decide for himself which grains he should grow and how much of each he can best produce.

- (2) Beginning with the 1964 crop, set price supports for wheat at the higher of the U.S. farm price equivalent of the average world market during the immediately preceding 3 marketing years—currently about \$1.30 per bushel—or 50 percent of parity, with premiums and discounts to reflect market demand for milling and baking quality. This would eliminate administrative discretion as to price support levels, automatically adjust support prices to changing supply and demand conditions, and assure other wheat-producing countries that the change in our price support policy would not break world wheat prices. It would not impede the working of the market, would not provide incentive for increasing production, but would provide real protection against substantial drop in wheat prices.

- (3) Place wheat and feed grains on a comparable basis as soon as possible.

- (4) Prohibit the CCC from offering its stocks domestically at less than 115 percent of the applicable support level, plus reasonable carrying charges, except for sales offset by open-market purchases. This would protect farmers against undue com-

petition from the release of Government-owned surpluses, yet not apply to CCC sales for export.

(5) Authorize the Secretary to enter into contracts (during 3 years) for voluntary retirement of cropland on a competitive bid basis. This would facilitate individual adjustments to freer markets, and would lead to withdrawal of much greater productive capacity per dollar of cost and eliminate most of the administrative problems associated with the emergency-type programs of recent years.

The above could be achieved by enactment of S. 1617, "The Wheat and Feed Grain Act of 1963," introduced by myself and with 16 other Senators.

It will be particularly disappointing to wheat producers that the committee rejected language proposed by Senator McCarthy as an amendment to H.R. 6196 wheat provisions, which would have prohibited the CCC from selling its wheat stocks at less than 110 percent of the support level plus carrying charges. The action of the committee will allow the CCC to continue in effect to use sales of stocks to make the support level for wheat the ceiling, rather than the floor, for wheat prices. Thus, farmers cannot redeem their loans and get any higher return, most wheat put under loan passes into Government hands, and the Government handles a large part of each crop instead of just holding the surplus. The Government should be withdrawing from the grain business, not plunging into it even more.

BOURKE B. HICKENLOOPER.

SUPPLEMENTAL VIEWS

Although I did not oppose reporting this bill to the Senate believing that the Congress should have the opportunity to consider it if it so desires, I have reserved the right to oppose it on the floor.

In my opinion the proposed legislation is neither necessary nor desirable.

In the case of wheat, income to the grower can be maintained by means already available to the Secretary of Agriculture.

In the case of cotton, a simple authorization for the sale of Government-owned cotton for domestic purposes at a subsidized price would suffice. A subsidy of several hundred million dollars to the textile mills should not be charged to a farm program, anyway.

When the bill is taken up for consideration, I expect to present evidence to substantiate this supplemental statement.

GEORGE D. AIKEN.

SUPPLEMENTAL VIEWS

Our domestic cotton industry is plagued by very serious problems. The current predicament finds us with unmanageable quantities of surplus cotton, coupled with a domestic price higher than the world price and with constant encroachment from synthetics. We need a cotton program pegged to the market system. Such a system would operate to the advantage of efficient growers and all consumers by rewarding individual ingenuity and enterprise.

Title I of the committee substitute for H.R. 6196 has some very serious defects.

This proposed legislation is far reaching, complex, and expensive. It was presented to the committee on the last day of the hearings by Under Secretary of Agriculture Murphy. No other witnesses were heard on this proposal.

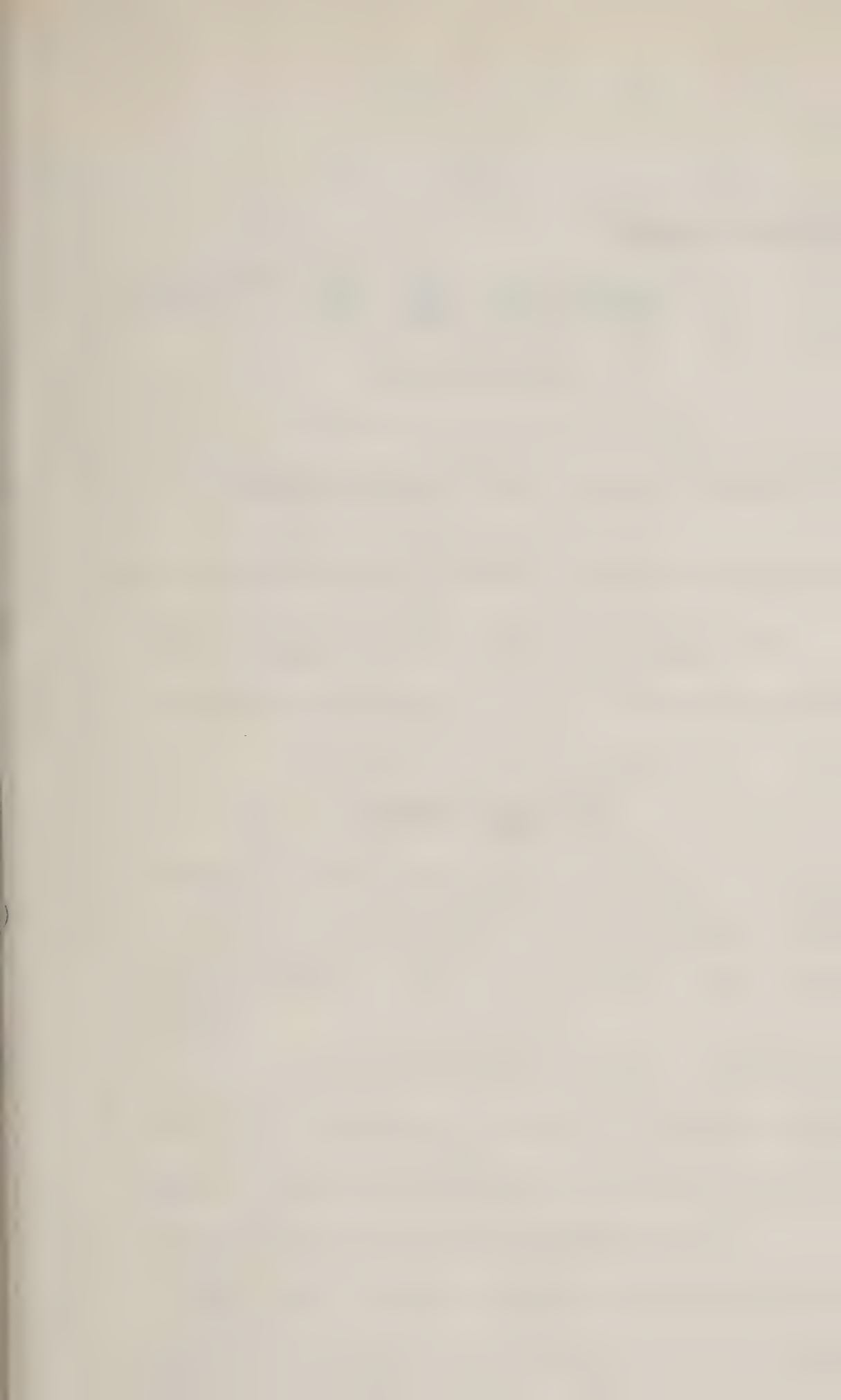
In 1958 Congress passed adequate cotton legislation. During the time that congressional intent was followed, it worked satisfactorily. However, in early 1961, the Secretary of Agriculture increased the support level, thus increasing the export subsidy. Exports fell from an average of 6.9 million bales yearly to 4.1 million. Carryover rose from 7.1 million bales to 11 million bales, and is still rising. We lost our competitive position in the world market. This critical situation resulted when the Secretary of Agriculture unwisely exercised his discretionary power to set price supports as a percentage of parity. Yet, the legislation before us gives the Secretary the same discretionary powers again.

If the Secretary had followed the intent of the Agricultural Act of 1958, no action would now be necessary.

The pending proposal continues the unwise system of two levels of price supports. It attempts to correct past mistakes by piling subsidy upon subsidy. I believe that it will result in high cost to taxpayers and high fiber costs to consumers, without improving the level of income to farmers.

As a cosponsor of S. 1617, I concur with the statement presented by Senator Hickenlooper.

E. L. MECHEM.



Calendar No.850

88TH CONGRESS
2D SESSION

H. R. 6196

[Report No. 874]

IN THE SENATE OF THE UNITED STATES

DECEMBER 5, 1963

Read twice and referred to the Committee on Agriculture and Forestry

FEBRUARY 20 (legislative day, FEBRUARY 10), 1964

Reported by Mr. EASTLAND, with amendments

[Strike out all after the enacting clause and insert the part printed in italic]

AN ACT

To encourage increased consumption of cotton, to maintain the income of cotton producers, to provide a special research program designed to lower costs of production, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That the Agricultural Adjustment Act of 1938, as amended,
4 is amended by adding the following new section:

5 “SEC. 348. In order to maintain and expand domestic
6 consumption of Upland cotton produced in the United States
7 and to prevent discrimination against the domestic users of
8 such cotton, notwithstanding any other provision of law,
9 the Commodity Credit Corporation, under such rules and

1 regulations as the Secretary may prescribe, is authorized
2 and directed for the period beginning with the date of en-
3 actment of this section and ending July 31, 1967, to make
4 payments through the issuance of payment-in-kind certifi-
5 cates to persons other than producers in such amounts and
6 subject to such terms and conditions as the Secretary deter-
7 mines will eliminate inequities due to differences in the cost
8 of raw cotton between domestic and foreign users of such
9 cotton, including such payments as may be necessary to
10 make raw cotton in inventory on the date of enactment of
11 this section available for consumption at prices consistent
12 with the purposes of this section."

13 SEC. 2. Section 385 of the Agricultural Adjustment Act
14 of 1938, as amended, is amended by adding at the end thereof
15 the following: "This section also shall be applicable to pay-
16 ments provided for under section 348 of this title."

17 SEC. 3. Section 104 of the Agricultural Act of 1949, as
18 amended, is amended by adding the following new sub-
19 sections:

20 "(c) The Secretary of Agriculture is hereby authorized
21 and directed to conduct a special cotton research program
22 designed to reduce the cost of producing upland cotton in the
23 United States at the earliest practicable date. There are
24 hereby authorized to be appropriated such sums, not to ex-
25 ceed \$10,000,000 annually, as may be necessary for the

Secretary to carry out this special research program. The Secretary shall report annually to the Committee on Agriculture of the House of Representatives and to the Committee on Agriculture and Forestry of the Senate with respect to the results of such research.

“(d) In establishing the level of price support to co-operators for each crop of upland cotton beginning with the 1965 crop of such cotton, the Secretary, notwithstanding the provisions of section 403, shall make such reductions in the price support level as will reflect reductions in the costs of producing cotton. The level of price support for the 1964 crop of upland cotton shall be the national average support price which reflects 30 cents per pound for Middling inch. For 1965 and subsequent years, the level of price support shall be the level in effect for the preceding crop adjusted as provided in this section to reflect reductions in the costs of producing cotton: *Provided*, That the maximum level of price support shall be the national average support price which reflects for Middling inch $29\frac{1}{2}$ cents per pound for the 1965 crop and 29 cents per pound for the 1966 crop.”

SEC. 4. Section 407 of the Agricultural Act of 1949, as amended, is amended by inserting after the first proviso in the third sentence thereof the following: “*Provided further*, That beginning August 1, 1964, the Commodity Credit Corporation may sell upland cotton for unrestricted use at not

1 less than 105 per centum of the current loan rate for such
2 cotton under section 103(a) plus reasonable carrying
3 charges:”

4 SEC. 5. Section 103 of the Agricultural Act of 1949, as
5 amended, is amended by inserting “(a)” before the first
6 sentence thereof and by adding at the end of such section the
7 following new subsections:

8 “(b) For the 1964, 1965, and 1966 crops of cotton,
9 the Secretary, notwithstanding any other provision of law,
10 may provide to cooperators price support on not to exceed
11 fifteen bales (standard five hundred pounds gross weight)
12 of the production from their allotments at a level up to 10
13 per centum in excess of the basic level of price support
14 established under subsection (a) hereof but not in excess
15 of the level of price support for the 1963 crop.

16 “(c) Notwithstanding any other provision of law, in
17 order to keep cotton to the maximum extent practicable in
18 the normal channels of trade, if the level of price support to
19 cooperators for the 1964, 1965, or 1966 crop is increased
20 under subsection (b), price support for cotton at the level
21 established under subsection (b) shall be carried out through
22 the simultaneous purchase of cotton at the support price
23 therefor under subsection (b) and sale of such cotton at the
24 support price therefor under subsection (a) or similar opera-
25 tions, including loans under which the cotton would be re-

1 deemable by payment of the amount for which the cotton
2 would be redeemable if the loan thereon had been made at
3 the support price for such cotton under subsection (a).”

4 SEC. 6. The Agricultural Adjustment Act of 1938, as
5 amended, is amended as follows:

6 (1) The following new sections are added to the Act:

7 “SEC. 349. If the national acreage allotment established
8 under section 344(a) for the years 1964, 1965, or 1966 ex-
9 ceeds seventeen million acres (exclusive of the national acre-
10 age reserve established under section 344(b)), the amount
11 of such acreage allotment in excess of seventeen million acres
12 shall, notwithstanding any other provision of this part, be
13 allotted as follows: One-half of such excess shall be allotted
14 pursuant to the provisions of section 344. The remaining
15 half of such excess shall, subject to the provisions of this
16 section and section 350 be allotted by the Secretary as
17 export market acreage directly to farms eligible to receive
18 allotments under the provisions of section 350 to the extent
19 that he determines that such allotments will not increase
20 the carryover of cotton at the beginning of the marketing year
21 for the next succeeding crop above the carryover on the same
22 date one year earlier, except that no farm may receive an
23 allotment of export market acreage in excess of 20 per centum
24 of the acreage allotment for the farm established under the
25 provisions of section 344. Any acreage available for allot-

1 ment as export market acreage which the Secretary deter-
2 mines will not be used shall be allotted pursuant to the provi-
3 sions of section 344. Any acreage allotted to a farm as
4 export market acreage and planted to cotton shall be in
5 addition to the county or State acreage allotments and shall
6 not be taken into account in establishing future State, county,
7 and farm acreage allotments. Notice of the maximum export
8 acreage for a farm shall be included in the notices of farm
9 acreage allotments and marketing quotas. The provisions of
10 this section shall not apply to extra long staple cotton.

11 "SEC. 350. The producers on any farm on which there
12 is export market acreage or the purchasers of cotton pro-
13 duced thereon shall, under regulations issued by the Secre-
14 tary, furnish a bond or other undertaking prescribed by the
15 Secretary providing for the exportation, without benefit of
16 any Government cotton export subsidy and within such period
17 of time as the Secretary may specify, of a quantity of cotton
18 equal to the actual production of the export market acreage
19 as determined pursuant to regulations issued by the Secretary.
20 The bond or other undertaking given pursuant to this section
21 shall provide that, upon failure to comply with the terms and
22 conditions thereof, the person furnishing such bond or other
23 undertaking shall be liable for liquidated damages in an
24 amount which the Secretary determines and specifies in such

1 undertaking will approximate the export subsidy on such
2 quantity of cotton. The Secretary may, in lieu of the fur-
3 nishing of a bond or other undertaking, provide for the pay-
4 ment of an amount equal to that which would be payable as
5 liquidated damages under such bond or other undertaking.
6 If such bond or other undertaking is not furnished, or if
7 payment in lieu thereof is not made as provided herein, at
8 such time and in the manner required by regulations of the
9 Secretary, or if the acreage planted to cotton on the farm
10 exceeds the farm acreage allotment established under the
11 provisions of section 344 by more than the maximum export
12 market acreage, the farm acreage allotment shall be the
13 acreage so established under section 344. Amounts col-
14 lected by the Secretary under this section shall be remitted
15 to the Commodity Credit Corporation and used by the Cor-
16 poration to defray costs of encouraging export sales of cotton
17 under section 203 of the Agricultural Act of 1956, as
18 amended."

19 (2) Section 376 of the Act is amended by adding at the
20 end thereof the following: "This section also shall be ap-
21 plicable to liquidated damages provided for pursuant to sec-
22 tion 350 of this title."

23 *That this Act may be cited as the "Agricultural Act of*
24 *1964".*

TITLE I—COTTON

1
2 *SEC. 101. The Agricultural Adjustment Act of 1938,*
3 *as amended, is amended by adding the following new section:*

4 “*SEC. 348. In order to maintain and expand domestic*
5 *consumption of upland cotton produced in the United States*
6 *and to prevent discrimination against the domestic users of*
7 *such cotton, notwithstanding any other provision of law, the*
8 *Commodity Credit Corporation, under such rules and regu-*
9 *lations as the Secretary may prescribe, is authorized and*
10 *directed for the period beginning with the date of enactment*
11 *of this section and ending July 31, 1968, to make payments*
12 *through the issuance of payment-in-kind certificates to persons*
13 *other than producers in such amounts and subject to such*
14 *terms and conditions as the Secretary determines will elimi-*
15 *nate inequities due to differences in the cost of raw cotton*
16 *between domestic and foreign users of such cotton, including*
17 *such payments as may be necessary to make raw cotton in*
18 *inventory on the date of enactment of this section available*
19 *for consumption at prices consistent with the purposes of this*
20 *section: Provided, That for the period beginning August 1*
21 *of the marketing year for the first crop for which price*
22 *support is made available under section 103(b) of the*
23 *Agricultural Act of 1949, as amended, and ending July 31,*
24 *1968, such payments shall be made in an amount which will*

1 *make upland cotton produced in the United States available*
2 *for domestic use at a price which is not in excess of the*
3 *price at which such cotton is made available for export."*

4 *SEC. 102. Section 385 of the Agricultural Adjustment*
5 *Act of 1938, as amended, is amended by adding at the end*
6 *thereof the following: "This section also shall be applicable*
7 *to payments provided for under section 348 of this title."*

8 *SEC. 103. (a) Section 104 of the Agricultural Act of*
9 *1949, as amended, is amended by adding the following new*
10 *subsection:*

11 *"(c) The Secretary of Agriculture is hereby authorized*
12 *and directed to conduct a special cotton research program*
13 *designed to reduce the cost of producing upland cotton in the*
14 *United States at the earliest practicable date. There are*
15 *hereby authorized to be appropriated such sums, not to exceed*
16 *\$10,000,000 annually, as may be necessary for the Secretary*
17 *to carry out this special research program. The Secretary*
18 *shall report annually to the Committee on Agriculture of the*
19 *House of Representatives and to the Committee on Agricul-*
20 *ture and Forestry of the Senate with respect to the results*
21 *of such research."*

22 *(b) Section 103 of the Agricultural Act of 1949, as*
23 *amended, is amended (1) by inserting "(a)" before the first*

1 sentence thereof; (2) by changing the period at the end of the
2 second sentence thereof to a colon and adding the following:
3 “Provided, That the price support for the 1964 crop shall be
4 a national average support price which reflects 30 cents per
5 pound for Middling one-inch cotton.”; and (3) by adding at
6 the end of such section the following new subsections:

7 “(b) If producers have not disapproved marketing
8 quotas, the Secretary shall provide additional price support
9 on the 1964, 1965, 1966, and 1967 crops of upland cotton
10 to cooperators on whose farms the acreage planted to upland
11 cotton for harvest does not exceed the farm domestic allotment
12 established under section 350 of the Agricultural Adjustment
13 Act of 1938, as amended. Such additional support shall
14 be at a level up to 15 per centum in excess of the basic level
15 of support established under subsection (a) and shall be pro-
16 vided on the normal yield of the acreage planted for harvest
17 within the farm domestic allotment.

18 “(c) In order to keep upland cotton to the maximum
19 extent practicable in the normal channels of trade, any addi-
20 tional price support under subsection (b) of this section may
21 be carried out through the simultaneous purchase of cotton at
22 the support price therefor under subsection (b) and the sale
23 of such cotton at the support price therefor under subsection
24 (a) or similar operations, including loans under which the
25 cotton would be redeemable by payment of the amount for

1 *which the cotton would be redeemable if the loan thereon had*
2 *been made at the support price for such cotton under sub-*
3 *section (a), or payments-in-kind through the issuance of cer-*
4 *tificates which the Commodity Credit Corporation shall re-*
5 *deem for cotton under regulations issued by the Secretary.*
6 *If such additional support is provided through the issuance of*
7 *payment-in-kind certificates, such certificates shall have a*
8 *value per pound of cotton equal to the difference between the*
9 *level of support established under subsection (a) and the level*
10 *of support established under subsection (b). The corpora-*
11 *tion may, under regulations prescribed by the Secretary,*
12 *assist the producers and persons receiving payment-in-kind*
13 *certificates under this section and section 348 of the Agricul-*
14 *tural Adjustment Act of 1938, as amended, in the marketing*
15 *of such certificates at such time and in such manner as the*
16 *Secretary determines will best effectuate the purposes of the*
17 *program authorized by this section and such section 348.*
18 *In the case of any certificate not presented for redemption*
19 *within thirty days of the date of its issuance, reasonable costs*
20 *of storage and other carrying charges as determined by the*
21 *Secretary for the period beginning thirty days after its issu-*
22 *ance and ending with the date of its presentation for redemp-*
23 *tion shall be deducted from the value of the certificate."*

24 *(c) Section 401(b) of the Agricultural Act of 1949,*
25 *as amended, is amended by striking in the second sentence*

1 thereof before “(8)” the word “and”, changing the period
2 at the end thereof to a comma and adding the following:
3 “and (9), in the case of upland cotton, changes in the cost
4 of producing such cotton”.

5 *SEC. 104. Section 407 of the Agricultural Act of 1949,*
6 *as amended, is amended by inserting after the first proviso in*
7 *the third sentence thereof the following: “Provided further,*
8 *That beginning August 1, 1964, the Commodity Credit Cor-*
9 *poration may sell upland cotton for unrestricted use at not*
10 *less than 105 per centum of the current loan rate for such*
11 *cotton under section 103(a) plus reasonable carrying*
12 *charges:”*

13 *SEC. 105. The Agricultural Adjustment Act of 1938,*
14 *as amended, is amended by adding a new section as follows:*

15 *“SEC. 350. In order to provide producers with a choice*
16 *program of reduced acreage and higher price support, the*
17 *Secretary shall establish for each farm for the 1964, 1965,*
18 *1966, and 1967 crops of upland cotton a farm domestic allot-*
19 *ment in acres. The farm domestic allotment shall be the per-*
20 *centage which the national domestic allotment is of the national*
21 *acreage allotment established under section 344(a) applied as*
22 *a percentage of the smaller of (1) the farm acreage allotment*
23 *established under section 344, or (2) the higher average actu-*
24 *ally planted or regarded as planted on the farm (excluding*
25 *acreage regarded as planted under sections 344(m)(2) and*

1 377) in the two years preceding the year for which such allo-
 2 ment is established: Provided, That any farm planting 90 per
 3 centum or more of the allotment shall, for the purpose of (2)
 4 above, be considered as having planted the entire farm allot-
 5 ment: Provided further, That, except for farms the acreage
 6 allotments of which are reduced under section 344(m), the
 7 farm domestic allotment shall not be less than the smaller of 15
 8 acres or the farm acreage allotment established under section
 9 344, but this proviso shall be applicable to the 1964 crop with-
 10 out regard to the exception stated herein. The national domes-
 11 tic acreage allotment for any crop shall be that acreage, based
 12 upon the national average yield per acre of cotton for the four
 13 years immediately preceding the calendar year in which the
 14 national acreage allotment is proclaimed, required to make
 15 available from such crop an amount of upland cotton equal
 16 to the estimated domestic consumption for the marketing year
 17 for such crop. The Secretary shall proclaim the national
 18 domestic acreage allotment for the 1964 crop not later than
 19 April 1, 1964, and for each subsequent crop not later
 20 than December 15 of the calendar year preceding the year in
 21 which the crop is to be produced."

22 SEC. 106. The Agricultural Adjustment Act of 1938,
 23 as amended, is amended as follows:

24 (1) The following new section is added to the Act:

25 "SEC. 349. (a) The acreage allotment established under

1 the provisions of section 344 of this Act for each farm for
2 the 1964 crop may be supplemented by the Secretary by an
3 acreage equal to such percentage, but not more than 10 per
4 centum, of such acreage allotment as he determines will not
5 increase the carryover of upland cotton at the beginning of the
6 marketing year for the next succeeding crop above one million
7 bales less than the carryover on the same date one year
8 earlier, if the carryover on such earlier date exceeds eight
9 million bales. For the 1965, 1966, and 1967 crops, the
10 Secretary may, after such hearing and investigation as he
11 finds necessary, announce an export market acreage which he
12 finds will not increase the carryover of upland cotton at the
13 beginning of the marketing year for the next succeeding crop
14 above one million bales less than the carryover on the same
15 date one year earlier, if the carryover on such earlier date
16 exceeds eight million bales. Such export market acreage shall
17 be apportioned to the States on the basis of the State acreage
18 allotments established under section 344 and apportioned by the
19 States to farms receiving allotments under section 344, pur-
20 suant to regulations issued by the Secretary, after considering
21 applications for such acreage filed with the county committee
22 of the county in which the farm is located. The 'export
23 market acreage' on any farm shall be the number of acres,
24 not exceeding the maximum export market acreage for the
25 farm established pursuant to this subsection, by which the

1 *acreage planted to cotton on the farm exceeds the farm acre-*
2 *age allotment. For purposes of sections 345 and 374 of*
3 *this Act and the provisions of any law requiring compliance*
4 *with a farm acreage allotment as a condition of eligibility*
5 *for price support or payments under any farm program, the*
6 *farm acreage allotment for farms with export market acre-*
7 *age shall be the sum of the farm acreage allotment established*
8 *under section 344 and the maximum export market acreage.*
9 *Export market acreage shall be in addition to the county,*
10 *State, and National acreage allotments and shall not be*
11 *taken into account in establishing future State, county, and*
12 *farm acreage allotments. The provisions of this section shall*
13 *not apply to extra-long-staple cotton or to any farm which*
14 *receives price support under section 103(b) of the Agri-*
15 *cultural Act of 1949, as amended.*

16 *“(b) The producers on any farm on which there is ex-*
17 *port market acreage or the purchasers of cotton produced*
18 *thereon shall, under regulations issued by the Secretary, fur-*
19 *nish a bond or other undertaking prescribed by the Secretary*
20 *providing for the exportation, without benefit of any Govern-*
21 *ment cotton export subsidy and within such period of time*
22 *as the Secretary may specify, of a quantity of cotton pro-*
23 *duced on the farm equal to the average yield for the farm*
24 *multiplied by the export market acreage as determined pur-*
25 *suant to regulations issued by the Secretary. The bond or*

1 other undertaking given pursuant to this section shall provide
2 that, upon failure to comply with the terms and conditions
3 thereof, the person furnishing such bond or other under-
4 taking shall be liable for liquidated damages in an amount
5 which the Secretary determines and specifies in such under-
6 taking will approximate the amount payable on excess cotton
7 under section 346(a). The Secretary may, in lieu of the
8 furnishing of a bond or other undertaking, provide for the
9 payment of an amount equal to that which would be payable
10 as liquidated damages under such bond or other undertaking.
11 If such bond or other undertaking is not furnished, or if
12 payment in lieu thereof is not made as provided herein, at
13 such time and in the manner required by regulations of the
14 Secretary, or if the acreage planted to cotton on the farm
15 exceeds the farm acreage allotment established under the pro-
16 visions of section 344 by more than the maximum export
17 market acreage, the farm acreage allotment shall be the acre-
18 age so established under section 344. Amounts collected by
19 the Secretary under this section shall be remitted to the
20 Commodity Credit Corporation and used by the Corporation
21 to defray costs of encouraging export sales of cotton under
22 section 203 of the Agricultural Act of 1956, as amended."

23 (2) Section 376 of the Act is amended by adding at the
24 end thereof the following: "This section also shall be appli-

1 cable to liquidated damages provided for pursuant to section
2 349 of this title."

3 (3) Subsection (f)(8) of section 344 of the Act is
4 amended by inserting after the language "75 per centum of
5 the farm allotment for such year" the following: "or, in the
6 case of a farm which qualified for price support on the crop
7 produced in such year under section 103(b) of the Agricul-
8 tural Act of 1949, as amended, 75 per centum of the farm
9 domestic allotment established under section 350 for such year,
10 whichever is smaller".

11 (4) Section 377 of the Act is amended by inserting in
12 the first proviso after the language "75 per centum or more
13 of the farm acreage allotment for such year" the following:
14 "or, in the case of upland cotton on a farm which qualified
15 for price support on the crop produced in any such year
16 under section 103(b) of the Agricultural Act of 1949, as
17 amended, 75 per centum of the farm domestic allotment estab-
18 lished under section 350 for any such year, whichever is
19 smaller".

20 (5) Subsection (b)(13)(B) of section 301 of the Act
21 is amended by deleting the words "cotton or".

22 (6) Subsection (b)(13)(G) of section 301 of the Act is
23 amended by deleting " , cotton," wherever it appears.

1 (7) Subsection (b)(13) of section 301 of the Act is
2 amended by adding after subparagraph (G) new subpara-
3 graphs as follows:

4 “(H) ‘Normal yield’ for any county, for any crop
5 of cotton, shall be the average yield per acre of cotton
6 for the county, adjusted for abnormal weather conditions
7 and any significant changes in production practices dur-
8 ing the five calendar years immediately preceding the
9 year in which the national marketing quota for such crop
10 is proclaimed. If for any such year the data are not
11 available, or there is no actual yield, an appraised yield
12 for such year, determined in accordance with regulations
13 issued by the Secretary, shall be used as the actual yield
14 for such year.

15 “(I) ‘Normal yield’ for any farm, for any crop of
16 cotton, shall be the average yield per acre of cotton for
17 the farm, adjusted for abnormal weather conditions and
18 any significant changes in production practices during
19 the three calendar years immediately preceding the year
20 in which such normal yield is determined. If for any
21 such year the data are not available, or there is no actual
22 yield, then the normal yield for the farm shall be ap-
23 praised in accordance with regulations of the Secretary,
24 taking into consideration abnormal weather conditions,

1 *the normal yield for the county, changes in production*
2 *practices, and the yield in years for which data are*
3 *available.”*

4 *TITLE II—WHEAT*

5 *SEC. 201. Notwithstanding any other provision of law—*

6 *(1) the Secretary shall not proclaim a national*
7 *marketing quota for the 1965 crop of wheat and farm*
8 *marketing quotas shall not be in effect for such crop of*
9 *wheat;*

10 *(2) the Secretary shall proclaim a national acreage*
11 *allotment for the 1965 crop of wheat which shall be the*
12 *number of acres which the Secretary determines will make*
13 *available an adequate supply of wheat, but shall not be*
14 *less than forty-nine million five hundred thousand acres.*

15 *SEC. 202. The Agricultural Adjustment Act of 1938,*
16 *as amended, is amended as follows:*

17 *(1) Section 334(a) is amended by inserting “and less*
18 *the special acreage reserve provided for in this subsection”*
19 *in the first sentence after “in this subsection”; by changing*
20 *the period at the end of the first sentence to a colon and*
21 *adding the following: “Provided further, That in establishing*
22 *State acreage allotments, the acreage seeded for the produc-*
23 *tion of wheat plus the acreage diverted for 1965 for any farm*
24 *shall be the base acreage of wheat determined for the farm*

1 *under the regulations issued by the Secretary for determining*
2 *farm wheat acreage allotments for such year.”; and by adding*
3 *at the end of the section the following:*

4 *“There shall also be made available, beginning with the*
5 *1965 crop, a special acreage reserve of not in excess of one*
6 *million acres as determined by the Secretary to be desirable*
7 *for the purposes hereof which shall be in addition to the*
8 *national acreage reserve provided for in this subsection.*
9 *Such special acreage reserve shall be used to make additional*
10 *allotments to counties on the basis of the relative needs of*
11 *counties, as determined by the Secretary, for additional allot-*
12 *ment to make adjustments in the allotments on old wheat*
13 *farms (i.e., farms on which wheat has been seeded or*
14 *regarded as seeded to one or more of the three crops imme-*
15 *diately preceding the crop for which the allotment is estab-*
16 *lished) on which the ratio of wheat acreage allotment to*
17 *cropland on the farm is less than one-half the average ratio*
18 *of wheat acreage allotment to cropland on old wheat farms*
19 *in the county. Such adjustments shall not provide an allot-*
20 *ment for any farm which would result in an allotment-*
21 *cropland ratio for the farm in excess of one-half of such*
22 *county average ratio and the total of such adjustments in*
23 *any county shall not exceed the acreage made available there-*
24 *for in the county. Such apportionment from the special*
25 *acreage reserve shall be made only to counties where wheat*

1 is a major income-producing crop, only to farms on which
2 there is limited opportunity for the production of an alterna-
3 tive income-producing crop, and only if an efficient farming
4 operation on the farm requires the allotment of additional
5 acreage from the special acreage reserve. For the purposes of
6 making adjustments hereunder the cropland on the farm
7 shall not include any land developed as cropland subsequent
8 to the 1963 crop year.”

9 (2) Section 334(b) is amended by changing the period
10 at the end thereof to a colon and adding the following: “Pro-
11 vided further, That in establishing county acreage allotments,
12 the acreage seeded for the production of wheat plus the acre-
13 age diverted for 1965 for any farm shall be the base acreage
14 of wheat determined for the farm under the regulations issued
15 by the Secretary for determining farm wheat acreage allot-
16 ments for such year.”

17 (3) Section 334(c)(1) is amended by inserting “or
18 1965” in the third sentence, clauses (i) and (ii), after
19 “1958” wherever it appears, and by inserting “except 1965”
20 in the third sentence, clause (iii), after the language “any
21 subsequent year”.

22 (4) Section 334(g) is amended by inserting “except
23 1965” in the first sentence after the language “in 1958 or
24 thereafter”.

25 (5) Section 336 is amended by striking out “not later

1 *than sixty days after such proclamation is published in the*
2 *Federal Register” and substituting “not later than August 1*
3 *of the calendar year in which such national marketing quota*
4 *is proclaimed”.*

5 *(6) Section 339(a)(1) is amended, effective only with*
6 *respect to the crops planted for harvest in 1964 and 1965, to*
7 *read as follows:*

8 *“(a)(1) As a condition of eligibility for wheat market-*
9 *ing certificates with respect to any farm, the producers on*
10 *such farm shall be required to divert from the production of*
11 *wheat to an approved conservation use an acreage of crop-*
12 *land on the farm equal to the number of acres determined by*
13 *multiplying the farm acreage allotment by the diversion factor,*
14 *and to participate in any program formulated under sub-*
15 *section (b) to the extent prescribed by the Secretary. Such*
16 *diversion factor shall be determined by dividing the number*
17 *of acres by which the national acreage allotment is reduced*
18 *below fifty-five million acres by the number of acres in the*
19 *national acreage allotment.”*

20 *(7) Section 339(b) is amended (1) by inserting after*
21 *the first sentence the following: “Any producer who complies*
22 *with his 1964 farm acreage allotment for wheat and with*
23 *the other requirements of the program shall be eligible to*
24 *receive payments under the program for the 1964 crop of*
25 *wheat.”; and (2) by inserting in the first sentence “for wheat*

1 not accompanied by marketing certificates" after "basic
2 county support rate".

3 (8) Section 339(h) is amended by striking out "June
4 30, 1963" and substituting "June 30, 1965".

5 (9) Section 379b is amended effective only with respect
6 to the crops planted for harvest in 1964 and 1965 to read
7 as follows:

8 "SEC. 379b. A wheat marketing allocation program as
9 provided in this subtitle shall be in effect for the marketing
10 years for the 1964 and 1965 crops. Whenever a wheat
11 marketing allocation program is in effect for any marketing
12 year the Secretary shall determine (1) the wheat marketing
13 allocation for such year which shall be the amount of wheat
14 he estimates will be used during such year for food products
15 for consumption in the United States and that portion of the
16 amount of wheat which he estimates will be exported in the
17 form of wheat or products thereof during the marketing year
18 on which the Secretary determines that marketing certificates
19 shall be issued to producers in order to achieve, insofar as
20 practicable, the price and income objectives of this subtitle,
21 and (2) the national allocation percentage for such year
22 which shall be the percentage which the national marketing
23 allocation is of the national marketing quota proclaimed for
24 the 1964 crop, less the expected production on the acre-
25 age allotments for farms which will not be in compliance

1 with the requirements of the program. Each farm shall
2 receive a wheat marketing allocation for such market-
3 ing year equal to the number of bushels obtained by multiply-
4 ing the number of acres in the farm acreage allotment for
5 wheat by the normal yield of wheat for the farm as deter-
6 mined by the Secretary, and multiplying the resulting number
7 of bushels by the national allocation percentage.’’

8 (10) The second sentence of section 379b, effective with
9 respect to the crops planted for harvest in the calendar year
10 1966 and any subsequent year, is amended by striking out
11 “human consumption in the United States, as food, food
12 products, and beverages, composed wholly or partly of
13 wheat” and substituting “food products for consumption in
14 the United States”.

15 (11) Section 379c(a) is amended by inserting “under
16 section 379c(b) or” after “stored” in the second sentence; by
17 changing the period at the end of the second sentence to a
18 comma and adding the following: “and if this limitation
19 operates to reduce the amount of wheat marketing certificates
20 which would otherwise be issued with respect to the farm, such
21 reduction shall be made first from the amount of export certifi-
22 cates which would otherwise be issued.”; and by adding at the
23 end of the section the following: “The Secretary shall, in
24 accordance with such regulation as he may prescribe, provide
25 for the issuance of domestic marketing certificates for the

1 *portion of the wheat marketing allocation representing wheat*
2 *used for food products for consumption in the United States*
3 *and for the issuance of export marketing certificates for the*
4 *portion of the wheat marketing allocation used for exports."*

5 (12) *Section 379c(b) of the Agricultural Adjustment*
6 *Act of 1938, as amended, is amended, effective only with*
7 *respect to the crop planted for harvest in the calendar year*
8 *1965, by adding at the end thereof the following: "For pur-*
9 *poses of this section, but not for purposes of diversion pay-*
10 *ments under subsection (b) of section 339, a producer shall*
11 *be deemed not to have exceeded the farm acreage allotment*
12 *for wheat if the acreage in excess of the farm acreage allot-*
13 *ment does not exceed 50 per centum of the farm acreage*
14 *allotment and the amount of wheat produced on the acreage*
15 *in excess of the farm acreage allotment is stored in accordance*
16 *with regulations issued by the Secretary. The amount of*
17 *wheat required to be stored hereunder shall be an amount*
18 *equal to twice the normal yield of wheat per acre established*
19 *for the farm multiplied by the number of acres of such crop*
20 *of wheat on the farm in excess of the farm acreage allot-*
21 *ment for such crop unless the producer, in accordance with*
22 *regulations prescribed by the Secretary and within the time*
23 *prescribed therein, establishes to the satisfaction of the Secre-*
24 *tary the actual production of such crop of wheat on the*
25 *farm. If such actual production is so established, the amount*

1 of wheat required to be stored shall be such actual production
2 less the actual production of the farm wheat acreage allotment
3 based upon the average yield per acre for the entire wheat acre-
4 age on the farm: Provided however, That the amount of wheat
5 required to be stored shall not be larger than the amount by which
6 the actual production so established exceeds the normal produc-
7 tion of the farm wheat acreage allotment. At the time and to
8 the extent of any depletion in the amount of wheat so stored,
9 except depletion resulting from the release of wheat from
10 storage on account of underplanting or underproduction,
11 as provided below or depletion resulting from some cause
12 beyond the control of the producer, the producer shall pay
13 an amount to the Secretary equal to one and one-half times
14 the value of the wheat marketing certificates issued with re-
15 spect to the farm for the year in which the wheat on the
16 acreage in excess of the allotment was produced. Whenever
17 the planted acreage of the then current crop of wheat on the
18 farm is less than the farm acreage allotment, the total amount
19 of wheat from any previous crops stored hereunder or
20 stored in order to avoid or postpone a marketing quota
21 penalty shall be reduced by that amount which is equal to the
22 normal production of the number of acres by which the farm
23 acreage allotment exceeds the planted acreage, and whenever
24 the actual production of the acreage of wheat is less than the
25 normal production of the farm acreage allotment, the total

1 amount of wheat from any previous crops stored hereunder
2 or in order to avoid a marketing quota penalty shall be re-
3 duced by that amount which together with the actual produc-
4 tion of the then current crop will equal the normal production
5 of the farm acreage allotment.”

6 (13) Section 379c(c) is amended to read as follows:

7 “(c) The Secretary shall determine and proclaim for
8 each marketing year the face value per bushel of wheat mar-
9 keting certificates. The face value per bushel of domestic
10 certificates shall be the amount by which the level of price
11 support for wheat accompanied by domestic certificates
12 exceeds the level of price support for wheat not accompanied
13 by certificates (noncertificate wheat); and the face value per
14 bushel of export certificates shall be the amount by which the
15 level of price support for wheat accompanied by export cer-
16 tificates exceeds the level of price support for noncertificate
17 wheat.”

18 (14) Section 379d(a) is amended (1) by striking the
19 first and last sentences therefrom, and (2) by striking from
20 the second sentence remaining “by persons other than the
21 producer to whom such certificates are issued” and substitut-
22 ing “by any person”.

23 (15) Section 379d(b) is amended to read as follows:

24 “(b) During any marketing year for which a wheat
25 marketing allocation program is in effect, (i) all persons

1 *engaged in the processing of wheat into food products shall,*
2 *prior to marketing any such food product or removing such*
3 *food product for sale or consumption, acquire domestic mar-*
4 *keting certificates equivalent to the number of bushels of*
5 *wheat contained in such product and (ii) all persons export-*
6 *ing wheat shall, prior to such export, acquire export market-*
7 *ing certificates equivalent to the number of bushels so exported.*
8 *In order to expand international trade in wheat and wheat*
9 *flour and promote equitable and stable prices therefor, the*
10 *Commodity Credit Corporation shall, upon the exportation*
11 *from the United States of any wheat or wheat flour, make a*
12 *refund to the exporter or allow him a credit against the*
13 *amount payable by him for marketing certificates, in such*
14 *amount as the Secretary determines will make United States*
15 *wheat and wheat flour generally competitive in the world*
16 *market, avoid disruption of world market prices, and fulfill*
17 *the international obligations of the United States. The Secre-*
18 *tary may exempt wheat exported for donation abroad and*
19 *other noncommercial exports of wheat and wheat processed*
20 *for use on the farm where grown from the requirements of*
21 *this subsection. Marketing certificates shall be valid to cover*
22 *only sales or removals for sale or consumption or exportations*
23 *made during the marketing year with respect to which they*
24 *are issued, and after being once used to cover a sale or*
25 *removal for sale or consumption or export of a food product*

1 *or an export of wheat shall be void and shall be disposed of in*
 2 *accordance with regulations prescribed by the Secretary.*
 3 *Notwithstanding the foregoing provisions hereof, the Secre-*
 4 *tary may require marketing certificates issued for any mar-*
 5 *keting year to be acquired to cover sales, removals, or exporta-*
 6 *tions made on or after the date during the calendar year in*
 7 *which wheat harvested in such calendar year begins to be*
 8 *marketed as determined by the Secretary even though such*
 9 *wheat is marketed prior to the beginning of the marketing*
 10 *year, and marketing certificates for such marketing year shall*
 11 *be valid to cover sales, removals, or exportations made on or*
 12 *after the date so determined by the Secretary."*

13 *(16) Section 379d(d) is amended to read as follows:*

14 *"(d) As used in this subtitle, the term 'food products'*
 15 *means flour, semolina, farina, bulgur, beverage, and any*
 16 *other product composed wholly or partly of wheat which the*
 17 *Secretary may determine to be a food product."*

18 *SEC. 203. Section 107 of the Agricultural Act of 1949,*
 19 *as amended, is amended to read as follows:*

20 *"SEC. 107. Notwithstanding the provisions of section*
 21 *101 of this Act, beginning with the 1964 crop—*

22 *"(1) Price support for wheat accompanied by do-*
 23 *mestic certificates shall be at such level not less than 65*
 24 *per centum or more than 90 per centum of the parity*
 25 *price therefor as the Secretary determines appropriate,*

1 *taking into consideration the factors specified in section*
2 *401(b).*

3 *“(2) Price support for wheat accompanied by ex-*
4 *port certificates shall be at such level not more than 90*
5 *per centum of the parity price therefor as the Secretary*
6 *determines appropriate, taking into consideration the fac-*
7 *tors specified in section 401(b).*

8 *“(3) Price support for wheat not accompanied by*
9 *marketing certificates shall be at such level, not in excess*
10 *of 90 per centum of the parity price therefor, as the*
11 *Secretary determines appropriate, taking into considera-*
12 *tion competitive world prices of wheat, the feeding value*
13 *of wheat in relation to feed grains, and the level at*
14 *which price support is made available for feed grains.*

15 *“(4) Price support shall be made available only to*
16 *cooperators; and, if a commercial wheat-producing area*
17 *is established for such crop, price support shall be made*
18 *available only in the commercial wheat-producing area.*

19 *“(5) Effective with respect to crops planted for*
20 *harvest in the calendar year 1966 and any subsequent*
21 *year, the level of price support for any crop of wheat*
22 *for which a national marketing quota is not proclaimed*
23 *or for which marketing quotas have been disapproved by*
24 *producers shall be as provided in section 101.*

25 *“(6) A ‘cooperator’ with respect to any crop of*

1 wheat produced on a farm shall be a producer who (i)
2 does not knowingly exceed (A) the farm acreage allot-
3 ment for wheat on the farm or (B) except as the Secre-
4 tary may by regulation prescribe, the farm acreage allot-
5 ment for wheat on any other farm on which the producer
6 shares in the production of wheat, and (ii) complies with
7 the land-use requirements of section 339 of the Agri-
8 cultural Adjustment Act of 1938, as amended, to the ex-
9 tent prescribed by the Secretary. Effective with respect
10 to crops planted for harvest in the calendar year 1966
11 and any subsequent year, if marketing quotas are not
12 in effect for the crop of wheat, a 'cooperator' with re-
13 spect to any crop of wheat produced on a farm shall
14 be a producer who does not knowingly exceed the farm
15 acreage allotment for wheat. No producer shall be deemed
16 to have exceeded a farm acreage allotment for wheat
17 if the entire amount of the farm marketing excess is
18 delivered to the Secretary or stored in accordance with
19 applicable regulations to avoid or postpone payment of
20 the penalty, but the producer shall not be eligible to re-
21 ceive price support on such marketing excess. No pro-
22 ducer shall be deemed to have exceeded the farm acreage
23 allotment for wheat on any other farm, if such farm is
24 exempt from the farm marketing quota for such crop
25 under section 335. No producer shall be deemed to have

1 exceeded a farm acreage allotment for wheat if the pro-
2 duction on the acreage in excess of the farm acreage allot-
3 ment is stored pursuant to the provisions of section
4 379c(b), but the producer shall not be eligible to re-
5 ceive price support on the wheat so stored.”

6 SEC. 204. Section 407 of the Agricultural Act of 1949,
7 as amended, is amended, effective only with respect to the
8 marketing years beginning in the calendar years 1964 and
9 1965, by striking the second proviso from the third sentence,
10 and substituting: “Provided further, That if a wheat mar-
11 keting allocation program is in effect, the current support
12 price for wheat shall be the support price for wheat not ac-
13 companied by marketing certificates.”

Amend the title so as to read: “An Act to encourage increased consumption of cotton, to maintain the income of cotton and wheat producers, to provide a voluntary marketing certificate program for the 1964 and 1965 crop of wheat, and for other purposes.”

Passed the House of Representatives December 4, 1963.

Attest:

RALPH R. ROBERTS,

Clerk.

AN ACT

To encourage increased consumption of cotton, to maintain the income of cotton producers, to provide a special research program designed to lower costs of production, and for other purposes.

DECEMBER 5, 1963

Read twice and referred to the Committee on
Agriculture and Forestry

FEBRUARY 20 (legislative day, FEBRUARY 10), 1964

Reported with amendments

Mr. President, in his meeting with President Johnson, President Lopez Mateos will encounter a neighbor of Mexico whose friendship for that great land is of long standing. Coming as he does from a State with a large population of Mexican extraction, President Johnson has long been aware of the contributions which these people have made. A short excerpt from the history of Texas-Mexican relations, and of a part which President Johnson has played in them, is told in an article by columnist Drew Pearson which appeared in this morning's Washington Post. I commend its reading to my colleagues, and ask that it be printed at this point in the CONGRESSIONAL RECORD.

There being no objection, the article was followed to be printed in the RECORD, as follows:

JOHNSON HOLDS MEXICO'S ESTEEM
(By Drew Pearson)

For almost 100 years any Texan was always suspected, sometimes hated, by Mexico. Its people remembered—just as vividly as Texans remember the Alamo—the war of 1848 when a good slice of Mexico was chopped off by fire-eating, pistol-packing, land-hungry Texans.

Fifty years ago, perhaps even 20 years ago, no one would have believed that a President of Mexico would sit down on American soil to confer with a Texas-born President of the United States.

The fact that it is happening this week is due in part to the more commonsense shown by both nations; in part to the two men who are meeting in Los Angeles; and in part to the people of San Antonio who elected a Spanish-American, HENRY GONZALEZ, to Congress, and to the people of El Paso who elected another Spanish-American, Raymond Telles, as their mayor.

President Adolfo Lopez Mateos is a moderate who has continued the land and economic reforms of the Mexican revolution—at first bitterly opposed by the United States. Lopez Mateos has realized that American tourist trade and American investments mean the difference between prosperity and poverty; so, without sacrificing anything in the way of Mexican pride and sovereignty, he has gone out of his way to work at friendship.

He became the first Mexican President in history to cross into Texas, when he visited the LBJ ranch while Mr. Johnson was Vice President. And previously he conferred with Mr. Johnson at Acapulco when Johnson was Senate majority leader.

JOHNSON'S FRIENDSHIP

President Johnson, in turn, is revered in Mexico as perhaps few other American Presidents. Mexicans remember how he toured San Antonio in an old pickup truck campaigning for HENRY GONZALEZ and conceived the brilliant idea of bringing Pepe Cantinflas, popular star of "Around the World in Eighty Days," to San Antonio to help GONZALEZ.

But most of all, Mexicans remember an event which occurred during the Korean war when the people of Three Rivers, Tex., refused to bury a Mexican-American boy killed in battle.

The brother of the Governor of Taxco told the story when Johnson went to that city in 1958. Tears streamed down his face as he spoke, and Johnson, who doesn't speak Spanish well, couldn't understand the reason. But here is what the Mexican said:

When a Mexican boy, drafted into the American Army, was killed in Korea, his body was brought back to Three Rivers, Tex., where he had lived. But the one funeral parlor

in that little town would not give him a burial because he was a Mexican.

"Whereupon the Senator from Texas who is with us today telephoned from Washington: 'I can't make the funeral parlor bury this boy, but I can bring his body to Arlington National Cemetery in Washington and bury him alongside Presidents.'

"And that," said the Mexican speaker, "is what the Senator from Texas did."

PROGRAM FOR PRODUCTION AND CONSUMPTION OF COTTON AND WHEAT

Mr. MANSFIELD. Mr. President, if I may have the attention of the distinguished minority leader, I announce that if there are no difficulties connected with the filing of the report on the wheat and cotton bill by the Committee on Agriculture and Forestry by midnight tonight, it would be the hope of the leadership to bring up that bill tomorrow at the conclusion of the reading of Washington's Farewell Address.

Mr. WILLIAMS of Delaware. Mr. President, I have no objection to the Senate's making progress, but we have not yet received a bill from the committee. I do not see how we can intelligently debate a bill we have not yet seen.

Mr. MANSFIELD. The Senator is correct.

Mr. WILLIAMS of Delaware. I wonder if we would not make better time if Senators had an opportunity first to read the bill—which will not be available until tomorrow morning—to study it and then proceed to consider it next week. I shall not object if that is what the Senator wishes to do, but I think the Senators would be trying to debate something they do not know anything about. We do too much of that as it is.

Mr. MANSFIELD. The Senator has a good argument, as always. It is my understanding that the report will be available this afternoon. I, of course, made the request—which would have to be a unanimous-consent request—with the idea in mind, though I did not state it, that the report would be available. But if the Senator desires, I would be most happy to change the tentative announcement to make it applicable to Monday.

Mr. WILLIAMS of Delaware. Unless we are sure we will get the report and have time to read it, I think it would be better to carry it over until next week. However, I would be willing to wait until later in the day to see how much progress is made toward completing the report. I understand that the committee has until midnight to file it.

Mr. MANSFIELD. The Senator has a point, and I will discuss it with the minority leader.

Mr. DIRKSEN. Mr. President, a parliamentary inquiry.

The ACTING PRESIDENT pro tempore. The Senator will state it.

Mr. DIRKSEN. It is my understanding that in order to make the unanimous-consent request valid, the Senate would have to adjourn.

The ACTING PRESIDENT pro tempore. The Senator from Illinois is correct; it would require unanimous con-

sent to bring up the report while the Senate is in recess.

Mrs. SMITH. Mr. President, will the minority leader yield?

Mr. DIRKSEN. I am delighted to yield to the distinguished Senator from Maine.

Mrs. SMITH. Would the majority leader say he is not expecting any votes tomorrow, but only statements on the bill about which he is talking?

Mr. MANSFIELD. If the bill is brought up tomorrow, the joint leadership could assure the distinguished Senator from Maine that there would be no votes tomorrow.

Mrs. SMITH. I thank the Senator very much.

Mr. MANSFIELD subsequently said: Mr. President, pursuant to the unanimous-consent request made previously, I now ask unanimous consent that the minority and supplemental views on the bill to be reported from the Committee on Agriculture and Forestry may have until midnight tonight to be filed.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

EXECUTIVE COMMUNICATIONS, ET CETERA

The ACTING PRESIDENT pro tempore laid before the Senate the following letters, which were referred as indicated:

FEE FOR SERVICES PERFORMED IN CONNECTION WITH THE ARRIVAL IN, OR DEPARTURE FROM, THE UNITED STATES OF A PRIVATE AIRCRAFT OR PRIVATE VESSEL

A letter from the Secretary of the Treasury, transmitting a draft of proposed legislation to provide for a flat fee for services performed in connection with the arrival in, or departure from, the United States of a private aircraft or private vessel, and for other purposes (with accompanying papers); to the Committee on Finance.

AUDIT REPORT ON EXPORT-IMPORT BANK OF WASHINGTON

A letter from the Comptroller General of the United States, transmitting, pursuant to law, an audit report on the Export-Import Bank of Washington, fiscal year 1963 (with an accompanying report); to the Committee on Government Operations.

REPORT ON UNNECESSARY PROCUREMENT BECAUSE EQUIPMENT REQUIREMENTS WERE OVERSTATED BY WHITE SANDS MISSILE RANGE, NEW MEXICO

A letter from the Comptroller General of the United States, transmitting, pursuant to law, a report on unnecessary procurement initiated or planned because equipment requirements were overstated by White Sands Missile Range, New Mexico, Department of the Army, dated February 1964 (with an accompanying report); to the Committee on Government Operations.

REPORT ON OVERPAYMENTS MADE UNDER A COST-PLUS-A-FIXED-FEE CONTRACT FOR PROCUREMENT OF NUCLEAR SUBMARINE COMPONENTS FROM COMBUSTION ENGINEERING, INC.

A letter from the Comptroller General of the United States, transmitting, pursuant to law, a report on overpayments made under a cost-plus-a-fixed-fee contract for the procurement of nuclear submarine components from Combustion Engineering, Inc., New York, N.Y., Department of the Navy, dated February 1964 (with an accompanying report); to the Committee on Government Operations.

LITHUANIAN INDEPENDENCE DAY— RESOLUTION

The ACTING PRESIDENT pro tempore laid before the Senate a resolution adopted at a mass meeting of Lithuanian-Americans, in Elizabeth, N.J., on February 16, 1964, relating to Lithuanian independence, which was referred to the Committee on Foreign Relations.

REPORT OF A COMMITTEE

The following report of a committee was submitted:

By Mr. EASTLAND, from the Committee on Agriculture and Forestry, with amendments: H.R. 6196. An act to encourage increased consumption of cotton, to maintain the income of cotton producers, to provide a special research program designed to lower costs of production, and for other purposes (Rept. No. 874); with minority and supplemental views.

(See the remarks of Mr. MANSFIELD relating to the report on the above bill, which appear under a separate heading.)

EXECUTIVE REPORT OF A COMMITTEE

As in executive session,

The following favorable report of a nomination was submitted:

By Mr. HILL, from the Committee on Labor and Public Welfare:

Leverett Edwards, of Oklahoma, to be a member of the National Mediation Board.

BILLS AND JOINT RESOLUTION INTRODUCED

Bills and a joint resolution were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. MANSFIELD (for himself, Mr. METCALF, Mr. BURDICK, Mr. YOUNG of North Dakota, Mr. McGOVERN, Mr. MILLER, and Mr. HICKENLOOPER):

S. 2525. A bill to restrict imports of beef, veal, and mutton into the United States; to the Committee on Finance.

(See the remarks of Mr. MANSFIELD when he introduced the above bill, which appear under a separate heading.)

By Mr. EASTLAND:

S. 2526. A bill for the relief of Wright G. James; to the Committee on the Judiciary.

By Mr. ELLENDER (by request):

S. 2527. A bill to amend paragraph (a) of the act of March 4, 1913, as amended by the act of January 31, 1931 (16 U.S.C. 502); to the Committee on Agriculture and Forestry.

By Mr. MORSE (for himself and Mr. METCALF):

S. 2528. A bill to amend Public Law 874, 81st Congress, in order to provide assistance to local educational agencies in the education of children of needy families and children residing in areas of substantial unemployment with unemployed parents; to the Committee on Labor and Public Welfare.

(See the remarks of Mr. MORSE when he introduced the above bill, which appear under a separate heading.)

By Mr. HILL:

S. 2529. A bill to amend the Public Health Service Act to increase the opportunities for training professional nursing personnel, and for other purposes;

S. 2530. A bill to amend the Public Health Service Act to extend the authorization for assistance in the provision of graduate or specialized public health training, and for other purposes; and

S. 2531. A bill to improve the public health through revising, consolidating, and improving the hospital and other medical facilities provisions of the Public Health Service Act; to the Committee on Labor and Public Welfare.

By Mr. GRUENING (for himself and Mr. BARTLETT):

S. 2532. A bill to aid in the administration of the Pribilof Islands, in Alaska, by the Secretary of the Interior and to provide for the self-sufficiency of the inhabitants thereof, and for other purposes; to the Committee on Interior and Insular Affairs.

By Mr. JACKSON (for himself and Mr. MAGNUSON):

S. 2533. A bill to authorize the Secretary of the Interior to construct, operate, and maintain the Manson Unit, Chelan Division, Chief Joseph Dam project, Washington, and for other purposes; to the Committee on Interior and Insular Affairs.

By Mr. YARBOROUGH (by request):

S. 2534. A bill to authorize outpatient medical services to certain veterans of World War I, World War II, and the Korean conflict, and for other purposes; to the Committee on Labor and Public Welfare.

(See the remarks of Mr. YARBOROUGH when he introduced the above bill, which appear under a separate heading.)

By Mr. YARBOROUGH:

S. 2535. A bill for the relief of Wong Gar Wah; to the Committee on the Judiciary.

By Mr. ERVIN:

S.J. Res. 157. Joint resolution proposing an amendment to the Constitution to provide a means for determination of the inability of the President to discharge the powers and duties of his office; to the Committee on the Judiciary.

(See the remarks of Mr. ERVIN when he introduced the above joint resolution, which appear under a separate heading.)

RESOLUTION

INVESTIGATION OF GOVERNMENT COMPETITION WITH PRIVATE BUSINESS

Mr. TOWER submitted the following resolution (S. Res. 299); which was referred to the Committee on Government Operations:

Resolved, That the Committee on Government Operations, or any duly authorized subcommittee thereof, is authorized under sections 134(a) and 136 of the Legislative Reorganization Act of 1946, as amended, and in accordance with its jurisdiction specified by rule XXV of the Standing Rules of the Senate, to make a full and complete study for the purpose of determining—

(1) the extent to which departments and agencies of the Government are engaged in the production or furnishing of goods and services which can be supplied by private enterprise;

(2) the extent to which necessity or the national security require that such goods and services be produced or furnished by departments or agencies of the Government; and

(3) the means and methods by which the function of producing or furnishing such goods and services may be transferred at the earliest practicable time and to the greatest practicable extent to private competitive enterprise within the United States.

Sec. 2. For the purposes of this resolution, the committee, from March 1, 1964, through January 31, 1965, is authorized to (1) make such expenditures as it deems advisable; (2) employ upon a temporary basis technical, clerical, and other assistants and consultants: *Provided*, That the minority is authorized, at its discretion, to select one person for appointment, and the person so selected shall be appointed and his compensation shall be

so fixed that his gross rate shall not be less by more than \$1,200 than the highest gross rate paid to any other employee; and (3) with the prior consent to the heads of the departments or agencies concerned, and the Committee on Rules and Administration, to utilize the reimbursable services, information, facilities, and personnel of any of the departments or agencies of the Government.

Sec. 3. The committee shall report its findings upon the study and investigation authorized by this resolution, together with its recommendations for such legislation as it deems advisable, to the Senate at the earliest practicable date, but not later than January 31, 1965.

Sec. 4. Expenses of the committee, under this resolution, which shall not exceed \$125,000, shall be paid from the contingent fund of the Senate upon vouchers approved by the chairman of the committee.

A BILL TO PROVIDE OUTPATIENT TREATMENT OF VETERANS BY VA HOSPITALS

Mr. YARBOROUGH. Mr. President, I introduce, by request, for appropriate reference, a bill which would permit outpatient treatment by the Veterans' Administration hospitals for veterans of World War I, World War II, or the Korean conflict who are in receipt of a pension under chapter 15, title 38, United States Code.

This is an area where more study is needed. The veteran population is growing older and its health problems are more acute. This bill will give the appropriate committee of the Senate an opportunity to look deeply into this matter.

This bill would extend the outpatient program which presently exists for veterans of the Spanish-American War, the Boxer Rebellion, and the Philippines Insurrection to include the veterans of both world wars and Korea.

Under existing law veterans other than those above mentioned must be admitted to a Veterans' Administration hospital before they can be treated. It might be far less expensive to provide those veterans who do not need extended hospital treatment with this outpatient care.

In any event, I feel that this is a worthy area for extensive study, and this bill provides a vehicle for exploration of the needs and solutions in this area.

The ACTING PRESIDENT pro tempore. The bill will be received and appropriately referred.

The bill (S. 2534) to authorize outpatient medical services to certain veterans of World War I, World War II, and the Korean conflict, and for other purposes, introduced by Mr. YARBOROUGH, by request, was received, read twice by its title, and referred to the Committee on Labor and Public Welfare.

PRESIDENTIAL SUCCESSION AND DISABILITY

Mr. ERVIN. Mr. President, on January 20 I introduced Senate Joint Resolution 147 which would provide a method to select a new Vice President in the event of a vacancy in that office. It would also provide a method to fill

economic brackets whereby the local tax base is enhanced by their presence. By adopting these amendments we would be recognizing that the Federal Government has a responsibility, in part, to help to educate the children so that in the future, through education, perhaps these cycles of poverty could be broken. School districts which have large numbers of children from very low income families have costs which are greater in many instances than high income suburban school districts—yet far too often they do not have the revenues to finance the types of program which are needed if the native talent and ability of the child is to be developed. The additional \$200 million or more annually that this program might cost, perhaps, is justified if it serves to reduce the ranks of the future unemployed.

One thing we can be sure of, unless we strive to find ways to meet the problem of poverty, we will serve only to perpetuate it. Education may not be the only key to the door of opportunity, but without education that door will remain locked.

The bill has two main sections. The final section of the bill is designed to guard against the disruption of an ongoing program in the event of a cancellation of the military or defense activity. At the present time the phaseout of Federal assistance would take place within a year. I am suggesting that the Commissioner be given authority to stretch out the termination of this impacted area program for 3 years when he finds this to be appropriate. I can foresee that the elimination of a defense activity in an area can cause just as great or greater problems for a school system as the establishment of such a program.

Mr. President, I ask unanimous consent that the text of the bill as introduced be printed at this point in my remarks.

I also ask unanimous consent that the bill be held at the desk for additional cosponsors until the close of business, February 28.

The ACTING PRESIDENT pro tempore. The bill will be received and appropriately referred; and, without objection, will be printed in the RECORD and held at the desk as requested.

The bill (S. 2528) to amend Public Law 874, 81st Congress, in order to provide assistance to local educational agencies in the education of children of needy families and children residing in areas of substantial unemployment with unemployed parents, introduced by Mr. MORSE (for himself and Mr. METCALF), was received, read twice by its title, referred to the Committee on Labor and Public Welfare, and ordered to be printed in the RECORD, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 1 of the Act entitled "An Act to provide financial assistance for local educational agencies in areas affected by Federal activity, and for other purposes", approved September 30, 1950 (20 U.S.C. 236) is amended (1) by inserting "(a)" after "SECTION 1." and (2) by inserting at the end of such section a new subsection as follows:

"(b) It is further declared that in recognition of the continuing policy and responsibility of the Federal Government to promote full employment throughout the Nation and to encourage education necessary to such employment, it is also the purpose of this Act to provide assistance to local educational agencies in the education of children of needy families and children residing in areas of substantial unemployment with unemployed parents."

SEC. 2. Such Act is further amended by inserting after section 4 a new section as follows:

"CHILDREN OF NEEDY FAMILIES AND CHILDREN RESIDING IN AREAS OF SUBSTANTIAL UNEMPLOYMENT WITH UNEMPLOYED PARENTS"

"Authorization"

"SEC. 4A. (a) For the purpose of computing the amount to which a local educational agency is entitled under this section for any fiscal year, the Commissioner shall determine the number of children who were in average daily attendance at the schools of such agency, and for whom such agency provided free public education, during such fiscal year, and who, while in attendance at such schools—

"(1) were dependent children for the purposes of title IV of the Social Security Act, or

"(2) resided in an area, which during a major portion of such year was designated by the Secretary of Labor as an area of substantial unemployment, with one or more parents neither of whom was regularly employed and at least one of whom was drawing State unemployment compensation.

For the purposes of this section a child may not be counted under both clauses 1 and 2 of this subsection for the same period.

"DETERMINATION OF AMOUNT"

"(b) The amount to which a local educational agency is entitled under this section for any fiscal year shall be an amount equal to (1) 25 per centum of the local contribution rate (determined under section 3(d)) multiplied by (2) the number of children determined under subsection (a).

"MINIMUM REQUIREMENT"

"(c) No local educational agency shall be entitled to receive any payment for a fiscal year with respect to a number of children determined under subsection (a) unless the number of children who were in average daily attendance during such year and to whom such subsection applies—

"(1) is ten or more; and

"(2) amounts to 3 per centum or more of the total number of children who were in average daily attendance during such year and for whom such agency provided free public education.

Notwithstanding the preceding provisions of this subsection, the Commissioner may waive the 3 per centum condition of entitlement whenever, in his judgment, exceptional circumstances exist which would make the application of such condition inequitable and would defeat the purposes of this section.

"DETERMINATION OF NUMBER OF CHILDREN"

"(d) The determination whether a local educational agency has met the percentage requirement for eligibility under this section for any fiscal year shall be made on the basis of estimates by the Commissioner prior to the close of such year, except that an underestimate made by the Commissioner pursuant to this subsection shall not operate to deprive an agency of its entitlement to any payments under this section to which it would be entitled had the estimate been accurate."

SEC. 3. Sections 3(f) and 4(d) of such Act are each amended (1) by inserting after "such agency is otherwise entitled under this section for such year" the following: "and

the two succeeding fiscal years", and (2) by striking out "current expenditures for such year" and inserting in lieu thereof "current expenditures for such years".

SEC. 4. Section 5 of such Act is amended (1) in subsection (a) by striking out "or 4" and inserting in lieu thereof "4, or 4A", and (2) in subsection (c) by striking out "and 4(a)" and inserting in lieu thereof "4(a), and 4A".

SEC. 5. Section 9 of such Act is amended by inserting at the end thereof the following:

"(11) The term 'State unemployment compensation' means unemployment compensation paid to an individual under State law or title XV of the Social Security Act."

SEC. 6. The amendments made by this Act shall be effective for fiscal years beginning after June 30, 1964.

WHEAT AND COTTON PROGRAM

Mr. DOMINICK. Mr. President, I feel shy speaking on an agricultural subject, because I am not a member of the Committee on Agriculture and Forestry, but I did wish to bring out what has happened in the committee, inasmuch as we shall be debating the particular issue within the next few days, and also to present to the Senate some questions as to the merit of the bill that was reported.

It is my understanding that the bill finally reported by the committee over the objection of the chairman was a bill which was not even considered, so far as hearings were concerned, but was pushed through as a compromise, with wheat and cotton lumped together.

The proposals for both wheat and cotton have one basic ingredient in common, and that is that the farmers who will receive support under them will receive payment for their crops, part of it in the marketplace and part of it from the Federal Government. In general, this is considered as the payment issue, involving the question of whether the Government itself should provide a part of the income for the farmers who are producing the crops.

There are a number of different viewpoints on this question. I recently received a document from the American arm Bureau Federation, dated February 1964, entitled "Questions and Answers on 'The Payments Issue'."

I must say, in all candor, that this is about as clear an exposition of the basic issues we shall be asked to debate—either this week or next week—as I have yet seen on this particular agricultural problem.

For example:

Question No. 1. What kind of payments are we talking about?

Answer. Any kind of Government payment that is made for the purpose of supplying a part of the income farmers receive for the sale of their products.

This is true whether we do it in the form of support, in the form of loans, or in the form of certificates—which is what is being proposed at this point, certificate payments for wheat supports. We are doing it whether it applies only to cotton and wheat, as in this particular bill, or whether it also applies to the dairy production supports which have been asked for by the Senator from Minnesota.

It seems to me that finally we must come to a decision on—and a basic decision—as to whether we are to go along with producers in the agricultural industry themselves, who feel that they can do better by getting free from governmental control, or whether we are going to keep them encased in a system whereby we provide incentives for their prices and still say that they must reduce production even with that incentive. These two things conflict on every occasion and on every other program with every other commodity in this country.

We should not forget that support payments were designed to promote increased production. Yet, in the agricultural field, for some reason wholly bewildering to me and to many others, we provide the support payments and then say there is no reason why production will be cut down. It makes no sense.

Inasmuch as I believe this particular series of questions and answers is productive and will be useful in the debate soon to follow, I ask unanimous consent to have the document printed in the RECORD.

There being no objection, the document was ordered to be printed in the RECORD, as follows:

QUESTIONS AND ANSWERS ON THE PAYMENTS ISSUE

Should farmers get their income in the marketplace or partly from the market and partly from some sort of government payment? In other words, the issue is whether government checks should be used to pay a part of the price farmers receive for their products. This is the hottest farm policy issue before Congress during this election year of 1964.

The following questions and answers have been prepared to facilitate understanding of this issue:

Question. What kind of payments are we talking about?

Answer. Any kind of Government payment that is made for the purpose of supplying a part of the income farmers receive for the sale of their products.

Question. What commodities would be affected by current payment proposals?

Answer. Legislation now before Congress proposes various types of payments for dairy products, wheat, and cotton. If the payments approach is adopted for these major commodities, it can be expected to spread to the rest of agriculture.

Question. What is proposed for dairy products?

Answer. Senator McCARTHY of Minnesota has proposed a plan under which producers reducing production of manufacturing milk would receive Government payments of not to exceed 50 cents per hundredweight on their marketings.

Question. What is proposed for cotton?

Answer. There are two types of payment proposals on cotton. Under the Cooley bill, which has passed the House, payments would be made to handlers (in effect, to the mills) to compensate in full or in part, for the subsidies already being paid on cotton exports. An additional payment would be made to each cotton grower on the first 15 bales of his production although this might be disguised by a program of buying such cotton at the support level and offering it for resale at a lower price.

Under the Talmadge-Humphrey bill cotton would be supported at the world price level, and payments would be used to provide additional support for cotton produced within a domestic allotment. All such payments would go directly to producers. Producers

would receive one rate of payment for the first 15 bales of production, within domestic allotments, a lower rate for the next 15 bales of such production, and a still lower rate for production in excess of 30 bales.

Question. What is proposed for wheat?

Answer. The major payment proposals for wheat are the so-called voluntary certificate plan and the Humphrey bill. Pending certificate proposals are based on the plan which growers voted down in the May 1963 wheat referendum. Cooperating growers would receive certificates entitling them to payments on certificate wheat. The total number of certificates to be issued would be based on domestic human consumption and a portion of wheat exports. Some versions provide for one level of payments on the domestic portion of the certificate wheat and a lower rate on the export portion. The cost of the proposed payments would be partly, or completely, offset by a processing tax (bread tax). The cost could be completely offset if participation were low since the tax collected on wheat sold by noncooperators could cover the cost of the payments on export wheat. If participation were high it would be necessary to use Treasury funds for payments on the export portion of the certificate wheat. Under the Humphrey bill cooperating producers would receive a payment of not more than 65 cents per bushel on 50 percent of the normal yield of their planted acres (which is assumed to be the domestic portion of the crop), and 25 cents per bushel on the other 50 percent (which is assumed to be export wheat). This plan is similar to the certificate plan in many respects. The principal difference is that under the Humphrey bill all payments would be financed by the Federal Treasury as there is no provision for a processing tax.

Question. Aren't some of these proposals similar to the present feed grain program in some respects?

Answer. Yes. Under the 1963 and 1964 feed grain programs cooperating producers qualify for both commodity loans and price support payments. For example, in 1963 cooperating corn producers were eligible for price support loans at a national average rate of \$1.07 per bushel, and a price support payment of 18 cents per bushel on the normal yield of their planted acres.

Question. Are there objections to a payment plan such as the one now in effect on corn?

Answer. Yes. Payments are wrong in principle because they are destructive of the market system. Under the feed grain program the producer makes his production plans on the assumption that corn is worth \$1.25 per bushel. But, since he is getting part of the support price (18 cents in 1963) from the Government, he bases his livestock production plans on the assumption that corn is worth only \$1.07 per bushel. A situation of this type encourages an overproduction of both corn and livestock. The feed grain program is supposed to reduce production but the 1963 feed grain crop was the largest on record.

Question. Is there any common denominator in these various plans?

Answer. Yes. While the various plans differ in form and detail they all propose to make producers dependent upon Government payments for a part of the price of their product.

Question. Is this a new issue?

Answer. No; the issue raised by current payment proposals is the same as that raised by the Brannan plan, which Congress rejected in 1949. Regardless of differences in form and detail, the current payment proposals are all "Brannan-type plans."

Question. What's the difference between Brannan-type payments and the payments that are made under the ACP and Conservation Reserve programs?

Answer. Payments for retiring land or fol-

lowing conservation practices are not destructive of the market system. They do not come between the producer and the consumer of farm products by establishing one price level for the producer and a lower price level for those who buy his product as all Brannan-type programs would do. They do not divide farmers into classes and establish separate prices for commodities produced by each class as the Cooley and Talmadge bills would do. They do not force the individual farmer to sell products of identical quality for different prices as the certificate plans would do.

Question. Would payments make it possible to support prices without production controls?

Answer. No, except in the case of a deficit commodity such as wool. Payments would stimulate excessive production of most commodities and this additional production would depress prices below the level that would prevail on a free market. With payments stimulating production the prices prevailing in the market would not be true "market prices"—they would be "Government-wrecked prices." Proponents recognize that payment programs would require controls to limit Government costs. In a number of current proposals the purpose of the payments is to buy compliance with a Government supply-management program.

Question. Would Congress provide the money for a large-scale payments program?

Answer. No one can answer this question with absolute certainty. A payment program covering all of agriculture would cost billions of dollars. Farmers are a constantly declining percentage of our total population. There may well be a limit to the willingness of the Congress (a majority of whose members are primarily responsible to nonfarm people) to vote the vast sums that would be required for a full-scale payments program year after year. Farmers might well have to enter into political deals with other groups such as organized labor in order to round up votes for payment appropriations.

Question. What would happen if Congress should provide less than the full amount needed for a payment program?

Answer. The payments promised producers would have to be reduced. The easiest way to do this would be to limit the amount that may be made to any one producer. The proposal in the Talmadge-Humphrey cotton bill to establish a graduated scale of payment rates for producers who receive domestic allotments or more than 15 bales illustrates one method of limiting payments to individuals. Other proposals would simply set a limit on the total amount that may be paid to any one producer.

Question. Are there limitations on payments under the Wool Act?

Answer. Not yet; however, a limitation of \$1,000 has been proposed. The 11 Western States, plus Texas and South Dakota, have 95 percent of the growers that would be affected by such a limitation. The other 37 States have the remaining 5 percent of the affected growers. Thus, the politics of numbers favors the adoption of a limitation so that the payments to smaller producers can be increased.

Question. How would a limitation on payments to individuals affect producers?

Answer. It would set a ceiling on opportunity in agriculture. Since payments would stimulate production and depress market prices, it would become unprofitable to produce more than the amount eligible for the payments.

Question. How would a payment program affect efficiency?

Answer. Producers would be encouraged to continue high-cost inefficient production in order to get the payments. On the other hand, the restrictive effect of controls and limitations on payments would fall primarily on the producers with efficient-size units.

Question. How would a payment program affect consumers?

Answer. Any program that encourages inefficiency means high-cost food and fiber when total costs (market prices, plus payments) are taken into account.

Question. Who is for the payment approach?

Answer. The payment approach is advocated by the Secretary of Agriculture and groups that favor a Government-managed agriculture. In the past 3 years a number of supply management programs have been rejected either by the Congress or by producer referendums. So, the supply managers are now pinning their hopes on the idea that payments can be used to buy support for Government supply management programs.

Question. Where do labor unions stand on the payments issue?

Answer. Labor unions are generally in favor of payments. Union leaders are no doubt interested in cheap food, but their real objectives are to keep as many people as possible on the farm (and out of the job market) and to break down the farmers' traditional independence. If farm income were dependent on annual congressional appropriations farm groups might well be forced to support union-backed "welfare" legislation in order to get union support for farm appropriations.

Question. Where do businessmen stand on this issue?

Answer. Some businessmen who buy and sell farm products think that the payment approach would "get the Government out" of their business. Some who sell to farmers think that payments would give farmers more spending money. Dealers in farm products should ask themselves whether they can really "get the Government out of their business" by destroying the market system. Those who sell to farmers should ask themselves whether farmers will be better customers under a system that emphasizes individual opportunity, permits farmers to adjust to changing conditions and encourages the development of adequate units; or a system that fosters inefficiency and sets a ceiling on opportunity.

The ACTING PRESIDENT pro tempore. Is there further morning business? If not, morning business is closed.

MR. AND MRS. HARLEY BREWER

The ACTING PRESIDENT pro tempore. The Chair lays before the Senate the unfinished business, which the clerk will state by title.

The LEGISLATIVE CLERK. An act for the relief of Mr. and Mrs. Harley Brewer.

MASS TRANSPORTATION

Mr. LAUSCHE. Mr. President, during the tax bill debate last week, I made the comment on the floor of the Senate that once it was enacted, the accompanying sanctimonious outbursts for Federal fiscal responsibility would soon turn into polite whispers and then quietly disappear into oblivion. I further stated—and one does not have to be a prognosticator to do this—that once a respectable period of time went by after its enactment, the race for more and greater Federal spending would get underway with lightning speed. The bill has not been signed into law yet—but

already the Federal subsidy idealists are on their way again. The mad dash to the Federal Treasury by special interest groups has started, and as usual the American taxpayers—especially those who work conscientiously to meet their needs and wants—will end up being trampled on like so many jack rabbits in a stampede. Well, if it is really beyond our power to help protect the American taxpayer from these spurious Treasury raids—undeniably some of us in Congress are desperately trying—then we can at least alert the responsible citizen, so that he can protect himself wherever possible from the onslaught of Federal fiscal irresponsibility.

According to a notice on the front page of the American Transit Association's recent weekly newspaper, there will be a meeting this week of a group known as the Urban Mass Transportation Steering Committee here in Washington, D.C. I urge my brethren in the House of Representatives to take special notice of this group—whatever it might call itself—because the object of this meeting will undoubtedly include the development of a program to pressure House Members to vote for the mass transit subsidy bill now pending in the House Rules Committee. As a matter of fact, this notice bluntly implies just that.

The new program that the group will push for seems innocent enough, as embodied in the budget submitted to Congress. Only \$75 million is asked for in fiscal 1965 to get the transit subsidy program going. After all, \$75 million from a \$100 billion budget is nothing but the proverbial drop in the bucket. The newly formed Urban Mass Transportation Steering Committee will no doubt try to convince the Members of the House of Representatives that this new program is nothing more than that.

Let me briefly show for the RECORD what this seemingly innocent plea will amount to if the transit subsidy bill is enacted.

First, as passed by the Senate, the bill contemplates \$375 million in direct subsidies, a \$375 million revenue bond guarantee program and a loan program, all to be used by local and State public bodies for building mass transportation facilities. The program would be administered by a special office in the Housing and Home Finance Agency which was set up less than 2 years ago. HHFA would decide which cities would be eligible to receive Federal aid under the overall program.

If I may digress here briefly—this proposed subsidy program is being advocated by these special interests groups because, they say, the Federal Government subsidizes the construction of highways which in turn, is causing more traffic congestion, air pollution, "miles and miles of unsightly concrete and asphalt," to use their words, in the Nation's cities. But they are quick to add that highways are necessary—as if this were a revelation. So it follows, they say, that the Federal Government has the obligation to subsidize local mass transit. What logic.

Mr. President, it is more than just about time to set those so-called facts right. The Nation's highway program is being paid for by the users of the highways through gas, rubber, and excise taxes. These taxes go into a special Federal trust fund—and for the benefit of the transit subsidy proponents it is known appropriately as the highway trust fund—and these user charges pay for the construction of a national, coast-to-coast highway system on a pay-as-you-go basis. Furthermore, this highway system unites all cities in the Nation without regard to their size; funds are apportioned accordingly. And this national system—I want to emphasize the words national system—serves not only the automobile users but the "baker and candlestick maker," the trucking industry and business in general by the delivery of products over the highways between the cities as well as within them. In addition, the Nation's fire and police departments and school buses—as well as ambulances on emergency calls—use these highways. Who else but the Federal Government could act as the catalyst for collecting the charges imposed on the users of the highways and coordinate the development of a national system of highways? The argument by the transit subsidy proponents concerning the Federal aid highway is specious.

On the other hand, the transit subsidy proposal, if enacted, will not be paid for by the users, and funds for carrying it out will come from the general treasury which contains taxes collected from everyone in all parts of the country. Only the users of transit would directly benefit from this subsidy program.

How many cities would be eligible for direct subsidy under this proposal? As constituted, no one would really know until the HHFA Administrator decided, of course. But here are some hopeful guidelines as to the program's possible cost. The Census Bureau statistical breakdown shows that there are 212 standard metropolitan areas. These are areas having 50,000 or more inhabitants. According to a study paid for by the Federal Government, the total projected needs for only 40 of these 212 areas for developing new transit facilities amounts to some \$10 billion over the next 16 years. So, if the Federal Government puts up two-thirds of the net project cost of each facility involved, this could amount to two-thirds of the total cost—or as high as \$6 billion as the Administrator of HHFA pointed out in testimony. But the point of my statement is that the real figure would be considerably higher than 6 billion or even 10 billion if the program were to go into effect, because then more and more cities would fight for their rightful share. It is a well-known fact that the price tags for new Federal programs are almost always underestimated. This program is no exception. The irony of the whole thing is that the proposal is strictly a big city attempt to get the American taxpayer to foot the bill for its transit facilities; facilities which it can pay for if it wants to. San Francisco—as well as other

cities around the country—has proven that.

Mr. President, I shall ask unanimous consent to have printed in the *RECORD* following my statement a report given at a conference on urban passenger transportation held recently by the U.S. Chamber of Commerce, which shows that the Nation's urban areas have the wealth to pay for—and subsidize if need be—their own transit construction programs.

The ACTING PRESIDENT pro tempore. Is there objection to the request by the Senator from Ohio? The Chair hears none, and it is so ordered.

(See exhibit 1.)

Mr. LAUSCHE. Mr. President, so the American Transit Association, with a membership of 250 transit systems—out of a total of about 1,200—is trying to get the transit subsidy bill enacted. But the American Transit Association has a selfish financial interest in getting good old Uncle Sam to pay their transit bill. This meeting in Washington is of interest to those who stand to gain by the passage of a program that will cost the American taxpayer well over \$10 billion, if it is enacted.

Mr. President, now that the matter of Federal fiscal responsibility has subsided, the gold rush is on again—not the old-fashioned type of course, but the one that leads to the Federal Treasury. Maybe it is time for the Nation's taxpayers to form a committee of its own that will successfully head off the stampede before it reaches them—at least as it relates to this proposal.

Mr. President, as I have stated, assembled in Washington this week is the so-called urban mass transportation steering committee, meeting primarily for the purpose of stimulating favorable consideration of the great urban mass transportation bill which was passed by the Senate last year and is now pending in the House.

In my judgment, if the bill eventually becomes law it will entail an expense of at least \$10 billion on the part of the Federal Government before the program is finally put into effect. There has been considerable talk about reduction of governmental expenses so as to warrant the tax reduction which was made.

Mr. PROXMIRE. Mr. President, will the Senator from Ohio yield?

Mr. LAUSCHE. I yield.

Mr. PROXMIRE. The Senator from Ohio estimates that it will cost \$10 billion before the program is finally put into effect. Would he not agree that over the years that expenditure will continue indefinitely and will grow as the years pass by, certainly so long as the Federal Government offers this kind of superincentive, this kind of grant, this vast amount of subsidy to a mass transportation system? There is every reason why the local communities are sure to rely on the Federal Government to provide the money rather than paying for it through its own fare-box operation.

Mr. LAUSCHE. I concur completely in what the Senator from Wisconsin has said. This will be a permanent program, in my judgment. It will mean that forever, hereafter, the Federal Government will be buying buses, terminal

facilities, and equipment, to finance governmentally local operated mass transportation systems.

Mr. PROXMIRE. Mr. President, will the Senator from Ohio yield?

Mr. LAUSCHE. I yield.

Mr. PROXMIRE. Will the Senator from Ohio also agree that this kind of program will result in wasteful expenditures, inasmuch as there will not be the same kind of incentive to eliminate the uneconomic runs of the bus system, for example, that there will not be the same incentive for keeping costs down that there would be if operators faced the alternative to efficient operation of higher fares or higher local property taxes?

Mr. LAUSCHE. I concur in the statement by the Senator from Wisconsin. Strong proof is available as to what happens in the efforts to fiscally manage a local mass transportation system when it is being subsidized. New York has not been able to solve its problem—neither has Boston or Philadelphia. There are other communities in the Nation, including my own city of Cleveland, which have made it an objective to operate the system on a self-sustaining basis—and it has done so.

My judgment is rather unalterable that the moment the Federal Government begins to subsidize these systems, all concern about prudent management will be thrown to the winds. The deficits will mean nothing because the Federal Government will pick them up. I repeat, I concur with what the Senator from Wisconsin has said.

Mr. DOMINICK. Mr. President, will the Senator from Ohio yield?

Mr. LAUSCHE. I am glad to yield to the Senator from Colorado.

Mr. DOMINICK. I should like to remind the Senator from Ohio that during the process of debate on the mass transit bill, I brought up the point of whether we should eliminate the provision which now permits all Federal aid to be cut off from an entire area if the administrator or the transit agency does not like the rate structure which is put in, even though it may have been approved by the local or State public utilities commission.

Can the Senator tell me whether this provision is still in the House bill that is about to be debated, or whether we have an opportunity at least of getting out of this autocratic power?

Mr. LAUSCHE. I cannot answer that, because I do not know. The Senator gives me information of which I have not been aware. Has it come to the floor of the House yet?

Mr. DOMINICK. I believe it is still in committee.

Mr. LAUSCHE. It is in committee, but the committee does not feel that we should enter into this expenditure. The pressure is on to get the committee to release it. I hope that the good judgment which has been manifested by the committee members will not now be thrown aside, because it is needed, more than ever in face of the fact that we have reduced prospective revenues to the Government by \$11 billion through the tax reduction.

Mr. DOMINICK. I agree with the distinguished Senator from Ohio.

Mr. LAUSCHE. One word further, Mr. President.

The sponsors of the bill are arguing that the U.S. Government should finance the building of interstate highways. They say, "If we are financing the building of interstate highways, logically we should finance the mass transportation systems of the various communities throughout the country." There is a flagrant weakness in this argument of the proponents of the mass transportation bill. We forget completely that the Federal Government has imposed a special gasoline tax, an excise tax on tires and accessories for the purpose of creating the trust fund to build highways.

There was no contemplation of imposing a special tax to finance this eternal program which is being urged. The taxpayers generally will have to provide the money. When hearings were held on the measure before the Commerce Commission, a Mr. Maloney, of Boston, in charge of the Boston transit system, testified that he was highly elated by the results being obtained in a pilot test that was being made. The Federal Government spent \$4 million in Boston. The State of Massachusetts put up some money, and the local people put up some money also. It was decided that if fares were cut by one-third and train service increased by 75 percent, people would give up their automobiles and ride the trains.

Mr. SIMPSON. Mr. President, will the Senator yield?

Mr. LAUSCHE. I yield.

Mr. SIMPSON. Does the Senator believe that it is possible to beguile car owners into not using their automobiles by any such subterfuge?

Mr. LAUSCHE. I did not think so at that time, and my judgment has been corroborated by what happened on the Boston & Maine Railroad.

Mr. SIMPSON. It happened also in Chicago. The reverse is exactly the fact.

Mr. LAUSCHE. Yes. Mr. Maloney was in charge of the project. Ten million dollars was made available. Fares were reduced by 33 1/3 percent, and the frequency of train service was increased by 75 percent.

About 3 weeks ago the program was abandoned. Automobilists would not give up the convenience of their automobiles. They did not ride the trains.

There was also a rather fascinating sidelight to all this. The transportation expert of Northwestern University testified last March that even if automobilists were paid to ride the trains, unless they were picked up in front of their homes and brought to their offices, they would not ride the trains.

Mr. McNAMARA rose.

Mr. LAUSCHE. I am glad to yield to the Senator from Michigan.

Mr. McNAMARA. I had not intended to participate in the debate. I am very much interested in what the Senator is saying, however.

Mr. LAUSCHE. The Senator and I will be together on the St. Lawrence Seaway issue.

Mr. President, I have some statistics, which I ask unanimous consent to have placed in the *RECORD* at this point.

I cannot understand why it should be insisted that the \$500 in cash is not acceptable, and that a \$500 real property bond has to be posted with the court.

The Constitution provides that people shall be allowed, pending criminal proceedings, to be released on the posting of adequate bail. Whether this lady is guilty of the offense with which she has been charged, I do not know, as I have said; but I am certain that if I am relating the facts, namely, that it is insisted that she post a \$500 real property bond, and that the \$500 in cash is not acceptable, justice is not being done.

I called the Department of Justice, and discussed this subject, and asked the Department, through its representatives, to check into the matter. I was told that it will do so. I hope the Department will be able to accomplish something in behalf of getting this lady released, so there will be accorded her the justice to which she is entitled under the U.S. Constitution.

Carole Merritt is a very superior young woman who won a scholarship to Vassar College from Cincinnati, Ohio, Vassar Club and graduated from Vassar cum laude.

Mr. President, I yield the floor.

Mr. MANSFIELD. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER (Mr. McINTYRE in the chair). The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. MORSE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

ALLIANCE FOR PROGRESS HAS LAGGED FAR BEHIND HOPES

Mr. MORSE. Mr. President, in the current issue of the Hadassah magazine appears an article entitled "Squalor and Wealth: Alliance for Progress Has Lagged Far Behind Hopes." The article was written by the Senator from Alaska [Mr. GRUENING].

As I have been heard to say before, I repeat that I do not know of a keener student and scholar of Latin American problems than the Senator from Alaska. He has been the author of many writings on Latin America; and his book on Mexico is still a standard reference in the universities of this country, in connection with any course dealing with United States-Mexican problems.

The Senator from Alaska does well to point out, in the article, that our responsibility in regard to Latin America is to see to it that we do a better job of exporting to Latin America the institutions of economic freedom, for it is impossible to solve the problems of squalor until something is done about putting food into empty stomachs. Empty stomachs do not make for vigorous exponents of our wishes, when it comes to a matter of a political ideology. So if we do something to help raise their standard of living—and that was the great vision of President Kennedy at the time when he initiated the Alliance for

Progress program—we have a much better chance to stem the tide of communism in Latin America.

So I compliment the Senator from Alaska for this penetrating article; and I ask unanimous consent that it be printed at this point in the RECORD.

Mr. GRUENING. Mr. President, I thank the Senator from Oregon for his courtesy and his kind words. Coming from him, the knowledgeable chairman of the Subcommittee on Inter-American Affairs, his words constitute, for me, the highest tribute which could be rendered on the floor of this body.

Mr. MORSE. I thank the Senator from Alaska.

Mr. MANSFIELD. Mr. President, I join the distinguished Senator from Oregon in extending congratulations to the Senator from Alaska, because he is, and has been for decades, a recognized authority in the field of Latin-American affairs; and when he speaks or writes on that subject, his words are well worth the attention of the Senate and the entire country.

Mr. GRUENING. Mr. President, I am very grateful to the distinguished majority leader for his kind words, even though they may not be fully deserved. I appreciate the wonderful support he has continually given in connection with these matters. He, himself, is an expert on foreign affairs, as his every utterance demonstrates, as well as on domestic matters.

Mr. MANSFIELD. The words are very well deserved; otherwise they would not have been spoken.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Oregon?

There being no objection, the article was ordered to be printed in the RECORD, as follows:

SQUALOR AND WEALTH: ALLIANCE FOR PROGRESS HAS LAGGED FAR BEHIND HOPES

(NOTE.—The violence in Panama last month is symptomatic of the volcanic emotions of the impoverished people of Latin America described in this exclusive article by Senator ERNEST GRUENING. The achievements and failures of the Alliance for Progress in dealing with this explosive situation are analyzed by the Senator from Alaska.)

(By ERNEST GRUENING)

Addressing Latin American diplomats and Members of Congress and their wives at a White House reception on March 13, 1961, less than 2 months after his inauguration, President John Fitzgerald Kennedy launched the Alliance for Progress. It proposed a cooperative effort for the economic and social rehabilitation of Latin America. It projected a great vision. It offered, by means of a major joint undertaking, to try to bring the Latin American nations abreast of mid-20th century potentials.

Reviewing the similarities in the histories of the republics of the Western Hemisphere—their self-establishment as self-governing nations—the late President then pointed out their great deficiencies in economic well-being. He depicted the contrast between their abundant natural resources and "the daily degradations of hunger and poverty" suffered by millions of Latin Americans. He stressed their lack of decent shelter, their ill health and inadequate protection from disease, their widespread illiteracy.

These conditions, he said, made for the infiltration of alien forces, seeking again to

impose on the people of the New World the despotisms of the Old, with ideologies foreign to the freedom visioned by the great leaders of Latin American independence, Bolivar and San Martin, and by our own founders; and that the peril had never been greater than now.

President Kennedy was referring to the Communist takeover in Cuba and to the danger that similar overthrows would take place in other neighboring countries. Unquestionably the Communist infiltration and capture of Cuba, the first of its kind in the Western Hemisphere, gave both impetus and urgency to the proposal for the Alliance for Progress.

Throughout these messages, President Kennedy repeatedly stressed the need of the recipient nations enacting measures of self-help.

"Only the most determined efforts of the American nations themselves can bring success to this effort," he said in his White House address of March 11, 1961.

"Its effectiveness depends on the willingness of each recipient nation to improve its own institutions, make necessary modifications in its social patterns and mobilize its own domestic resources for a program of development," he said in his March 14 message to Congress, and then specified: "Even at the start such measures will be a condition of assistance. . . . Priorities will depend not merely on need, but on the demonstrated readiness of each government to make the institutional improvements which promise lasting social progress."

And twice again in the same message he stressed these conditions:

"When each nation demonstrates its willingness to abide by these general principles, then outside revenues will be available."

Finally the late President declared: "So that each recipient nation will live up to the principles of self-help and domestic reform outlined above, funds will not be allocated until the operating agency receives assurances that the country being aided will take those measures necessary to insure that the particular project brings the maximum social progress."

The two basic principles stressed by President Kennedy as essential to the successful functioning of the Alianza Para El Progreso (to give it its Spanish name); namely, (1) the strengthening of democratic institutions and safeguarding of human rights, and (2) the intensification of self-help, were affirmed by a meeting of the Foreign Ministers of the American Republics, meeting at Punta del Este, Uruguay, in January 1962. Thus these principles and conditions received bilateral assent and sanction from both the United States and the Republics to the south of us.

How has the Alianza fared since then?

The realistic answer must be highly qualified.

But, first, let it be said that in the writer's view, the purpose of the program is noble, its objectives desirable, and its value, if achievable, unquestioned.

Unfortunately, in its execution, performance, and results have lagged far behind hopes.

To date, the United States has poured somewhat in excess of \$7 billion into 28 countries to the south of us. This figure may cause surprise, since there are only 20 Latin American Republics, 18 of them Hispanic-American, while the official language of Brazil is Portuguese, and that of Haiti, French. But the United States has also given aid to the United Kingdom's colonies of British Guiana and British Honduras, to Surinam (Dutch Guinea), Trinidad, Tobago and Jamaica, also until very recently British colonies. (Personally, I consider that folly. The mother country should have furnished the aid, if it was required; but that is another matter.)

As for our Latin American aid, there is not too much to show for this vast expenditure. In two of the largest countries, Argentina and Brazil, into which nearly a billion and two billion dollars have gone respectively, the money has, in my judgment, been totally wasted.

The fault, in my view, is Uncle Sam's. We have not lived up to the specific prescription of reform and self-help required of them in President Kennedy's repeated assertions. In both countries the governments have been unstable, dependent on the whim of the military, and unable or unwilling to make—and keep—commitments of self-help.

At this point it might be desirable to indicate what some of the measures of self-help specified by President Kennedy as prerequisites to our aid are, and why.

Nearly all of the Latin American countries (there are a few exceptions) have a feudal structure at the top of which a plutocracy, composed of a relatively few families, allied with the military, controls the wealth and power. These families manage the nation's finances and resources. They own most of the land. In contrast, the vast majority live in abject misery. A typical illustration of this contrast exists in almost every Latin-American city where the luxurious palaces of the few and mighty look down on the vast and loathsome slums of the many. This contrast has never seemed to trouble the consciences of the entrenched oligarchy.

What President Kennedy was in effect asking was that the ruling powers distribute some of their vast landholdings equitably; cease their usurious lending practices—36 percent a year is not uncommon; tax themselves—which they have never done; permit the new revenues to go to social and economic betterment of the masses; and invest their own funds at home rather than stash them away in Swiss banks. So far the response in many Latin-American countries has been negligible. Maybe it was naive to expect this power elite to depart from encrusted practices, to divest itself of some of its riches and pelf so that the masses on whose backs its affluence rests can improve their living standards. But the alternative to this proposed evolutionary approach, as President Kennedy sought to make clear, was bloody revolution, which in this day probably means another Castro-Communist type of takeover.

Yet, despite noncompliance, the United States has repeatedly made lavish grants and so-called loans to Brazil, whose repeated promises for anti-inflation measures and other reforms have never been kept. Similar departure from the prescribed Alliance principles has characterized our relations with Argentina.

In other countries also—Peru, Ecuador, Guatemala, and more recently the Dominican Republic and Honduras—the duly elected regimes, chosen by as close an approximation to free and democratic elections as those countries have ever known, were overthrown by military juntas, using as the instruments of overthrow the tanks, airplanes and machineguns furnished by the United States, presumably for hemispheric defense. These military coups, bringing to power by force irresponsible elements with whom it is impossible to work out an assured economic and social program (to which they are generally hostile), nullify the efforts previously made by the United States and consign the funds already advanced to the familiar "down the drain."

Some three quarters of a billion dollars have already been wasted on military aid to Latin America. The United States has aggravated the situation by not holding firm in nonrecognition and withholding of aid to the usurping juntas. After a brave show

of nonrecognition and cancellation of aid in Peru, the policy was reversed and aid resumed 2 weeks later.

Such a vacillating and shilly-shallying policy engenders no respect for the United States or confidence in its pronouncements. If continued it will spell the end of the Alliance for Progress. However, in November 1963, the U.S. Senate, belatedly assuming some of its constitutional responsibility to be watchful of the authorization of funds, amended the Foreign Assistance Act to eliminate military aid to Latin America. Like all such provisions, it was qualified by giving the President the right to make exceptions where, in his judgment, the national interest required it.

In other countries our program appears to have fared better. It is too early to so state categorically. But in a number of the small Central American countries, and in Colombia and Venezuela and Chile, efforts are being made to carry out those nations' responsibilities under the prescriptions laid down by the author of the Alliance, President John F. Kennedy, and ratified by the conference at Punta del Este. Concomitantly schools, housing, clinics, roads, technical assistance, and other material benefits have flowed from U.S. dollars and are tangible and visible evidences of the U.S. high purpose.

The need is so great, however, and so undercut by the population explosion—greater in Latin America than elsewhere—that only a mighty cooperative effort and reform will spell the progress to which the Alliance is dedicated. For only by adherence to the mutuality of the effort can the program advance. The fault in not insisting upon adherence to the prescribed conditions lies with the U.S. administration of the program.

What is needed, in short, is selectivity. We should work with those nations—and only with those nations—that are willing to work with us for the common and highly desirable objectives of the Alliance.

To achieve these objectives through democratic processes was an integral part of President Kennedy's proposal. But let no one be deluded that this goal is easy of attainment. The history of most—though by no means all—Latin American countries—is that of alternation between chaos and dictatorship. One may observe pertinently that in their mother countries, Spain and Portugal, after a thousand years of exposure to Western European civilization, there are still dictatorships (the dictatorships of Franco and Salazar) while their people enjoy none of the basic freedoms—of press, speech and assembly—that the Alliance hoped to inculcate along with economic progress.

True, the Alliance is scarcely 3 years old; it must be tried further before final judgment can be rendered on it.

But, unless that further trial rigidly adheres to the sound principles predicated for it, it will be a failure.

One basic fact that the administrators of our foreign aid program have lost sight of needs to be stressed. It is this: No country is obliged to accept our aid. Neither is the United States obligated to give aid to any country. Unless these twin axioms are to govern our actions in the administration of the foreign aid program, of which the Alliance for Progress is a part, we can face only disillusion and failure.

The purpose of the Alliance is too worthy to be allowed to fail. But it has failed in part to date, and will fail completely unless it becomes a two-way enterprise, instead of what it has been, a careless and prodigal disbursement of American funds without vigilance and determination as to their ultimate useful application.

PROGRAM IN CONNECTION WITH H.R. 6196, THE COTTON-WHEAT PROGRAM

Mr. MANSFIELD. Mr. President, before I move that the Senate take a recess until tomorrow, I wish to announce that after consultation with the distinguished minority leader and with other Senators who have been consulted, it is our intention, following the reading of George Washington's Farewell Address, to have the Senate proceed to the consideration of House bill 6196, the cotton-wheat bill, which has been reported from the Committee on Agriculture and Forestry.

Mr. JAVITS. Mr. President, will the Senator from Montana yield?

Mr. MANSFIELD. I yield.

Mr. JAVITS. I am very cognizant of the Senator's problems in connection with scheduling measures for consideration, and so forth; but I think this matter should not be passed over without elucidation.

I preface my remarks by saying that I realize that the Senator from Montana has very great problems in connection with scheduling the consideration of measures; second, in no way do I challenge his desire—and it is urgently mine—to schedule the consideration of the civil rights bill and to have it disposed of, although we know its consideration will take a considerable length of time.

However, we have been carried along here, without anyone's really raising hob about the situation, and have waited for the conference report on the tax bill to be made, although normally there would have been an adjournment, and the second reading of the civil rights bill would have been in order, and it could have been placed on the calendar, and could have been brought up for consideration. A question of proportion is always involved. So, Mr. President, many of us felt—although we were most unhappy about it—that that was one of the facts of life with which we had to live, and that it would take a few days, and then that would be done.

In the cloakrooms there has been talk to the effect that the farm bill would be brought up first, and thus would to that extent delay the Senate's consideration of the civil rights bill.

So I wish to ask this question—and I emphasize the fact that I am not doing this idly or on a nit-picking basis: Should it appear—assuming that the tax bill will finally be disposed of by Wednesday, let us say—that, come Wednesday night or Thursday, the farm bill is still being debated—and, after all, it could be filibustered, too—could the Senator from Montana, in all fairness to him and to his many responsibilities and obligations—give us some outline of his plans?

If we are to let the farm bill run its course and to hold the civil rights bill out of consideration until the farm bill has run its course, some of us would have strong objections.

I merely lay that point before the Senate, without jumping to conclusions, as

a problem not only for me, but for the country. There has been a great deal of talk in the newspapers about the fact that civil rights bill will be stalled. We all understand that the newspapers like to write things in a dramatic way, but I do think it would be helpful for the Senator to state—if he feels he can—his full purpose.

Mr. MANSFIELD. Mr. President, the question raised by the distinguished Senator from New York is a legitimate one. I have been in close contact with the distinguished minority leader, the Senator from Illinois [Mr. DIRKSEN] about our plans. He has always given me the utmost of cooperation, understanding, and tolerance. As we all know, it is the understanding as of the moment that it will be Tuesday before the House will be able to take up the conference report on the tax bill. We hope to take it up as shortly thereafter as it is possible to do so.

We do not know how long it will take to dispose of the farm bill, but it is anticipated that if it is not disposed of by Tuesday or Wednesday—and I doubt that it will be—the farm bill will be laid aside and the conference report on the tax bill will be taken up.

We hope that there will be no dilatory or delaying tactics and that as soon as the farm bill, the conference report on the tax bill and the authorization for military procurement—which I understand will not take too much time—are disposed of, we shall face the civil rights bill with our decks as clear as possible.

I assure the Senator—and I am sure he knows this—that there is no attempt to stall the civil rights bill. But the Senator has been a Member of both Houses long enough to understand some of the difficulties that confront the leadership from time to time, and to be aware of the pressures which descend upon on us on occasion, with which we find it quite difficult to cope.

Mr. JAVITS. Mr. President, will the Senator yield further? He has been very gracious.

Mr. MANSFIELD. I yield.

Mr. JAVITS. I do not desire to put any words in the Senator's mouth, but may we assume, first, that what the majority leader proposes is that the only two that will be considered are the farm bill and the military procurement bill with the conference report on the tax bill, which in any event has priority under the rules, to come in Tuesday or Wednesday, and that then the civil rights bill will be considered? Second, those of us who may feel that other measures would take too long, thus defer the civil rights bill too long, I assume would have, under the procedures which we follow, a number of opportunities, if the Senate set aside the farm bill for the conference report on the tax bill, and then came back to it. I assume that if we strongly objected to taking it up again, we could have a vote on that question. If we came to the military procurement bill, we could proceed in the the same way.

Two items should be cleared of record: First, an understanding with the majority leader as to the bills which will

come before the civil rights bill; and, second, the fact that no opportunity will be foreclosed—as a number of Senators may feel that considerations of the two bills to which I have referred will take longer than we have any right to defer the civil rights bill—to an appropriate way to get at that issue.

Mr. MANSFIELD. My answer to the first question would be "Yes." However, if bills of minor importance, about which there should be no difficulty, are reported, I assume that the Senate would allow us to bring them up for passage or consideration.

Mr. JAVITS. I understand that.

Mr. MANSFIELD. Second, I hope that the Senator from New York will not bind the hands of the leadership, because we do not wish to take away the rights of any Senator. I assure the Senator that once the bill is called up, it will not be called up for the purpose of being laid aside. There will be plenty of time to devote to the civil rights bill. I am sure, the Senator is aware, that it will take not weeks, but very possible months, before we can come to a definitive conclusion on that matter. So, if the Senator and the Senate would allow us a little flexibility, we would appreciate it most deeply, because our task is not too easy.

Mr. JAVITS. If the Senator will indulge me, certainly we are assured that the controversial bills—the farm bill and the military procurement bill—are the only two bills which will stand in the way. Second, the Senator will have to move to take up the farm bill and the military procurement bill. If any of us feel strongly about the order of precedence at that time, we shall naturally have an opportunity to bring before the Senate that issue. I hope we will not have to.

Mr. MANSFIELD. That right is the right of every Senator. But, as always, the leadership anticipates that Senators will give us their most serious consideration and cooperation.

Mr. JAVITS. Would the Senator be willing to estimate the time when the civil rights bill would be taken up under that schedule?

Mr. MANSFIELD. I could not give an answer to that question until we get underway on the farm bill. Then I would be able to answer the question better, but it will be as soon as possible.

Mr. JAVITS. I do not like to have the Senator engage in suppositions. I know the Senator has read, as I have, speculation on the intercession of a farm bill between the present time and the time of taking up the civil rights bill. I think it would be most reassuring if the Senator should choose—and I submit it to the Senator—to tell the Senate what will be done if there is an inordinate delay.

For example, suppose there were a filibuster against one of the other bills. Will the Senator continue in his determination to bring up the civil rights bill within a very proximate time?

Mr. MANSFIELD. Yes.

Mr. DIRKSEN. Mr. President, will the Senator yield?

Mr. MANSFIELD. I am delighted to yield.

Mr. DIRKSEN. Mr. President, I would say on behalf of the majority leader that at least on four separate and distinct occasions we have conferred with respect to bringing up the farm bill. At the very first of those meetings, I told him there was some opposition on this side, and there was the expressed hope that perhaps it could be deferred until after civil rights came up for consideration in the Senate.

At the second meeting I had occasion to confer with the Senator from Vermont [Mr. AIKEN], the Senator from Iowa [Mr. HICKENLOOPER], and the Senator from Delaware [Mr. WILLIAMS], all of whom have quite an abiding interest in the farm bill. As a result of the many conversations that have taken place within the past 2 days, it was quite agreed that the farm bill could be laid before the Senate as of tomorrow, after the reading of Washington's Farewell Address.

So I think we have composed all of our differences on this side, in the hope that we can dispose of the farm bill, and, for as long as it takes, the military procurement bill, about which there is some urgency, and then proceed to civil rights. Then we will stay on civil rights. I think that it is the distinguished majority leader's intention, once we take up civil rights, to stay with it until we either resolve the issue or discover there is no sword sharp enough to cut the Gordian knot.

Mr. JAVITS. Mr. President, will the Senator yield?

Mr. DIRKSEN. I yield.

Mr. JAVITS. Would the Senator answer the same question I propounded to the majority leader? Would the minority leader join with the majority leader in the statement that should there prove to be an inordinate delay with respect to these measures, which will be interposed, that such delay will not be permitted to defer the consideration of the civil rights bill beyond that reasonably proximate time within which the leader had intended to bring it up?

Mr. DIRKSEN. Speaking only for the minority leader, it would be easy for me to give the Senator from New York that assurance, because my attitude on the farm bill is anything but a felicitous one.

It strikes a note of deep and durable unhappiness in me. In my present frame of mind, I expect to oppose it on every possible count, so that if it tailed off, with the hope that perhaps it could be cast into outer darkness, it would make the minority leader happy indeed. But I do not wish to speak for the majority leader on that point.

Mr. JAVITS. I believe the majority leader has already answered the question, but being a fairly experienced lawyer, I will not ask the majority leader again.

Mr. MANSFIELD. But I have an abiding faith in the understanding and tolerance of the distinguished minority leader, the Senator from Illinois [Mr. DIRKSEN]—an abiding faith based on long personal experience.

Mr. JAVITS. I thank the Senator.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Montana?

Mr. JAVITS. Mr. President, reserving the right to object, may we know what the request is?

The PRESIDING OFFICER. Is there objection to the request of the Senator from Montana?

Mr. MANSFIELD. Mr. President, what was my request? I have forgotten it.

The PRESIDING OFFICER. To take up the farm bill tomorrow.

Mr. MANSFIELD. No; I am not making that request. I merely have announced to the Senate that it is the intention of the leadership, at the conclusion of the reading of the Washington's Farewell Address, to lay before the Senate H.R. 6196, the agricultural bill on cotton and wheat, reported from the Committee on Agriculture and Forestry.

Mr. MILLER. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. MILLER. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

BEEF AND VEAL IMPORTS

Mr. MILLER. Mr. President, yesterday I received a telegram from a man in Oklahoma City. I think he expressed a timely thought, and I should like to quote it:

Beef imports based on 1962-63 quotas—

He wired—

Is like throwing a drowning man a life line with a rock tied to it.

He went on to say that the cattlemen are in trouble and that, to survive, they need action now. He ended the telegram with a plaintive cry of "help."

I concur. I have been calling on the administration to do something about the beef and veal import problem for a year. I agree with the senior Senator from Nebraska [Mr. HRUSKA], who, on February 18, said the agreement entered into with Australia and New Zealand represented a surrender on our part—see pages 2966-2969, CONGRESSIONAL RECORD, February 18, 1964.

I believe that selecting the 2 highest import years and using the average as the limitation base for 1964 imports does not meet the problem. It is only a token gesture.

So I have joined in a bill introduced by the distinguished majority leader [Mr. MANSFIELD], which would provide a base or limitation represented by the average of the last 5 years of imports of these items. I think this is a far better solution to the problem than what has been a voluntary measure. Although I have some reservations about the bill, we want to see some action taken; and the fact that the majority leader has seen fit to introduce the legislation speaks for itself.

I fear that if we do not meet the problem without further delay, the situation this year may worsen.

I suggest the possibility that if all the beef and veal importing countries eventually come under the terms of the new agreement, beef and veal imports into the United States this year may well be higher, not lower, than in 1963.

I realize that press releases on the agreement with Australia and New Zealand suggest that the 1964 importation level will be 6 percent lower than in 1963. If this 6-percent stipulation were applied to all types of imports of beef and veal—based on the assumption that all importing nations will eventually be covered by the agreement—imports of all types of beef and veal would drop to 1,095,175,000 pounds—product weight—from the 1963 total of 1,165 million pounds—estimated. But this will not happen under the agreement. Moreover, imports should be rolled back much more than that.

Let me explain. There is a defect in the agreement. Australia and New Zealand propose to limit exports to the United States of beef and veal "in all forms except canned, cured, and cooked meat and live animals." But these excepted items are still included in the totals for 1962 and 1963, which established the base for continuing future limits.

Granted canned, cured, and cooked meat represents today only a minor portion of the imports from Australia and New Zealand. Nevertheless, these products should have been excluded from the base, and it is unlikely that other countries will accept a different base when agreements are negotiated with them.

In 1963, total imports of canned, cured, and cooked beefs and veal amounted to approximately 114 million pounds—one-tenth of the total beef and veal imports. If exclusion of these canned, cured, and cooked meats from the base were provided for by all agreements covering all imports, the 1964 ceiling on beef and veal imports—other than canned, cured, and cooked—would be 987 million pounds.

One hundred and eight million pounds less than it will be. So, Mr. President, as the result of this defect in the agreement we can expect 108 million pounds of imports of fresh and frozen bone and boneless beef and veal which should not come into this country to aggravate the markets of our livestock feeders and our cattlemen.

In addition, as I have pointed out, the agreement fails to put any limitation at all on the amounts of canned, cured and cooked meat imported into this country.

And if you do not think that this will occur, I should like to invite the attention of the Senate to a press release of January 26 by the Australian Minister for Primary Industry, the Honorable C. F. Aderman.

In agreement with the Australian livestock industry, it is planned "to introduce legislation in the next session of Parliament to give effect to industry proposals for meat market diversification."

The legislation, according to the release, will take the form of imposing a levy on all cattle over 200-pound dressed

weight, sheep and lambs slaughtered for human consumption "to provide the finance necessary to undertake additional measures to diversify markets for Australian meat."

Continuing:

Without doubt, the continued prosperity of the Australian meat industry is bound up with the necessity to insure that satisfactory arrangements are made to preserve our existing markets and to develop new ones. The proposed legislation is aimed at the maximum development of the domestic market and diversification of export markets in the long-term interests of the Australian meat industry.

There, in a nutshell, is what Australia plans to do. And we can rest assured that this diversification will be felt here.

But there are other weaknesses in that agreement negotiated by the United States.

In its press release, the State Department said that "both exporting countries have agreed that the proportion of primal cuts, such as steaks or roasts, should not exceed approximately the current levels."

In a background statement to Members of Congress, the State Department had this comment:

Agreements provide that the proportion of primal cuts—i.e., better-quality cuts such as steaks and roasts—in each country's beef and veal shipments to the United States is not to exceed the present percentage these cuts constitute in the country's total beef and veal exports to the U.S. market.

"Not to exceed the present percentage" is underlined.

Parenthetically, I might add the State Department says that imports of primal cuts have been blamed by the domestic cattle industry as important causes of low prices. Australian exports to the United States of this grade, incidentally, amount to about 5 percent of their total.

Now let us turn to the text of the Australian note to the United States—the New Zealand text is worded similarly:

Australia shall use its best endeavors to limit its exports to the United States of better-quality primal cuts of beef and veal, such as steaks and roasts, approximately to the percentage these cuts currently constitute of total annual exports of beef and veal from Australia to the United States.

Note the difference in wording—the United States says the two have agreed to a limitation; Australia and New Zealand both say they shall use their "best endeavors" to limit its export of this type of cuts.

Thus, in my mind at least, it is questionable whether those countries must limit this type. And if their "best endeavors" do not prove good enough, they could actually step up these imports.

Mr. President, there are commitments in that agreement: it may assure these nations a definite share of our market; it may assure, in effect, that the Congress cannot take any action to correct the situation and if it does, the President may be obligated to veto the measure.

I ask unanimous consent that the State Department press release and the press statement of the Australian Minister may be printed in the RECORD.

15. LEGISLATIVE PROGRAM. Rep. Albert announced that on Tues., Feb. 25, the House would consider the conference report on H. R. 8363, the tax bill. pp. 3067-8

SENATE - February 21

16. COTTON; WHEAT. Sen. Williams, Del., objected to a request by Sen. Mansfield for immediate consideration of H. R. 6196, the cotton-wheat bill. Sens. Mansfield, Ellender, and others expressed hope that the bill could be considered as soon as possible if it is to have any effect this year. Sen. Keating expressed reservations concerning some features of the bill. pp. 3192-7
17. FOREIGN TRADE; WHEAT. Sen. Williams, Del., criticized wheat trade with Russia as having "gone from bad to worse," and inserted statements of Sen. Dirksen and Rep. Halleck critical of such trade. p. 3197
18. FARM PROGRAM. Sen. Symington inserted a radio editorial urging farm organizations to reevaluate their positions and "pull together to work for the betterment of the most important single business in the country." pp. 3200-01
19. ELECTRIFICATION. Sen. Metcalf criticized the rate of earnings of private electric utilities and referred to survey by Standard & Poor as providing "further proof of increasing profits and decreasing regulation of electric power companies, at the expense of millions of American consumers." pp. 3209-10
20. CIVIL RIGHTS. Sen. Dirksen announced the appointment of "seven captains on the minority side to assist in our deliberations on the civil rights bill." p. 3197
21. MEAT INSPECTION. Sen. Williams, N. J., was added as cosponsor of S. 2176, to extend Federal meat inspection and to permit cooperation with State meat inspection services. p. 3199
22. FOREIGN AID. Sen. McGovern criticized as "ineffective" the action cutting off military aid to five nations "as punishment for their continued trade with Cuba," and inserted several items on the matter. pp. 3206-7
23. RECESSED until Mon., Feb. 24. p. 3210

HOUSE - February 21

24. PUBLIC LAW 480. Received from this Department a proposed bill to extend and amend the Agricultural Trade Development and Assistance Act of 1954; to Agriculture Committee. p. 3217
25. ADJOURNED until Mon., Feb. 24. p. 3216

ITEMS IN APPENDIX

26. FARM PROGRAM. Extension of remarks of Rep. Auchincloss inserting an article, "A Farmer Looks at Congress," stating "we do not always agree with the decisions made by the Congress; but we believe it is closer to the majority thinking of all the people..." pp. A788-9

27. RIVER PROJECTS. Extension of remarks of Rep. Belcher inserting an article criticizing reductions in the budget for the Arkansas River navigation project. p. A789
Extension of remarks of Rep. Belcher inserting an editorial urging the Government to help complete the Arkansas Basin project as soon as possible. p. A300
28. BEEF IMPORTS. Extension of remarks of Rep. Mathias inserting an editorial charging USDA with "using the cattle industry as a pawn to protect the agricultural trade of the U. S." pp. A791-2
Extension of remarks of Rep. Cunningham inserting a letter criticizing the importation of beef from Mexico. p. A798
29. MARKETING. Extension of remarks of Rep. Evins inserting articles urging studies of the growth and practices of chainstores and their effects on marketing and agriculture. pp. A793-4
30. LANDS. Extension of remarks of Rep. Andrews (N.D.) inserting an article urging Congressional action to provide for the irrigation of additional land in N.D. pp. A798-9
31. ELECTRIFICATION. Extension of remarks of Rep. Fulton (Tenn.) inserting an editorial charging that the private power lobby is trying to destroy all public power, particularly the REA and TVA programs, and a second editorial comparing the central Arizona project with TVA. pp. A800-1
32. POLLUTION. Extension of remarks of Rep. Roberts inserting a review of the policies of the American Medical Association, including its position favoring the Clean Air Act and opposing the establishment of a new agency for Water Pollution Control. p. A805
33. VETERINARY MEDICINE. Extension of remarks of Rep. Steed supporting his proposed legislation for construction of veterinary education facilities, and inserting an article, "Veterinary Medicine's Role." p. A806
34. WHEAT PRICES. Extension of remarks of Rep. Quie supporting raising CCC resale price on wheat and inserting the text of a radio broadcast urging farmers "to let Congress know that wheat income must be saved," and stating that there must be "a higher Government ceiling price on sales, and an end to Government storage deductions from wheat loans made off farm." p. A819
Extension of remarks of Rep. Quie stating that "it is apparent that wheat farmer's income in 1964 will be down from 1963," and inserting the text of a radio broadcast commending the Grain Terminal Association's two proposed amendments to wheat legislation which would "add more than \$100 million to wheat farmers' income and wipe out much of the expected deficit." p. A829
35. PEACE CORPS. Extension of remarks of Rep. Thompson (N.J.) inserting an address by Peace Corps Director Shriver stating that there has been an "enormous impact" on the attitudes of the people where the Peace Corps volunteers have worked. pp. A837-8
36. VOTING RECORD. Extension of remarks of Rep. Byrnes (Wisc.) inserting his voting record during the 1st Session of the 88th Congress which includes farm measures. pp. A838-41
37. TOBACCO TAX. Extension of remarks of Rep. Griffiths inserting a statement discussing the evolution of the tax on cigarettes. pp. A842-3

It is our true policy to steer clear of permanent alliance with any portion of the foreign world; so far, I mean, as we are now at liberty to do it; for let me not be understood as capable of patronizing infidelity to existing engagements. I hold the maxim no less applicable to public than private affairs, that honesty is always the best policy. I repeat it, therefore, let those engagements be observed in their genuine sense. But in my opinion, it is unnecessary, and would be unwise to extend them.

Taking care always to keep ourselves by suitable establishments, on a respectable defensive posture, we may safely trust to temporary alliances for extraordinary emergencies.

Harmony, and a liberal intercourse with all nations, are recommended by policy, humanity, and interest. But even our commercial policy should hold an equal and impartial hand; neither seeking nor granting exclusive favors or preferences; consulting the natural course of things; diffusing and diversifying by gentle means the streams of commerce, but forcing nothing; establishing with powers so disposed, in order to give trade a stable course, to define the rights of our merchants, and to enable the government to support them, conventional rules of intercourse, the best that present circumstances and mutual opinion will permit, but temporary, and liable to be from time to time abandoned or varied as experience and circumstances shall dictate; constantly keeping in view, that it is folly in one nation to look for disinterested favors from another; that it must pay with a portion of its independence for whatever it may accept under that character; that by such acceptance, it may place itself in the condition of having given equivalents for nominal favors, and yet of being reproached with ingratitude for not giving more. There can be no greater error than to expect, or calculate upon real favors from nation to nation. It is an illusion which experience must cure, which a just pride ought to discard.

In offering to you, my countrymen, these counsels of an old and affectionate friend, I dare not hope they will make the strong and lasting impression I could wish; that they will control the usual current of the passions, or prevent our nation from running the course which has hitherto marked the destiny of nations, but if I may even flatter myself that they may be productive of some, partial benefit, some occasional good; that they may now and then recur to moderate the fury of party spirit, to warn against the mischiefs of foreign intrigue, to guard against the impostures of pretended patriotism; this hope will be a full recompense for the solicitude for your welfare by which they have been dictated.

How far, in the discharge of my official duties, I have been guided by the principles which have been delineated, the public records and other evidences of my conduct must witness to you and to the world. To myself, the assurance of my own conscience is, that I have, at least, believed myself to be guided by them.

In relation to the still subsisting war in Europe; my proclamation of the 22d of April, 1793, is the index to my plan. Sanctioned by your approving voice, and by that of your representatives in both houses of congress, the spirit of that measure has continually governed me, uninfluenced by any attempts to deter or divert me from it.

After deliberate examination, with the aid of the best lights I could obtain, I was well satisfied that our country, under all the circumstances of the case, had a right to take, and was bound in duty and interest, to take a neutral position. Having taken it, I determined, as far as should depend upon me, to maintain it with moderation, perseverance and firmness.

The considerations which respect the right to hold this conduct, it is not necessary on this occasion to detail. I will only observe that, according to my understanding of the matter, that right, so far from being denied by any of the belligerent powers, has been virtually admitted by all.

The duty of holding a neutral conduct may be inferred, without anything more, from the obligation which justice and humanity impose on every nation, in cases in which it is free to act, to maintain inviolate the relations of peace and amity towards other nations.

The inducements of interest for observing that conduct will best be referred to your own reflections and experience. With me a predominant motive has been to endeavor to gain time to our country to settle and mature its yet recent institutions, and to progress, without interruption, to that degree of strength, and consistency which is necessary to give it, humanly speaking, the command of its own fortunes.

Though in reviewing the incidents of my administration, I am unconscious of intentional error, I am nevertheless too sensible of my defects not to think it probable that I may have committed many errors. Whatever they may be, I fervently beseech the Almighty to avert or mitigate the evils to which they may tend. I shall also carry with me the hope that my country will never cease to view them with indulgence; and that, after forty-five years of my life dedicated to its service, with an upright zeal, the faults of incompetent abilities will be consigned to oblivion, as myself must soon be to the mansions of rest.

Relying on its kindness in this as in other things, and actuated by that fervent love towards it, which is so natural to a man who views in it the native soil of himself and his progenitors for several generations; I anticipate with pleasing expectation that retreat in which I promise myself to realize without alloy, the sweet enjoyment of partaking, in the midst of my fellow citizens, the benign influence of good laws under a free government—the ever favorite object of my heart, and the happy reward, as I trust, of our mutual cares, labors and dangers.

GEO. WASHINGTON.

UNITED STATES,
17th September, 1796.

COMMENDATION OF SENATOR MUSKIE

Mr. MANSFIELD. Mr. President, I take this occasion to commend the distinguished Senator from Maine [Mr. MUSKIE] for the way in which he read the Farewell Address of the first President of the United States. I have never listened to a better delivery of it.

I am most happy that the Senate has set a precedent and a tradition by means of which this message can be delivered to us once each year, to bring home to us reminders not only of the newness of this Nation, but of its integrity and the contributions made by those who took part in founding it.

THE JOURNAL

On request of Mr. MANSFIELD, and by unanimous consent, the reading of the Journal of the proceedings of Thursday, February 20, 1964, was dispensed with.

EXECUTIVE SESSION

Mr. MANSFIELD. Mr. President, I move that the Senate proceed to the consideration of executive business for the consideration of the nomination on the Executive Calendar.

The motion was agreed to; and the Senate proceeded to consider executive business.

EXECUTIVE REPORTS OF A COMMITTEE

The following favorable reports were submitted:

By Mr. FULBRIGHT, from the Committee on Foreign Relations:

Executive S, 88th Congress, 1st session. Partial Revision of Radio Regulations (Geneva, 1959), and Additional Protocol (Ex. Rept. No. 3);

Executive A, 86th Congress 2d session. Agreement between the United States of America and the Republic of Austria regarding the return of Austrian Property, Rights, and Interests (Ex. Rept. No. 4);

Executive F, 88th Congress, 1st session. International Agreement Regarding the Maintenance of Certain Lights in the Red Sea (Ex. Rept. No. 5); and

Executive C, 88th Congress, 1st session. Amendments of the International Convention for the Prevention of Pollution of the Sea by Oil, 1954, adopted by a Conference of Contracting Governments convened at London on April 11, 1962 (Ex. Rept. No. 6).

The ACTING PRESIDENT pro tempore. If there be no further reports of committees, the nomination on the Executive Calendar will be stated.

NATIONAL MEDIATION BOARD

The legislative clerk read the nomination of Leverett Edwards, of Oklahoma, to be a member of the National Mediation Board for the term expiring February 1, 1967.

The ACTING PRESIDENT pro tempore. Without objection, the nomination is confirmed.

Mr. MANSFIELD. Mr. President, I ask that the President be immediately

notified of the confirmation of the nomination.

The ACTING PRESIDENT pro tempore. Without objection, the President will be notified forthwith.

LEGISLATIVE SESSION

Mr. MANSFIELD. Mr. President, I move that the Senate resume the consideration of legislative business.

The motion was agreed to; and the Senate resumed the consideration of legislative business.

AGRICULTURAL ACT OF 1964—COTTON AND WHEAT PROGRAMS

Mr. MANSFIELD. Mr. President, I am about to make a unanimous-consent request. Before doing so, I invite the attention of the Senate to the fact that yesterday I discussed with as many interested Senators as possible the possibility of bringing up the agricultural bill having to do with cotton and wheat. I know that I missed consulting with some, but I assure the Senate that that was not intentional. Yesterday, toward the close of business, I made the following statement concerning H.R. 6196, the cotton-wheat program:

Mr. MANSFIELD. Mr. President, before I move that the Senate take a recess until tomorrow, I wish to announce that after consultation with the distinguished minority leader and with other Senators who have been consulted, it is our intention, following the reading of George Washington's Farewell Address, to have the Senate proceed to the consideration of House bill 6196, the cotton-wheat bill, which has been reported from the Committee on Agriculture and Forestry.

At this time, I ask unanimous consent that the Senate proceed to the consideration of House bill 6196, and that it be made the pending business.

The ACTING PRESIDENT pro tempore. The bill will be stated by title.

The LEGISLATIVE CLERK. A bill (H.R. 6196) to encourage increased consumption of cotton, to maintain the income of cotton producers, to provide a special research program designed to lower costs of production, and for other purposes.

The ACTING PRESIDENT pro tempore. Is there objection to the present consideration of the bill?

Mr. WILLIAMS of Delaware. Mr. President, reserving the right to object, I hope the majority leader will not insist on that request today. I promised him yesterday that I would try to obtain copies of the bill and report so that I might study them overnight. I was unable to obtain this information then. However, the bill and report are now before the Senate, but they have been available only in the past couple of hours. I do not believe the Senate should proceed to the consideration of a bill of this nature until Senators have had an opportunity to study it thoroughly. I hope the Senator from Montana will not put us in the position of having to object, but will agree to a delay of the consideration of the bill until Senators have had an opportunity to examine it for at least 1 day.

Mr. MANSFIELD. Mr. President, I am sure the distinguished Senator from Delaware will recall that yesterday in our discussion, in which the distinguished minority leader and other Senators were included, it was stated that the leadership would consider that proposal and would hold it open during the rest of the afternoon, to ascertain exactly what the situation was. It was my understanding—perhaps incorrect—that during the late afternoon this question had been settled. However, a promise was made, or at least implicitly made. So far as I am concerned, if I could receive definite assurance that the bill could be taken up on Monday, I would be most happy to agree to the suggestion made by the distinguished Senator from Delaware.

Mr. WILLIAMS of Delaware. Of course, the Senator from Montana knows that I am not in a position to give him that assurance; I can speak only for myself and I am speaking merely as of today.

Mr. MANSFIELD. I understand.

Mr. WILLIAMS of Delaware. I have not studied the bill sufficiently to say that I could accept it. So far as the bill relates to cotton it is proposed, as the Senator knows, to adopt an entirely new type of program. This is the Brannan plan, and many Senators on this side of the aisle are opposed to that. It is my desire to understand the extent to which the bill would implement the so-called Brannan plan.

For years I have opposed any semblance of the Brannan subsidy program for American agriculture.

Not only is such a program extremely costly from the standpoint of the taxpayers but it would also place our farmers in a straitjacket of bureaucratic controls.

I hope the Senator from Montana will not press that request today. If he did, I would feel constrained to object.

I have always tried to cooperate with him. Monday will have to be taken care of when it comes. So far as I am concerned, I could not now agree to any definite procedure on Monday. We shall have to wait until then to determine what the procedure should be next week.

Mr. TOWER. Mr. President, reserving the right to object, I do not think I could give the majority leader that assurance, either, much as I should like to do so, because, as has been stated, the report has been on the desks of Senators for only about 2 hours, and they have not had an opportunity to digest it. Moreover, Senators have not had an opportunity to hear from cotton farmers or wheat farmers, who would be very greatly affected by this measure, which is of sweeping importance.

This matter could well go over until Monday, although I cannot say that I would be prepared to agree to have the Senate take it up then. I represent the greatest cotton producing State in the Nation; and I feel that a great deal of work should be done on this measure before the Senate takes it up.

Mr. MANSFIELD. Mr. President, I had heard rumors to the effect that what is happening might happen.

The Senator from Texas has stated that he comes from the largest cotton producing State in the Union. I assume he is also aware of the fact that the majority leader and certain other Senators come from some of the largest wheat producing States, and that if something is not done shortly to give assurance to the wheat ranchers, the possibility of giving them any help at all will be practically cast into oblivion.

So we are faced with that situation; and I am faced with a very difficult situation, because I happen to be a Senator from the State of Montana and also the majority leader.

Mr. TOWER. Mr. President, reserving the right to object, I concur in the statement that something needs to be done, and probably needs to be done soon. A delay of a few hours could make a great deal of difference in respect to our attitude in regard to this measure, our reaction to it, and the popular reaction to it.

Let me also point out that a good deal of wheat is raised in Texas, too.

Mr. MANSFIELD. However, Montana far exceeds Texas in the production of wheat, and probably also would exceed Texas in terms of geography, if the mountains in Montana were flattened out.

Mr. TOWER. But even when the ice there melts, Texas will still be bigger.

Mr. MANSFIELD. Mr. President, I am sure Senators realize the "fix" the leadership finds itself in because the Senate is taking a recess from day to day and because of the fact that very shortly the civil rights bill will be before the Senate. Once that happens, it is my guess that all bets will be off, the decks will have to be cleared, and we shall spend our time almost exclusively on that measure.

So it appears to me that the best chance, and perhaps the only chance—although I am not at all certain as to that—for the Senate to consider the cotton-wheat bill, which was regularly reported by one of the standing committees of the Senate, would be either today or Monday.

Mr. WILLIAMS of Delaware. Mr. President—

Mr. MANSFIELD. I yield to the Senator from Delaware.

Mr. WILLIAMS of Delaware. I assure the majority leader that I will in the future, as I have in the past, cooperate with him. I recognize the problems which confront him. I have always supported the majority leader when he has moved that the Senate take up a bill, regardless of whether I favored or opposed the bill; and I shall continue to do so. Someone must bear the responsibility for arranging the program and procedure in the Senate, and I am not trying to dictate as to what measures the majority leader should or should not ask the Senate to consider.

But I point out that this bill is of major importance; and Senators who are not on the committee, but very much interested in this measure, have not had an opportunity to study the bill. It was for that reason that I was asking that the majority leader not ask unanimous consent that the Senate proceed to consider the bill today. I did not want to be put

in the position of objecting to the requested procedure for the Senate, but at the same time I felt that it was reasonable to ask that this measure go over until we have at least had an opportunity to read the bill, study the report, and prepare our opposition.

In the interest of orderly procedure and perhaps more harmony next week I suggested that the request could be carried over from today, rather than renewed at this time.

Mr. MANSFIELD. I appreciate the statement the Senator from Delaware has made.

Mr. WILLIAMS of Delaware. But I still appreciate the fact that if the majority leader wishes to make such a request he is perfectly within his rights in doing so at this time.

Mr. MANSFIELD. I must say, in all frankness, before I yield to the Senator from Louisiana [Mr. ELLENDER], that I must make that request, because I have no other choice. However, I appreciate the candor with which various Senators have expressed their feelings.

At this time, I yield to the Senator from Louisiana [Mr. ELLENDER].

Mr. ELLENDER. Mr. President, reserving the right to object—although I shall not object—it seems to me that in order to have cotton and wheat legislation passed in time for it to be effective for this year's crop, this bill should be passed by both Houses of Congress before March 1.

I wonder whether the Senator from Delaware would agree to allow the bill to be laid before the Senate today, with the understanding that votes on it would not be taken until Monday.

Mr. WILLIAMS of Delaware. No; I would not enter into such an agreement today, because the bill—

Mr. ELLENDER. Such an arrangement would save a great deal of time, for then the distinguished Senator from Mississippi, who is managing the section of the bill, could "have his say" today.

I wish to state to the Senator from Delaware that I am opposed to the cotton measure, and I propose to tell the Senate why I am opposed to it. I shall do so in due time. But, in all fairness, I believe the course requested might not only save time, but also make it possible to have the bill enacted or some action taken on the bill before March 1.

Mr. WILLIAMS of Delaware. I want to cooperate with the majority leader in arranging the program of the Senate although I am not too interested in trying to expedite the consideration of a bill which I will vote against.

But, even so, I am willing to have the Senate have an opportunity to work its will. It is not my fault that the bill was not before us prior to this time. We have been busy attempting to resolve in conference the differences on the tax bill; and in the past few days I have devoted a great deal of my time to that work.

Therefore I have not had any opportunity to read either the bill or the report, and I doubt whether many Senators—other than those on the committee—are familiar with the bill. This bill involves expenditures amounting to several hundred million dollars; and they

would affect not only the farmers but the consumers, but in addition it is important to the forgotten taxpayers.

Therefore, at least the Senate should have a chance to do our homework, to study the bill and the report. Certainly there should be such an opportunity before the Senate proceeds to deal with the bill.

For these reasons I would object to a request today to make the bill the pending business. This is not a threat in regard to the procedure next week; but I would object today to a request to make a bill of such major importance the pending business. Any bill which involves expenditures of several hundred millions of dollars deserves more attention. Do not forget that Senators did not see the bill or the report until 1 or 2 hours ago.

So, with great reluctance, I feel that I must register that objection today.

The ACTING PRESIDENT pro tempore. Is there objection to the request of the Senator from Montana?

Mr. WILLIAMS of Delaware. Yes, Mr. President; I object.

The ACTING PRESIDENT pro tempore. Objection is heard.

Mr. MANSFIELD. Mr. President, I understand—and I say this with distress on my part—the position taken by the distinguished Senator from Delaware [Mr. WILLIAMS] and the distinguished Senator from Texas [Mr. Tower]; but I assure the Senator from Delaware that he is acting wholly within his rights, that every Senator has that right and that privilege, and that—contrary to some newspaper reports—there will be no attempt on the part of the leadership to "ram" the cotton-wheat bill through the Senate.

It is our hope to do everything we possibly can—and I use the plural pronoun because yesterday I discussed this matter on three or four occasions with the distinguished minority leader. I tried to "clear the deck," so to speak, so that it would be possible to bring up this bill today.

But it appears that, under the rules of the Senate, and in consideration of the rights of each individual Senator, that will not be possible.

Mr. WILLIAMS of Delaware. Mr. President, will the Senator from Montana yield?

Mr. MANSFIELD. I yield.

Mr. WILLIAMS of Delaware. Not only did the majority leader discuss the question with the minority leader yesterday, but he also discussed it with me; and I told him that I would try to obtain copies of the bill and be ready today. I regret that I was not able to do so. But the majority leader did everything he could possibly do to reach such an arrangement in advance; and I want the Record to show that my objection is made with great reluctance, and in no way should it be interpreted as an indication of a feeling that the majority leader is trying to do something improper or is trying to "steamroller" the bill.

Mr. MANSFIELD. I thank the Senator from Delaware. I appreciate very much his remarks.

Mr. ELLENDER. Mr. President, will the Senator from Montana yield?

Mr. MANSFIELD. I yield.

Mr. ELLENDER. I have read articles by some columnists about "efforts to ram the bill through." If anyone is to be blamed, I wish to take my place in the front lines. Last year the committee of which I am chairman held over a week of hearings on cotton legislation, but at that time the House had not acted and the committee could not get together on a bill.

When I returned to Washington in January I felt that there was a need for cotton legislation, as well as wheat legislation, and I approached members of the committee, and agreement was reached to hold hearings at a particular time. Those hearings proceeded in order, until the Senate began consideration of the tax bill. Then the Senate began holding sessions early in the day, and objection was made to all committee meetings. Our hearings were discontinued.

Soon after action on the tax bill was completed, I was successful in having the committee meet and the hearings were completed in 2 days. Insofar as I know, complete hearings have been held on the subject, with the possible exception of some parts of the cotton bill that were added in the past few days before the committee considered cotton and wheat legislation in executive session.

When the Committee on Agriculture and Forestry decided to report the bill, and in order to lay the matter before the Senate as fully as possible there was an understanding that a complete report on the bill would be made by the Secretary of Agriculture, giving his views as to the bill, as it was reported from the committee, and also its implications. I believe the Senate has before it practically all the arguments, for and against.

The only thing the committee did not have was testimony as to some of the provisions in the cotton bill that was brought in at the last minute. Even with that situation, if we are to have any effective cotton or wheat legislation that will do any good for the cotton and wheat crop this year, some of which has been planted and some more of which will be planted in the spring, it is imperative that the Senate act before March 1.

I took the position that this matter should be brought before the Senate before the civil rights debate begins. Of course, I realized that if, as, and when we started that debate, there would be little opportunity to take up any other legislation.

So I hope the majority leader will, either later in the day or not later than Monday, make another effort to have this bill considered, so that it may be enacted before the end of next week. If we can do that, I feel confident that legislation can be enacted in time to assist the cotton farmers as well as the wheat farmers in the crops to be planted this year.

Mr. MANSFIELD. I assure the distinguished chairman of the Committee on Agriculture and Forestry that what he has suggested is my intention. I hope we shall be successful. I assure him I shall do everything I possibly can, within

the rules and with full publicity ahead of time, to consider the bill and dispose of it, if at all possible.

I now yield to the distinguished senior Senator from North Dakota [Mr. YOUNG], a senior member of the committee.

Mr. YOUNG of North Dakota. Mr. President, I appreciate the Senator's yielding to me. This is a matter of the utmost importance to the wheat producers, and I am sure to the cotton producers as well. If nothing is done, the cash price of wheat will drop at least 25 percent, and perhaps as much as 30 percent, a drop that the wheat producers cannot take.

Every farm organization, starting back at the time of the wheat referendum, and before, promised new legislation. The Farm Bureau was the first one, even before the last wheat referendum. They promised that if the farmers voted "no" they would get new legislation.

I do not know all that they are saying here in Washington. Every farm organization is working to obtain new legislation, because they all realize its importance. It seems to me that the Senate could take at least 2 or 3 days to consider this kind of legislation, which is so important not only to the farm economy but that of the whole Nation. Wheat is produced in all 48 States on the mainland.

Mr. MANSFIELD. Mr. President, I yield now to the Senator from South Dakota [Mr. McGOVERN].

Mr. McGOVERN. Mr. President, I should like to reaffirm what the Senator from North Dakota has said. All the information we have had in the committee from the Secretary of Agriculture, as the Senator has indicated, shows there will be a drop of somewhere between \$500 and \$700 million in agricultural income this year if Congress does not act on the wheat situation. In the absence of additional legislation, it would represent a drop of about one-third in the income of the wheat farmers of this country.

The President, in his agricultural message a few days ago, reminded us that the income of the farmers of the United States is only about 55 percent of the national average. At a time when we are talking about having some relief through tax legislation and other devices to stimulate the economy, it does not seem to make much sense to sit idly by and permit one segment of the economy that is already distressed to suffer another loss in income of between \$500 and \$700 million.

I commend the chairman of the committee [Mr. ELLENDER] for almost superhuman efforts in having this bill reported from the committee.

I think it is especially commendable in view of the fact that, though he personally objects to some features of the bill, he nevertheless worked harder than any other member of the committee to bring this legislation out in time, because he knew, if it was to be effective at all, it had to be on the statute books by the first of March. I think we all owe him a deep debt of gratitude.

Mr. MANSFIELD. I join the Senator from South Dakota in what he has said about the chairman of the committee and his perseverance and determination.

I also wish to join in what the distinguished Senator from North Dakota [Mr. YOUNG] has said about what was told the farmers in the Dakotas and Montana; namely, that if they voted against the referendum, Congress would come through with legislation in the field of wheat. Here we are trying to get through this legislation. The very organization that stated that Congress would come through with legislation is in part holding up legislation at this time.

Mr. ELLENDER. Mr. President, will the Senator yield?

Mr. MANSFIELD. I yield.

Mr. ELLENDER. This is no new wheat legislation. It is the same measure that was passed last year. In my opinion, there is absolutely no change in it except that the present law is put on a voluntary basis instead of providing for a referendum.

I stated last year, when the enactment of wheat legislation was being considered, when it was defeated, that, as chairman of the Committee on Agriculture and Forestry I would not attempt to have new legislation enacted.

I do not consider the wheat provision in the pending measure as new legislation. It seems to me we would gain much by attempting to try this program on a voluntary basis, in the hope that it can be tried; and, if there are any defects in it, we can add to or subtract from it as time goes on.

I am satisfied that, if Senators will read the bill and compare it with existing law, they will find very little added to the law except to put the program on a voluntary basis.

I am very anxious to have the bill taken up, in an effort to pass it in time to make it effective.

Mr. WILLIAMS of Delaware. Mr. President, will the Senator yield?

Mr. MANSFIELD. I yield.

Mr. WILLIAMS of Delaware. I emphasize that I am not objecting to having the Senate's having an opportunity to work its will. What the majority leader and other Senators have said is entirely correct. When the farmers rejected the wheat plan in the referendum last year promises were made by numerous farm organizations and many Members of the Senate that legislation would be introduced and that they would try to enact a new legislative proposal. However, it is also true that the administration and the Secretary of Agriculture took a strong position that there should be no legislation and were opposed to any legislation of any description. It was said that none was needed.

Mr. MANSFIELD. Mr. President, will the Senator yield?

Mr. WILLIAMS of Delaware. I yield.

Mr. MANSFIELD. In all fairness, I do not believe that was the exact position taken by President Kennedy and Secretary Freeman, but it was a position taken on a number of occasions by the chairman of the Committee on Agriculture and Forestry, who unselfishly

and with good heart reversed himself in an attempt to meet a deadline and meet the situation which exists for wheat farmers.

Mr. WILLIAMS of Delaware. The Senator may be correct in part. I know the new administration is recommending some legislation.

Mr. MANSFIELD. That is correct.

Mr. WILLIAMS of Delaware. There was also somewhat of a switch in the position of the administration. Again, all I am suggesting is that if the proposed legislation involving \$600 million or \$800 million is so important, it should at least be studied by Members of the Senate before they are asked to vote on it.

All I am asking is that on the bill which has been available to us for only 2 hours, there be at least 1 more day in order that Senators may take it home and study it.

Again, I compliment the majority leader for his tolerance and fairness in this regard. I assure him, as I have in the past, that whenever he is ready to move to consider a bill, whatever it may be—whether I am for it or against it—I shall always cooperate with the leadership of the Senate, and will continue to cooperate with him in his right to determine the legislative program of the Senate.

Mr. MANSFIELD. I appreciate the comments of the Senator from Delaware.

Mr. President, I ask unanimous consent that when the Senate meets on Monday next, that the Chair lay before it as the pending business Calendar No. 850, H.R. 6196.

Mr. WILLIAMS of Delaware. Mr. President, I hope the majority leader will not make such a request today, because if he did I would have to object. I would have to object to this bill being made the pending business not only today but also on Monday. I do not wish to do that. Monday is another day, and perhaps we could proceed without objection. I would prefer not to make objection to it Monday, but if the request is pressed today there will be objection.

As I stated earlier, I am not willing to give consent to make this bill the pending business until at least I have had an opportunity to read and study the bill. I would hope the majority leader would not press the second request, because I am afraid it would be misunderstood as a strong indication the bill would not be considered Monday, and I believe it would be better if we—

Mr. MANSFIELD. Mr. President, I feel I am in the position where I must make this request to try to get some assurance that the bill will be taken up on Monday, even if the request is denied. I do so because of the fact that the Senate has for consideration the military procurement bill, the conference report on the tax bill, and the civil rights bill. Once the civil rights bill comes up, all bets are off, because there will not be much time. So, if the Senator from Delaware desires to object, I will understand his position thoroughly, as I know he understands mine; and if objection is made, I shall, of course, make another request on Monday.

Mr. WILLIAMS of Delaware. Mr. President, I will object today; and I suggest that it would have been easier to obtain consideration of the bill on Monday, had we not had to object today.

The ACTING PRESIDENT pro tempore. Objection is heard.

Mr. WILLIAMS of Delaware. I regret that objection has to be made.

In order that we may make it clear—because we cannot always be in the Chamber—I hope there will be no further request made today unless I am notified in advance, because I would object to any request made today. I hope that—

Mr. MANSFIELD. There will be no request made today. Nor will request be made on the bill without the foreknowledge of the Senator from Delaware, and I would hope, his approval.

Mr. WILLIAMS of Delaware. I thank the Senator. I repeat, I am not suggesting or threatening what will happen on Monday. I thought it was a reasonable request that we have an opportunity to read the bill. As I pointed out to the majority leader yesterday, I did try to get a copy of the bill and study it overnight, but I was unable to get a copy either of the bill or the report until a couple of hours ago. It was for that reason I asked to have it go over until Monday. I would have to make the same objection to any request made today, but I assure the Senator from Montana it is a reluctant and friendly objection.

Mr. DIRKSEN. Mr. President, will the Senator from Montana yield?

Mr. MANSFIELD. I yield.

Mr. DIRKSEN. Mr. President, I believe it is generally known that the House will consider the conference report on the tax bill on Tuesday next.

If I may be so bold as to assume that the farm bill might be laid down, would it be the intention of the distinguished majority leader, at the appropriate moment, to set it aside, so that the tax bill conference report, which is after all, a privileged matter, would be considered as soon as it reached the Senate?

Mr. MANSFIELD. The Senator from Illinois is correct.

Mr. President, a parliamentary inquiry.

The ACTING PRESIDENT pro tempore. The Senator from Montana will state it.

Mr. MANSFIELD. While the Senate continues in recess, is a motion to proceed to the farm bill in order?

The ACTING PRESIDENT pro tempore. Such a motion would not be in order.

Mr. MANSFIELD. Mr. President, a further parliamentary inquiry.

The ACTING PRESIDENT pro tempore. The Senator from Montana will state it.

Mr. MANSFIELD. It is true, then, that the Senate, while continuing in recess, can proceed to the farm bill only by unanimous consent, and that objection raised by any one Senator can block such request?

The ACTING PRESIDENT pro tempore. The answer is "Yes."

Mr. MANSFIELD. Mr. President, a further parliamentary inquiry.

The ACTING PRESIDENT pro tempore. The Senator from Montana will state it.

Mr. MANSFIELD. If the Senate adjourns to meet the requirement that a bill must lay over 1 legislative day before it can be motioned up, under the precedents of the Senate, will not second reading be had during the morning hour on the civil rights bill?

The ACTING PRESIDENT pro tempore. The Senator from Montana is correct.

Mr. MANSFIELD. Mr. President, a further parliamentary inquiry.

The ACTING PRESIDENT pro tempore. The Senator from Montana will state it.

Mr. MANSFIELD. Mr. President, when second reading is had, will not certain motions, points of order, and other debatable matters then be in order?

The ACTING PRESIDENT pro tempore. Yes, such matters would then be in order, after second reading.

Mr. MANSFIELD. The reason I have raised these parliamentary inquiries is to lay before the Senate, insofar as it is within my power to do so, the facts as I see them relative to parliamentary procedures under the rules of the Senate. I respect the right of each and every Senator to exercise his privileges within the rules.

I am sorry it is not possible to get the bill up today, because it is an important bill to my part of the country, as well as to other parts, but I am hopeful that when Senators have an opportunity to study the report over the weekend, perhaps—in their wisdom, and in a spirit of charity and cooperation—we may be able to bring up the bill on Monday next.

Mr. WILLIAMS of Delaware. Mr. President, will the Senator from Montana yield?

Mr. MANSFIELD. I yield.

Mr. WILLIAMS of Delaware. I should like to address a parliamentary suggestion to the majority leader—he can make a motion to adjourn any time he wishes, can he not?

Mr. MANSFIELD. The Senator is correct.

Mr. WILLIAMS of Delaware. Such motion the majority leader would make would be supported by me, and the Senator from Montana could follow it with a motion to take up any bill he wished and I will support that motion.

I felt it was a perfectly reasonable request to ask for an opportunity to study the bill. The majority leader will admit that when the tax bill was reported by the committee I was one of those who wished to file a minority report. I did not believe it was wise to cut taxes \$10 or \$11 billion in the face of a \$10 billion deficit. I waived my right to file a minority report, in order that the majority leader could get the bill before the Senate. I have tried hard to cooperate with him in every way possible, and I will continue to do so.

I respect the position of the majority leader, however, and want to emphasize that my objection here today is in no way intended as criticism of his procedure.

In my opinion, the Senator from Montana is one of the fairest and one of the greatest majority leaders ever to hold that position.

I am sure that he recognizes it is a reasonable request to have the bill go over. I did not put the Senate in the parliamentary position in which it now finds itself. I am not trying to jockey the Senate into a position where it cannot work its will. I do feel this, however, that we have spent many weeks and months when the administration could, had it wished, had the farm bill before the Senate. Perhaps, had they been as anxious as they are now, we could have had the farm bill disposed of.

That statement is intended as no criticism of the majority leader. He can only bring up bills which come out of the committees. Nevertheless, I still feel that there is no piece of legislation, particularly one involving expenditures of \$600 to \$800 million, that could be considered so important to require action by the Senate without Senators ever having had the opportunity to read the bill.

All I am asking is that we be given an opportunity to study and read the bill. The taxpayers, at least, are entitled to that much consideration on our part; whether we vote for or against the bill later is a matter for each Senator to determine as to what he believes should or should not be done. Certainly we cannot intelligently approach a decision on that question without at least first reading the bill. We cannot read it until it is printed, and it was printed only 2 hours ago.

Mr. MANSFIELD. Mr. President, I would not disagree with any of the comments made by the distinguished Senator from Delaware. I believe he understands the position I am in and the reason why the postulates were raised and the parliamentary inquiries were made. When a bill is reported, I believe it is my responsibility, in conjunction with the minority leader insofar as that is possible, and with other Senators who are interested, to undertake a procedure—which I did earlier in the day—and I assure the distinguished Senator that there was nothing devious behind it. I merely wished the RECORD made clear so that Senators could understand the situation, and that every means had been used to try to bring up the bill.

Of course the Senate could adjourn, but the Senator knows the reason why I cannot move to adjourn at this time. We shall have to wait and take our chances.

I yield to the Senator from Delaware [Mr. WILLIAMS].

Mr. WILLIAMS of Delaware. I wish to state that at the time I was raising this objection yesterday, I said I would try to get a copy of the bill and try to read it overnight. At that time, I did not even know such a parliamentary situation existed. I should have known, but I was not approaching the question from that standpoint.

Mr. MANSFIELD. I am certain of that.

Mr. WILLIAMS of Delaware. It was not a part of any plan to jockey the majority leader into a parliamentary situation. Had I been able to obtain a copy of the bill and report last night, perhaps I would not be in the Chamber objecting today.

Mr. MANSFIELD. As the Senator from Delaware knows, with me his word is his bond.

I yield to the Senator from New York [Mr. KEATING].

Mr. KEATING. The inquiries addressed by the majority leader to the Chair have made the situation clear. I preface my inquiry—if I may have the attention of the majority leader—by saying that I am something less than enthusiastic about the Brannan plan bread tax bill.

Mr. MANSFIELD. Mr. President, I believe we should get one thing straight, if the Senator from New York will yield briefly.

Mr. KEATING. I yield.

The ACTING PRESIDENT pro tempore. The Senator from Montana has the floor.

Mr. MANSFIELD. Many Members of Congress representing large industrial States have the idea that the farmers are responsible for the increase in the price of bread.

If we go back over the past decade, we will find that the average price of a bushel of wheat to the farmer has been \$2 a bushel, and that when it goes to the miller, in St. Paul or some other location, it probably costs 50 cents more to mill it into flour, over the past decade and longer; the farmer has been receiving practically the same price during that period of time, the price of bread has gone up from 16 cents to approximately 36 to 38 cents.

So it is not the fault of the farmer. We cannot blame the farmer, when we talk about the wheat bill and the price of bread, because the farmer, as well as the consumer, is getting it "in the neck." Someone in the middle, not the miller or the rancher, is getting the gravy.

Mr. KEATING. Pursuing my statement as to the Brannan bread tax bill, I am well aware of the sensitivity of some Senators over the contention that some Senators make, that these continued increased subsidies to wheat growers do have an effect on the price to the consumer in large industrial areas; but I did not intend to debate the subject today and intended to hold that off for the farm bill.

I wished to preface my remarks to the Senator from Montana with a frank admission that I have serious reservations about the wheat-cotton bill. In any event, however, I believe it is time we gave some priority to civil rights in the scheduling of the Senate's business and I am deeply disturbed by the delay in getting the civil rights bill before the Senate.

The impression was first created that the conference report on the tax bill had to be disposed of prior to consideration of civil rights legislation, but the colloquy which took place on the floor today has made it very clear that the conference report on the tax bill could be

brought up at any time. It could be considered in the middle of the debate on the civil rights bill or during the debate on any other bill, as a matter of the highest privilege and priority. Therefore, the conference report on the tax bill could never have been a reason for delaying consideration of the civil rights bill.

Mr. MANSFIELD. Mr. President, will the Senator yield at that point?

Mr. KEATING. I yield.

Mr. MANSFIELD. As I understand, the Senator indicates that he has little or no interest in cotton or wheat legislation.

Mr. KEATING. That is not a correct statement.

Mr. MANSFIELD. But that he has a great interest in the civil rights bill. Is that correct?

Mr. KEATING. I have an interest in cotton and wheat legislation. I intend to be on the floor and debate the bill. What I indicated was that I did not expect, at the moment, to support the bill.

Mr. MANSFIELD. I understand.

Mr. KEATING. I am interested in any legislation that comes before the Senate. The point I am making is that civil rights deserves to be given priority. I wish to make it clear to the majority leader and other Senators that I am greatly disturbed by the continual intervention of other proposed legislation ahead of the civil rights bill, which, I had hoped, would follow the consideration of the tax bill. I want to make it clear also that the conference report on the tax bill has nothing to do with the necessity for the delay on the civil rights bill. As I view the parliamentary situation, any Senator can get recognition at any time in the middle of any debate to bring up the conference report on the tax bill. It is a matter of the highest privilege.

It is now obvious that the real reason the civil rights bill is being delayed is in order to enact a farm bill and also, I understand, a bill for military procurement authorizations. Of course these are matters of great importance but civil rights would be delayed indefinitely if it is to be displaced whenever other legislation is reported.

I hope that the distinguished majority leader, if the debate on these important matters runs into a long period of time, will not allow it to continue to delay consideration of the civil rights bill.

Mr. MANSFIELD. Mr. President, will the Senator yield?

Mr. KEATING. I yield.

Mr. MANSFIELD. This subject was discussed on the floor of the Senate yesterday. The distinguished minority leader and I gave assurance that the civil rights bill would not be unduly delayed. We did think, so long as we had this little interregnum, that if we could finish consideration of the military procurement authorization bill and the cotton-wheat bill within a reasonable period of time, it would not delay very much—perhaps by no more than a day or so—the taking up of the civil rights bill. I assure the Senator that when we get the civil rights bill before the Senate, there will be plenty of time to dis-

cuss the issue and to educate the country, as some of our colleagues use that term.

We have been cognizant of the situation and have been doing our best to see if it would not be possible to bring the civil rights bill to a second reading at the conclusion of or shortly after disposition of the conference report on the tax bill by both Houses.

Mr. KEATING. I have no doubt that "plenty of time" will be occupied in the discussion of the civil rights bill and this is another point which needs emphasis. I had hoped that the pressures for a cotton bill, which come primarily from those who traditionally have been in the forefront of the opposition to civil rights legislation, would help expedite consideration of the civil rights bill. Referral of the wheat-cotton bill until after civil rights might well be helpful in convincing some of those who are opposed to civil rights legislation that the debate, while full, should be somewhat shortened. The same perhaps might be true of the military construction authorization bill. I am not aware whether it is a matter that could be handled this week or next week, or whether it could be handled somewhat later. There may be good reason for considering it now. I have no knowledge of that. Apparently the situation has been canvassed and it has been found to be undesirable or unwise to proceed in that way from the point of view of the leadership.

Of course, I am in no position to say whether that is the case. I can only express the hope that since the decision has been made to take up the cotton and the military procurement bills first, it will not cause an indefinite delay in bringing before us the civil rights bill, and that at some stage—and I would not want to ask the Senator to try to say specifically at what stage—if the consideration of those bills was not brought to a conclusion, they might be put aside in order to take up the civil rights bill.

Mr. MANSFIELD. I believe, in fairness, as far as the leadership is concerned, we have been canvassing the situation rather thoroughly. We do not believe any dilatory or delaying tactics will be used. We believe that the authorization bill for military procurement is vitally needed legislation, and that it could be passed without too much delay. We believe that the citizens of this country who live in the West and in the South are entitled to consideration in the matter of wheat and cotton. We also believe that at the first moment, after the tax conference report is agreed to by both Houses, we should, as expeditiously as possible, come to the consideration of the civil rights bill. However, we not intend to bring up a bill for the purpose of laying it aside. If we bring up a bill we like to bring the matter to a conclusion one way or another, and then enter the ring for the main event.

Mr. KEATING. I am sure the Senator would like to do it that way. I had hoped that it would be possible to proceed with the civil rights legislation, and not have it displaced.

Mr. MANSFIELD. We are not displacing it.

Mr. KEATING. Everyone believed that it would follow consideration of the tax bill. That has not been the case.

Mr. MANSFIELD. It will follow the tax bill. If a day or so intervenes in between, it will not make much difference.

Mr. KEATING. Obviously there will be more than a day or so in between. The tax bill was passed long ago.

Mr. MANSFIELD. Is the Senator referring to the tax bill or to the conference report on the tax bill?

Mr. KEATING. The conference report can be brought up at any time. If we were debating the civil rights bill at this moment, the conference report on the tax bill could be brought up for debate at this time.

Mr. MANSFIELD. That is correct; and it would be debatable.

Mr. KEATING. That is correct.

Mr. MANSFIELD. It could be debated for a long time. Under the plan I suggested, it might not be so debated.

STATEMENT BY SENATOR DIRKSEN AND REPRESENTATIVE HALLECK ON THE WHEAT TRANSACTION WITH THE SOVIET UNION

Mr. WILLIAMS of Delaware. Mr. President, the wheat transaction with the Soviet Union has gone from bad to worse. Senator DIRKSEN and Representative HALLECK, speaking for the Senate-House Republican leadership, issued statements yesterday, February 20, at a press conference that lay the cold facts on the line. These statements are worthy of detailed study by my colleagues on both sides of the aisle.

Mr. President, I ask unanimous consent that these statements be printed in the RECORD:

There being no objection, the statements were ordered to be printed in the RECORD, as follows:

STATEMENT BY SENATOR DIRKSEN

The wheat deal with the Soviet Union, initiated last October and currently being feverishly pursued by the Johnson administration, is doing far greater damage to American foreign policy than it is good to the American economy.

The chain of events which has followed this reversal of our economic policy toward Russia shows how costly the decision has been. It has all but destroyed our economic blockade of Cuba, a result forecast by Representative HALLECK on October 2 last year when he said: "If the Kennedy administration puts its stamp of approval on sale of wheat to the Soviets, how can our Government expect to persuade other nations not to trade with Cuba in the future?"

The truth is now upon us. We can no longer persuade them.

Our ally, France, is reportedly negotiating a \$10 million truck deal with Cuba. Our ally, Spain, is negotiating for the sale of 100 fishing vessels and two freighters to Cuba. Our ally, Great Britain, has sold 400 buses to Cuba over our protest, and another 600 are on order. Four British airliners are being reconditioned for Cuba. Now negotiations are underway for British delivery of \$1.4 million in heavy roadbuilding machinery to Castro. Worse yet, France has recognized Red China. Equally bad, our NATO agreement limiting credit to 5 years to the Communist nations is on the verge of collapse. While France, Italy, and West Germany watch,

Britain is now negotiating a 15-year credit with the Soviets for \$448 million in fertilizer and chemical plants. Japan is considering credits and trade with Red China.

These nations use the wheat deal as an excuse. Britain's Prime Minister Home stood on the White House steps last week and made it clear the British intend to trade with the Communist nations. Former Prime Minister Ishibashi, a leading Japanese advocate of trade with Red China, has hailed the wheat deal as the "big turning point" in making trade with Communist nations possible.

In short, the wheat deal is turning into a diplomatic nightmare. Nothing has so undermined our leadership of the free world in a score of years. We have set a precedent that can be used against us from now on by the Communist nations to persuade our allies to trade with them on extended credit. We, the members of the Joint Senate-House Republican leadership, strongly urge the Johnson administration to revalue further extension of the wheat deal before the diplomatic damage it is doing is beyond repair.

STATEMENT BY REPRESENTATIVE HALLECK

The wheat deal with the Soviet Union is not only playing havoc with our world leadership but it is also disrupting our economy at home.

Our maritime unions are directing a boycott against loading wheat in American ports for shipment to the Soviet Union and they have adopted a strongly worded resolution this week denouncing the wheat deal as a grotesque blunder.

Our shipowners are up in arms because the White House pledge that 50 percent of the wheat deliveries would be in American ships has not been kept with nearly 75 percent of the wheat tonnages having been shipped so far on foreign vessels.

The American taxpayers are awakening to the fact that they are paying as much as 84 cents a bushel in special subsidies so that the wheat can be sold to the Soviet Union at the far lower world price instead of at the price an American would pay if he bought it.

Our farmers find themselves in a dilemma because the White House, not they, initiated a deal supposedly for their benefit which is giving the Soviet Union a big financial break at the expense of the U.S. Treasury. And the subsidies for the Russians' benefit keep climbing. The present estimate is that the American taxpayers will contribute more than \$40 million in subsidies for the benefit of the Soviet Union.

And finally, the Members of Congress—kept in session day after day, night after night until last Christmas Eve because President Johnson insisted on authority to give extended Export-Import Bank credits to the Soviet Union—now know that the original congressional prohibition against sales of Government-subsidized agricultural commodities to Communist nations was right.

This wheat deal has turned into a sorry mess. The only winner has been the Soviet Union, which is exactly what many of us predicted. The American taxpayers, our maritime unions, and our shippers are the losers. It is time a halt was called on these transactions with the Soviet Union. We believe the overwhelming majority of the American people, including American farmers, would support such a move.

APPOINTMENT OF CAPTAINS ON THE MINORITY SIDE, FOR DEBATE ON THE CIVIL RIGHTS BILL

Mr. DIRKSEN. Mr. President, I previously indicated that I would announce the appointment of seven captains on the minority side to assist in our deliberations on the civil rights bill.

The Senator from New York [Mr. KEATING] will be the captain on title I; the Senator from Nebraska [Mr. IRUSKAL] on title II; the Senator from New York [Mr. JAVITS] on title III; the Senator from Kentucky [Mr. COOPER] on title IV; the Senator from Pennsylvania [Mr. SCOTT] on title V; the Senator from New Hampshire [Mr. COLLON] on title VI; and the Senator from New Jersey [Mr. CASE] on title VII.

In addition, the distinguished minority whip and I will be on hand, I trust, at all hours of the day and night, to give such counsel and guidance as we can in the orderly deliberations and the extended discussion that we anticipate will take place in connection with the civil rights bill.

ORDER OF BUSINESS

Mr. KEATING. Mr. President, is the Senate now in the morning hour?

The ACTING PRESIDENT pro tempore. If the Senator will permit the Chair to do so, he would like to lay before the Senate the unfinished business.

MR. AND MRS. HARLEY BREWER

The Chair laid before the Senate the unfinished business, H.R. 2772, for the relief of Mr. and Mrs. Harley Brewer.

TRANSACTION OF ROUTINE BUSINESS

By unanimous consent, the following routine business was transacted:

REPORT OF A COMMITTEE

The following report of a committee was submitted:

By Mr. FULBRIGHT, from the Committee on Foreign Relations, with amendments:

S. 2136. A bill to amend the Foreign Agents Registration Act of 1938, as amended (Rept. No. 875).

BILL INTRODUCED

A bill was introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. KEATING:

S. 2536. A bill for the relief of Wilfredo R. Emano; to the Committee on the Judiciary.

(See the remarks of Mr. KEATING when he introduced the above bill, which appear under a separate heading.)

WILFREDO EMANO

Mr. KEATING. Mr. President, I introduce, for appropriate reference, a private bill.

The ACTING PRESIDENT pro tempore. The bill will be received and appropriately referred.

The bill (S. 2536) for the relief of Wilfredo R. Emano, introduced by Mr. KEATING, was received, read twice by its title, and referred to the Committee on the Judiciary.

Mr. KEATING. Mr. President, normally I, like other Senators, do not enter in the RECORD any comments relating to a private bill; but this is such an un-

usual situation that I wish to speak about it, because it is a case behind which lies one of the most heartwarming and fascinating tales of the Second World War, a tale that warrants retelling for the historical record.

It involves, of course, the beneficiary of this bill, Wilfredo Emano, and his friend, Mr. Andrew A. Mancuso, or as he is affectionately called, "Gus" Mancuso.

"Gus" Mancuso now runs an elevator in the U.S. Courthouse in Buffalo, N.Y. Twenty years ago, however, and 10,000 miles away, "Gus" Mancuso was one of a small band of brave and heroic GI's who refused to submit to the Japanese invader in the Philippines and who held out in the mountains of Mindanao carrying on guerrilla warfare against the Japanese occupation forces.

It was there, in a small village of north-central Mindanao, that "Gus" met Wilfredo Emano, then a small boy. Wilfredo's family befriended "Gus" and his fellow GI's, gave them safety and shelter, supplied them with the bare necessities of life. "Gus" says these fine Filipino natives made the difference between life and death for the Americans, and enabled them to continue peppering the Japanese with hit-and-run guerrilla raids for the duration of the Japanese occupation.

As I have said, Wilfredo Emano and his family thus gave aid and comfort to the American cause in the Pacific war. Today, more than 20 years later, Wilfredo Emano is a visitor to our shores and now in Buffalo, having renewed his old war comradeship with "Gus" Mancuso. Again, however, there is a familiar ring to this tale. Wilfredo would like nothing more than to become a permanent U.S. resident and ultimately obtain U.S. citizenship. He was born and raised under the American flag, served our country in time of war when boys of his age here in the States were in grammar school, and is as much an American at heart as he is—as a legal matter—a citizen of the Philippine Republic. Moreover, Wilfredo was graduated from college with a degree in business administration and has achieved skills that would enable him to contribute greatly to the benefit and welfare of our country.

Yet, despite all this, there is no hope for his now obtaining U.S. permanent residence under the regular immigration laws. His misfortune is that he happened to be born in the Philippines, which, though under the American flag at the time, later became independent; and as such, it was assigned an annual national origins quota based on the proportion of persons of Filipino ancestry found in the U.S. population of 1920, 15 years before Wilfredo Emano was born. Which is to say, simply, that the Philippine annual quota is the minimum quota of 100, is heavily oversubscribed, and stands as an insurmountable barrier to the regular admission of the Wilfredo Emanos of this world for U.S. residence and citizenship.

Mr. President, this is an extremely meritorious bill, in my judgment. The whole background cannot be done full justice by me in the limited time avail-

able. Fortunately, there is a great story on this case, bylined by Reporter Roland Powell, which was published in the Buffalo Evening News of November 16, 1963. In order that the full stirring history of the wartime friendship of "Gus" Mancuso and Wilfredo Emano may be available to interested Congressmen and the public, I ask unanimous consent that the article be printed at this point in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

WAR RECORD OUTSTANDING, BUT GUS MANCUSO IS LAST ONE TO TALK ABOUT IT

(By Roland Powell)

Twenty years and 10,000 miles is a long way from the steaming jungle and formidable mountains of the Japanese-invaded island of Mindanao to the bustling metropolitan city of Buffalo.

But that distance has been bridged by a Buffalo man and his wartime Filipino companion.

Reunited recently in Buffalo were Andrew A. Mancuso, 48, of 842 Prospect Avenue, and Wilfredo Emano, 29, of Oriente Misamis Province, Mindanao, Philippines.

Mr. Mancuso, now an elevator operator in the U.S. Courthouse, was a member of the small and heroic band of Americans who refused to surrender to the Japanese when World War II erupted in the Pacific and chose instead to flee to the mountains and continue the fight.

Mr. Emano was only a small boy in a native village in north-central Mindanao when the Japanese troops landed. When the weary, ailing group of American soldiers made their way to his village young Wilfredo joined with his merchant father in getting food and other supplies to them, even under the watch of the Japanese. Among those soldiers was "Gus" Mancuso.

The companionship between American guerrilla and young Filipino boy ripened during the month after month of hit-and-run and plain survival fighting of the stubborn Americans.

As with most soldiers, many of the memories of war faded for Mr. Mancuso over the years. He still kept in touch with some of his buddies and a few years back attended a reunion of Mindanao guerrillas.

He remembered some of the Filipinos who had aided him, making the difference between life and death. He remembered little Wilfredo whom he had not seen since leaving the island.

There was no question about it. Mr. Mancuso was unprepared when he received a telegram from a Wilfredo Emano announcing he was planning to arrive the next day by plane at Buffalo to visit his wartime friend.

The reunion at the airport took place last February when Mr. Emano arrived with a 6-month visitor's visa. Little was said about it; Mr. Mancuso is not one to relate voluntarily his war experiences, and the fact that he had a visitor here from the Philippines would have led to that explanation. But when the 6 months was over Mr. Mancuso and Mr. Emano appeared at the U.S. immigration office seeking a 6-month extension of the visa, which was granted.

The story was out. Simultaneously there came on the market a new book, "They Fought Alone" which tells the story of the Mindanao guerrillas with Mr. Mancuso's name mentioned.

The string of incidents leading to the meeting in the Philippines began before the war. After graduating in 1934 from Lafayette High School, where he captained the baseball team, "Gus" Mancuso worked for a

grocery chain and belonged to the National Guard's 174th Regiment.

Early in 1941, with Europe at war and war clouds hanging over the Pacific, though not seen by everyone, Mr. Mancuso quit his job and joined the Army.

He took basic training and then with other peacetime Army recruits was sent to the Philippines, serving in Manila and at Clark Field with the 440th Aviation Bomb Ordnance Group. In late 1941 he was transferred south to the big island of Mindanao.

In December the Japanese launched their surprise many-pronged attack.

Mr. Mancuso's unit was stationed in the Province of Bukidnon in northern Mindanao. The Japanese landed at the nearby Bay of Iligan and at other points on the coast and it became apparent the Americans were in for it.

Supplies ran low and the losses were heavy. Then came word from Maj. Gen. William Sharp, commander of U.S. troops, that the decision to surrender had been made.

It was May 5, 1942, when "Gus" Mancuso and his buddies were called together by their lieutenant and told to prepare to surrender the next day to the Japanese.

"The lieutenant said he needed four volunteers to take a truck to our outposts and pick up the weapons which would be turned over to the Japanese," Mr. Mancuso recalled. "He said the Japanese promised good treatment if we gave them no more trouble."

"I figured this detail was my chance even though I had been in the Army long enough to know not to volunteer. I raised my hand and three of my buddies, seeing it, joined me. We got the truck and spent the night picking up the machineguns and rifles."

"I told my buddies I wasn't going back and they said they were with me."

Mr. Mancuso said his thought was to make his way to the sea, get a boat and join American forces somewhere else. The idea of remaining as a guerrilla hadn't occurred yet.

The truck ran out of water, as luck would have it, so they couldn't have returned to their outfit before the Japanese arrived. Mr. Mancuso, who still shows some concern about disobeying orders, said he gave out the guns to Filipinos passing through on their way into the hills to continue fighting for their homeland.

"We followed them and walked for 2 weeks never knowing where we were. We ate off the land and it wasn't much. I wore out a new pair of Army shoes and when we arrived at a little Manobo tribe village all of us were sick."

The Manobos cared for them until late August. "Gus" Mancuso figured it was time to move on.

"I figured I was going to die there of illness. I heard some other Americans were still free in the jungle and in the hills and were forming guerrilla bands. My buddies stayed behind and I headed out alone, going north."

Most of his hiking experience had been on the west side streets of Buffalo, but "Gus" Mancuso made it weeks later, to the Gulf of Mindanao. There he met Carlos Garcia, Governor of the island of Bohol to the north and later to become President of the Philippines.

Mr. Garcia was forming resistance groups and Mr. Mancuso went with him to Bohol, remaining there until November when contacted by representatives of Col. Wendell Fertig who was forming a guerrilla organization in Mindanao and needed every American soldier and sailor we could get.

Then, of all things, romance entered the picture.

The small boat taking Mr. Mancuso to Mindanao ran into a storm and put into the tiny island of Camiguin between Bohol and Mindanao. He made friends with a family named Gatasi and especially with

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF
BUDGET AND FINANCE

(For information only;
should not be quoted
or cited)

Issued Feb. 25, 1964
For actions of Feb. 24, 1964
88th-2nd; No. 32

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HIGHLIGHTS: Sen. Tower objected to consideration of cotton-wheat bill. Reps. Tollefson and Miller(Calif.) favored using additional U.S. ships for shipping wheat to Russia. Rep. Gross charged that U. S. wheat sale to Russia has encouraged foreign trade with Cuba by other countries. House received conference report on tax bill. Rep. Lipscomb introduced and discussed resolution directing continuation of daily list of export licenses approved.

SENATE

1. COTTON; WHEAT. Sen. Tower objected to a request by Sen. Mansfield to proceed to consideration of H. R. 6196, the cotton-wheat bill, and several Senators debated the merits of prompt consideration of the bill (pp. 3268-80). Sen. Miller expressed opposition to inclusion of a provision for noncertificated wheat in the bill on the basis that such a provision would make noncertificated wheat competitive with feed grains (p. 3269). Sen. Young, N. Dak., inserted a listing of 455 telegrams he had received urging immediate consideration of wheat legislation (pp. 3270-1). Sen. Aiken objected to consideration of the bill at this time and expressed his opinion that the Secretary has adequate authority under existing law to maintain wheat and cotton price supports at a level comparable to this year's prices if he deems it advisable (pp. 3271-3). Sen. Ellender

supported the wheat provisions of the bill and expressed his opposition to certain of the cotton provisions (pp. 3273-4). Sens. Dirksen, Humphrey, and others debated the merits of wheat sales to Russia (pp. 3277-9). Sens. Humphrey and Mundt submitted amendments intended to be proposed to the bill. (p. 3280).

The committee report includes a summary of the provisions of this bill as follows:

TITLE I--COTTON

(1) 4-year cotton program applicable to the 1964, 1965, 1966, and 1967 crops.

(2) Basic price support for 1964 at 30 cents for Middling 1-inch cotton and for the 1965 and subsequent crops at such level between 65 and 90 percent of parity, as the Secretary determines, after taking into consideration certain specified factors, including changes in the cost of production.

(3) Additional price support, above the basic level of support, for producers who participate in the domestic allotment choice program.

(4) A domestic allotment for each farm as a percentage of the regular farm acreage allotment equal to the percentage which the national domestic allotment (acreage estimated to produce amount needed for domestic consumption) is of the national acreage allotment under present law.

(5) A minimum farm domestic allotment for each farm equal to the smaller of the farm acreage allotment or 15 acres.

(6) A special cotton research program designed to reduce the cost of producing upland cotton.

(7) The planting, within certain limits, of an acreage of upland cotton over and above regular farm acreage allotments upon the condition that cotton produced thereon is exported without Government assistance.

(8) Minimum CCC sales price, effective August 1, 1964, at 105 percent of the basic loan rate plus reasonable carrying charges.

(9) Payments in kind to persons, other than producers, in amounts which will eliminate inequities due to differences in the cost of raw cotton as between domestic and foreign users.

TITLE II--WHEAT

(1) 2-year voluntary wheat certificate and acreage diversion program applicable to the 1964 and 1965 crops.

(2) Temporary suspension of marketing quotas and penalties for wheat.

(3) Price support (i) for domestic certificate wheat at between 65 and 90 percent of parity, (ii) for export certificate wheat at a level determined by the Secretary not in excess of 90 percent of parity, and (iii) for noncertificate wheat at a level related to world prices of wheat and the value of wheat for feed.

(4) Continuation of farm acreage allotments, based on a national acreage allotment of not less than 49.5 million acres, and compliance therewith as a condition of price support, marketing certificates, and diversion payments.

(5) Minimum CCC wheat sales price at 105 percent of the loan rate for noncertificate wheat, plus reasonable carrying charges.

(6) Suspension of so-called Anfuso amendment for 1965 crop.

(7) Continuation of existing provision of law permitting substitution of wheat and feed grains.

(8) Continuation of present mandatory program after expiration of 2-year voluntary program.

lems; to the Committee on Interior and Insular Affairs.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. ASHMORE:

H.R. 10078. A bill for the relief of Philip N. Shepherdson; to the Committee on the Judiciary.

By Mr. FARBERSTEIN:

H.R. 10079. A bill for the relief of Elaine Minerva Hylton; to the Committee on the Judiciary.

By Mr. MOORE:

H.R. 10080. A bill for the relief of Mrs. Goldie Stakias; to the Committee on the Judiciary.

By Mr. RYAN of Michigan:

H.R. 10081. A bill for the relief of Miss Remedios R. Magtira; to the Committee on the Judiciary.

No. 32—7

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

713. By the SPEAKER: Petition of the House of Representatives, Republic of Cyprus, Nicosia, Cyprus, petitioning consideration of its resolution with reference to expressing support to the Government of the Republic for the policy followed by it on the Cyprus question for a unitary, independent, and democratic State free from outside intervention or threat, on the basis of the principles of the United Nations Charter and to declare members to struggle until the Cypriot people's just demands are satisfied; to the Committee on Foreign Affairs.

714. Also, petition of W. Pearl B. Phinney, R.N., New York City, N.Y., petitioning consideration of her resolution with reference to certain impeachment proceedings; to the Committee on the Judiciary.

715. Also, petition of Henry Stoner, Avon Park, Fla., petitioning consideration of his

resolution with reference to suggested changes in the publication of the CONGRESSIONAL RECORD; to the Committee on House Administration.

716. Also, petition of Henry Stoner, Avon Park, Fla., petitioning consideration of his resolution with reference to asking Congress to require the Government Printing Office to employ adequate help to improve the public sales activities of the CONGRESSIONAL RECORD; to the Committee on House Administration.

717. Also, petition of Henry Stoner, Avon Park, Fla., petitioning consideration of his resolution with reference to asking Congress to override the Supreme Court prayer decision by statute legislation; to the Committee on the Judiciary.

718. Also, petition of Henry Stoner, Avon Park, Fla., petitioning consideration of his resolution with reference to asking Congress to require the Appropriations Committee to show, by annual report, exact amounts appropriated to each Federal agency or department, and list them with largest appropriations first; to the Committee on Rules.

Senate

MONDAY, FEBRUARY 24, 1964

(Legislative day of Monday, February 10, 1964)

The Senate met at 12 o'clock meridian, on the expiration of the recess, and was called to order by the Acting President pro tempore [Mr. METCALF].

The Chaplain, Rev. Frederick Brown Harris, D.D., offered the following prayer:

Merciful Father, whose faithfulness is constant with all our fickleness, whose forgiveness outlasts all our transgressions against Thy love which will not let us go, we bemoan the delusions which so often have led us to mistake shadow for substance; we confess that by false pride in our own ability to achieve we have been lulled into a cushioned optimism that the forked lightning of threatening tempests does not warrant.

And now with jarred and jolted minds we see the whole circle of the world about us grown somber and terrible with suspicion and conflict, with rumors of war, and with the smoke of a judgment which engulfs us all.

In this testing day when Thou art sifting out the souls of men before Thy judgment seat, give us the contempt for our own prejudices and the passion for pure motives and spiritual integrity in ourselves that will enable us to put on the whole armor of God as we fight for the emancipation of the downtrodden and exploited, and against the rulers of the darkness of this world and against spiritual wickedness in high places.

We ask it in the dear Redeemer's name. Amen.

THE JOURNAL

On request of Mr. MANSFIELD, and by unanimous consent, the reading of the Journal of the proceedings of Friday, February 21, 1964, was dispensed with.

MESSAGES FROM THE PRESIDENT

Messages in writing from the President of the United States submitting nominations were communicated to the Senate by Mr. Miller, one of his secretaries.

EXECUTIVE MESSAGES REFERRED

As in executive session.

The ACTING PRESIDENT pro tempore laid before the Senate messages from the President of the United States submitting sundry nominations, which were referred to the appropriate committees.

(For nominations this day received, see the end of Senate proceedings.)

COMMITTEE MEETINGS DURING SENATE SESSION

On request of Mr. MANSFIELD, and by unanimous consent, the Committee on

Rules and Administration, the Committee on Commerce, and the Subcommittee on Housing of the Committee on Banking and Currency were authorized to meet during the session of the Senate today.

On request of Mr. BYRD of West Virginia, and by unanimous consent, the Subcommittee on District of Columbia Appropriations was authorized to meet during the session of the Senate today.

AGRICULTURAL ACT OF 1964— COTTON AND WHEAT PROGRAM— REQUEST FOR PRESENT CON- SIDERATION OF A BILL

Mr. MANSFIELD. Mr. President, if I may have the attention of the Senate, I ask unanimous consent that the Senate turn to the consideration of Calendar No. 850, House bill 6196, the cotton and wheat bill.

The ACTING PRESIDENT pro tempore. The bill will be read by title.

The LEGISLATIVE CLERK. A bill (H.R. 6196) to encourage increased consumption of cotton, to maintain the income of cotton producers, to provide a special research program designed to lower costs of production, and for other purposes.

Mr. TOWER. Mr. President, reserving the right to object, this is a complex and far-reaching proposal, based largely on proposals submitted by Under Secretary Murphy on the last day of the hearings. The bill in printed form, along with the report, was given to us on Friday. The document room was unable to provide additional copies which could be circulated in order to obtain a reaction to the bill. Thousands of farmers in Texas, or those representing thousands of farmers or others involved in the cotton industry and the wheat industry, have asked me to do what I could to delay Senate consideration of this measure until they could find out what was in it.

I have before me a stack of telegrams from wheat and cotton producers who ask me to do what I can to delay Senate consideration of the bill until they can find out what is in it, can make their comments to the committee, can obtain its reaction to their views, and can represent their interests.

Therefore, it is my hope that the distinguished majority leader will not press for action on his request. I am now beginning to hear from my State, and I am reasonably sure that by tomorrow I shall have a fairly accurate reflection of the attitude toward the bill, and how it should be amended, if at all.

I do not intend to press for an indeterminate period of time my objection to consideration of the bill, because I should like to see it dealt with with all

deliberate speed and expedition, for some cotton legislation is needed. But under the circumstances I believe I would be less than responsible if I failed to note that if the distinguished minority leader is to press for present action on his request, I shall have to object.

Mr. MANSFIELD. Mr. President, will the Senator from Texas temporarily withhold his objection?

Mr. TOWER. Yes.

Mr. MILLER. Mr. President, reserving the right to object, I wish to echo the sentiments which have been expressed by the Senator from Texas, by pointing out that, according to my understanding, the bill contains both a cotton section and a wheat section, and that it was the cotton portion of the bill which was deliberated on and was voted on by the House, but that the wheat section was added only the other day, within the Senate Committee on Agriculture and Forestry.

Therefore, insofar as the wheat section of the bill is concerned, the bill has not received the stamp of approval—much less debate—by the House. I am advised that in the wheat section there are certain provisions which could have a serious impact on the feed-grain situation. Livestock prices in the Middle West now are in a terribly depressed state; and a further depression, due to depressed feed prices, could be catastrophic.

Accordingly, it seems to me unwise for the Senate to take up at this time such a bill—especially inasmuch as the wheat section has not been debated or given much consideration—until after we have had an opportunity to hear from the people in our States and from other interested persons.

Therefore, I support the view of the Senator from Texas.

Mr. McGOVERN. Mr. President, will the Senator from Montana yield to me?

Mr. MANSFIELD. I yield.

Mr. McGOVERN. Mr. President, in response to the statement just now made by the Senator from Iowa, I believe it should be pointed out that his concern about the possible impact on cattle prices should prompt him to give support to speedy action on this bill, because one of the things that would complicate and aggravate the cattle-price situation would be failure on the part of Congress to act quickly to halt a further skid in wheat prices. The Senator from Iowa knows that anything that would result in a further drop in the price of either wheat or feed grains would be the most serious possible sort of threat to cattle prices.

One of the reasons why I am anxious to have the Senate act quickly on the bill—and the Senate must act before the first of March if the bill is to be effec-

tive—is to prevent the very danger the Senator from Iowa fears.

As for the argument about inadequate hearings and inadequate discussion and debate on the proposed wheat legislation, the bill is basically the 1962 act, which Congress debated at great length, both in the House and in the Senate. Farmers have discussed it at great length over the past year and one-half. Our committee has heard from everyone who wished to be heard on that legislation—including the Secretary of Agriculture and his assistants, and all of the major farm organizations.

On the basis of that discussion, we have reported a bill—with strong bipartisan support in the committee—which merely strikes out the mandatory features which were present in the proposal which was offered last spring to the wheat farmers. The aspect to which many farmers objected was the mandatory or compulsory features.

What we are offering now is a voluntary program in which the wheat farmers of the Nation are told that they can participate if they wish to do so, or can stay out of the program without penalty of any kind, except that, of course, they would forego price supports and certificate payments.

Mr. MILLER. Mr. President, at this point, will the Senator from Montana yield for a question?

Mr. MANSFIELD. I yield for that purpose.

Mr. MILLER. I understand that the bill includes, among other things, a provision for so-called noncertificated wheat. Is that correct?

Mr. McGOVERN. The bill would not change existing law at that point; that provision is exactly as it was in the 1962 act.

Mr. MILLER. I wish the Senator would respond to my question. It is my understanding—and I have received correspondence to that effect—that the wheat section of the bill includes a provision for noncertificated wheat. If it does include a provision for noncertificated wheat—and I do not know because the bill has so recently come from the committee that I have not had an opportunity to read it—that provision would be at the heart of the concern of the Senator from Iowa in respect to the bill, because noncertificated wheat would then become a competitor of feed grains in my State and in other Midwestern States, and being a competitor, it would tend to depress feed grain prices and, in turn, livestock prices. Perhaps the bill would not include noncertificated wheat, but I have been advised that it would.

Mr. TOWER. Mr. President, will the Senator yield to me?

Mr. McGOVERN. First, I should like to comment on the question of the Senator from Iowa, and then I shall be happy to have the Senator from Montana yield to the Senator from Texas.

The proposed legislation would not change the manner in which noncertificated wheat is dealt with. There would be no change at that point.

The bill would provide a device whereby farmers would be encouraged to cut

back on their production. It would provide a certificate and a price support program that would have the effect of raising the price of the certificated wheat. To that extent it would benefit the cattle producers. It would have the overall effect of raising wheat prices in the United States. To that extent it would be an improvement over the situation that we have today in reference to the prices of wheat and cattle.

If it is not enacted, all wheat would be noncertificated and in competition with feed.

Mr. TOWER. Mr. President, will the Senator yield?

Mr. MANSFIELD. I yield.

Mr. TOWER. I believe we are now involved in debating the merits of the measure. I do not believe the merits are in question at this time. The fact remains that the bill has been available to us in printed form only since Friday, and then only in a very limited quantity; so the bill could not be circulated freely. Regardless of the fact that we have knowledge of what is in the bill—and perhaps it has been published in newspapers—many people would like to read the bill itself and study its contents. There is always a lingering distrust of politicians in Washington on the part of people on the farms. They wish to see what is in the bill itself. Rarely do we take up such an important measure such a short time after it has been reported without publicity being issued on what the measure contains. Senators should have a little more time—not much more—to study the bill.

Mr. MANSFIELD. I am afraid that the Senator from Texas does not agree with us that we ought to expedite consideration of the bill. However, I do not believe he should align himself with those who might distrust politicians, because all of us in the Senate Chamber happen to be politicians, and all of us have a modicum of honesty.

The bill was reported from a regular standing committee of the Senate by a vote of 10 to 3. The bill has been on the Calendar 4 days now. The bill was discussed last Friday. Last Thursday, during colloquy with the distinguished minority leader, the Senator from Illinois stated as follows:

Mr. DIRKSEN. Mr. President, I would say on behalf of the majority leader that at least on four separate and distinct occasions we have conferred with respect to bringing up the farm bill. At the very first of those meetings, I told him there was some opposition on this side, and there was the expressed hope that perhaps it could be deferred until after civil rights came up for consideration in the Senate.

At the second meeting I had occasion to confer with the Senator from Vermont [Mr. Aiken], the Senator from Iowa [Mr. Hickenlooper], and the Senator from Delaware [Mr. Williams], all of whom have quite an abiding interest in the farm bill. As a result of the many conversations that have taken place within the past 2 days, it was quite agreed that the farm bill could be laid before the Senate as of tomorrow—

This was last Friday—

after the reading of Washington's Farewell Address.

I should like to interpolate by saying that the statement was made in good faith, and there were circumstances over which the minority leader had no control which intervened. Continuing to read:

So I think we have composed all of our differences on this side, in the hope that we can dispose of the farm bill, and, for as long as it takes, the military procurement bill, about which there is some urgency, and then proceed to civil rights. Then we will stay on civil rights. I think that it is the distinguished majority leader's intention, once we take up civil rights, to stay with it until we either resolve the issue or discover there is no sword sharp enough to cut the Gordian knot.

That statement was made last Thursday evening. Senators have had the weekend to examine the bill. Objections were raised last Friday. They were legitimate objections. The bill has been studied. The responsibility is ours. We are supposed to speak for the people in the State which we represent. I believe that the Senate is an honest body. I believe that the Committee on Agriculture and Forestry is an honest committee. They have done a good job. I compliment the distinguished chairman of that committee, the Senator from Louisiana [Mr. Ellender], who was so active in reporting the bill, even though he is vehemently opposed to certain parts of it.

So I would hope that we would keep the discussion on a fairly high plane and recognize the position in which the leadership finds itself, and do what we can to honor the reporting of the bill by a standing committee of this body.

Mr. TOWER. Mr. President, will the Senator yield?

Mr. MANSFIELD. I yield.

Mr. TOWER. I should like to clarify what I said. I did not mean to cast any aspersions on the Senate. I do not believe that we could find any more honest an assembly of 100 persons anywhere than exists in this Chamber. People back home like to see what is being proposed in Washington. They do not like to accept everyone's word for what is going on. In a democratic process, it is good that they desire to see for themselves. I have received a large sheaf of mail and many telephone calls from my people stating, "Hold it up longer until we can give you our reaction."

It occurs to me that if we were to allow 2 or 3 more days in which to obtain an accurate reflection of the attitude of the people, we might have much easier going than if we started consideration of the bill immediately.

Mr. MANSFIELD. The Senator from Texas is very shrewd. He knows what he is doing. I can understand his position. I, too, have received letters and telegrams, both for and against taking up the bill. Regardless of my position, which is in favor of the bill in this instance—but even if I were opposed to it—I would make every effort to bring before the Senate a bill which had been reported by a standing committee and which had received due consideration by that committee. As far as the people in the States, which we have the honor to represent, are concerned, it is up to us to

make our decisions as to whether the proposed legislation is good or bad, vote accordingly, and then return home and be prepared to take the consequences, whatever they may be.

Mr. YOUNG of North Dakota. Mr. President, will the Senator yield?

Mr. MANSFIELD. I yield.

Mr. YOUNG of North Dakota. I have in my hand 455 telegrams received over the weekend urging immediate consideration of the proposed wheat legislation. Practically all of them favor this or some variation of the pending program. This is the largest number of telegrams I have received in a period of time since the Taft-Hartley law was considered and passed approximately 10 or 12 years ago.

The telegrams give some indication of what farmers are thinking. Headlines appearing in North Dakota newspapers yesterday were not very good for the Republican Party, for they stated that Republicans and the Farm Bureau are blocking consideration of wheat legislation. I am not one of that kind of Republicans. I think that wheat legislation should be considered immediately. Those who favor the Farm Bureau proposal should offer it as a substitute. If they desire me to do so, I shall offer it as a substitute. The Farm Bureau promised wheat legislation, and it is time that we get to it.

Mr. President, I ask unanimous consent that a list of the names of the signers of the telegrams to which I have referred be printed at this point in the RECORD.

There being no objection, the list was ordered to be printed in the RECORD, as follows:

Emanuel Tebellius.
Oscar Solberg.
Harris Disrude.
Wilfred Tuomala.
Marvin Tuomala.
Albert Reiswig.
Ben Mickelson.
Rudy Mickelson.
Mr. & Mrs. Walter Martz.
Esmond Co-op Creamery.
Abner Disrude.
LeRoy Bechthold.
Minnie Tuomala.
Bert Gumeringer.
Art Tuomala.
Jerry Perdaems.
S. M. Young.
Isadore Kostelecky.
John Deck.
Richardton Farmers Union Elevator Co.
Mike Adamski.
Edwin Brodehl.
Richard Weldmeier.
David Disrude.
Leonard Smestad.
Farmers & Merchants Exchange of Esmond,
N. Dak.
Lodver Lo.
Fred Williams.
Horner & Horner U-Save Store of Esmond,
N. Dak.
Myron Disrude.
Paul Ross.
Vernon Disrude.
Ray Becker.
Bruce Theel.
Olaf Lindbo.
Maurice Desroch.
Fred Darling.
Edwin Keller.
John H. Ben.

President and board of directors of Farmers Union Cooperative Oil Co. of Jamestown.
Esmond Equity & Trading Co.
Harold Mindeman.
Munster Elevator.
Tolley Skar.
Louis Hitz.
Francis O'Connor.
Lewis O'Connor.
Gordon Johnson.
John Molitor.
Gaelon Johnson.
Carl Amb.
Ernest Odegard.
Chester Lalum.
Geo. Neimeier.
Ray Reiner.
Bernard Zimprich.
Robert Thorson.
David M. Olson.
Walter Peterson.
Edwin Krambeer.
Whitman Farmers Union Oil Co.
Ralph Zimprich.
Paul Tarasenko.
Harold E. Switzer.
Harry Anderson.
Gaylord Olson.
Sterling Ingwalsen.
Adolph Doeblor.
G. G. Henne.
J. V. Leppard.
Earl R. Larson.
M. J. Engen.
Buxton Farmers Union Elevator Co.
Arthur J. Stevens.
George Sandvik.
Douglas Hankel.
Ivan Sears.
Lloyd Sondreal.
R. Walter Olson.
Oscar Sturlaugson.
Joe Olson.
Harold Michels.
Elwin Sears.
Hugo Matton.
Hatton Grain Terminal Association.
Jens Ashland.
Arne Stafne.
Melvin Miller.
O. Reuben Nash.
Stanley McDougall.
James Hjelseth.
Mancur Olson.
Gottlieb Hartman.
Ronald McLean.
Roy Sears.
Regan Farmers Union Co-op.
Everett Mattson.
Cavalier Farmers Co-Op Elevator.
M. O. Danielson.
Osborne Wangen.
Ben Strehlow.
Lester Appel.
Gerald Dahl.
Arlo Olson.
Albert Kotajek.
Whitman Co-op Association.
Orle HuiZenga.
Clayton Larson.
George Grilley.
Andrew Urness.
Harry C. Whalen.
Gordon Hacanson.
Regan Farmers Union Co-op.
Oberon Farmers Union Co-op Elevator.
Elno Mattson.
Don Brown.
Curtis Bergrud.
Ernest M. Hanson.
Lloyd Myhter.
Frank W. Johnson.
Hans J. Wangen.
Leeds-York Farmers Union Local.
Hugo Henke.
Donald Ralston.
Les Brown.
Arthur Vangsness.
Robert Mattson.
Douglas Rath.

Mr. and Mrs. Albert Becker.
Mr. and Mrs. Charles Sipma.
Adams County Farmers Union.
Arthur T. Ophaug.
Kenneth Anderson.
Elmer Aanerud.
Gordon Olson.
Art Des Lauries.
Howard Bangen.
Oscar Ladoen.
Silas Sjol.
Harold Olson.
Golden Valley Farmers Grain Co.
Albin Haugen.
Clifford Daleness.
Archie Sullivan.
Mr. and Mrs. Bill Meyer.
William Williamson.
Albert Madsen.
Levi Emmel.
Oscar H. Olson.
Harry Bergquist.
Emil Reinhold.
Paul Chally.
James Hultstrand.
Karl Henderson.
George Stensland.
Selmer Amundrud.
Charles Samson.
Ray Westby.
Alfred Robb.
Garland Skare.
Omar Johnson.
Lloyd Erickson.
Donald Aune.
Robert Laumb.
Pete Swensen.
Mrs. Daisy Schuman.
Floyd Hauge.
Clarence Steen.
Robert Benson.
Alvin Nelson.
Robert Soderholm.
Darrell Husle.
Isak Hystad.
Dale Johnson.
Byron Duerre.
Clifford Erickson.
Harold Anderson.
Denver Rosberg.
Sverre Houge.
Knute Bondell.
Holbert Schimke.
Eddie Schmid.
Albert F. Pacht.
C. J. Dalzell.
Carl Fugelstin.
Nels Berger.
Perth Farmers Elevator Cooperative Association.
Lloyd Peterson.
Seymour Bjorlie.
Farmers Union GTA.
Judson Farmers Union Mercantile Co.
Carl Klattman.
Carl Helbig.
Kurt Zeutschel.
Lawrence Hoels.
Glen Dettman.
Carl Held.
Paul Sormula.
Alfred Scoba.
Toivo Henning.
P. E. Elichuck.
Ted Hagerott.
Phillip Eckroth.
Glenn Hogan.
Oscar Selle.
August Dahme.
Maynard Klier.
Wilton Farmers Union Oil Co.
Clifton M. Marple.
Farmers Union Elevator Co., Wheelock.
Art Horne.
Einard Juhala.
Rudolph R. Hemmann.
Pittsburg Farmers Union GTA Elevator.
Walter Bartholome.
Epping Farmers Union Grain Co.
Grant Settingsgard.
James D. Bopp.

Raymond Gieser.
Ernest C. Ross.
M. H. Skaley.
Ed Orgaard.
William Voegelé.
Ralph Herseth.
Lynn Ziegler.
Knut Bondell.
Gerard Larson.
Irving Naas.
Oscar Glundberg.
Arnold Hill.
Gordon W. Schumacher.
Ronald Ostby.
Ted Johnson.
Leslie Peterson.
Melvin Narum.
David W. Morris.
Arnold Larson.
Glenn Hopkins.
Elvin Johnson.
R. J. Dinwoodie.
Orvin Gunderson.
R. E. Olson.
Charlie Miller.
Christ M. Christianson.
Herman Muhlbradt.
L. C. Bohmback.
Jack Cowan.
Kenneth Presthus.
T. R. Hanson.
L. S. Bo.
John Anderson.
Arnie Saari.
Ivan Erickson.
A. H. Berg.
John Hendrickson.
George Schlenk.
John Grann.
Adolph Neuman.
Russell Coutts.
Axel Halberg.
Robert Neameyer.
Leo Miller.
Otto Broeder.
Virgil Bucholz.
H. N. Tuck.
Clarence Larson.
Mrs. Fred Kuebler.
Mr. and Mrs. F. B. Aniel.
Clements ville Farmers Cooperative Elevator.
Mr. and Mrs. Roy P. Redman.
Ted Scheresky.
Ed Hortenstine Gays.
Oscar Wahlund.
Edwin Christianson.
Watford City Farmers Union Oil Co.
R. C. Domres.
North Towner Farmers Union Local.
Ivan Peterson.
Mr. and Mrs. Ronald Holtz.
Orville Samuelson.
George Olson.
David Ford.
Milton Stevens.
Harold Garnass.
Wallace Lien.
C. D. Ellingson.
Wendell White.
Senator Bronald Thompson.
Wegenast Brothers.
Herbert O. Johnson.
Ed Salzleder.
Earl O. Isaacson.
Ernest Dallman.
Howard Salzleder.
Harvey Wixo.
Lynn Ralston.
Oren Hillebrand.
N. Arthur Thompson.
Art E. Erickson.
Bjarne Hegstad.
Melvin Hjelmsstad.
Virgil Swenson.
M. O. Danielson.
Maurice Hanson.
George Ruud.
Sivert Hjelmsstad.
Martin Halvorson.
Ted Omoth.

Howard Nielson.
Erling Anderson.
Morris Hoggie.
Ever Hanson.
Sigurd Olson, Jr.
Sigurd Olson, Sr.
Lloyd Jordre.
Isaac Kindem.
Henry Widdell.
Raymond Muss.
Leo Schultz.
Mr. and Mrs. Edwin Flesche.
Clarence Martin.
Earny Ronningen.
Robert Soderholm.
Bernard Soldberg.
Hilmer Rice.
Ray Emanuelson.
Elmer Sears.
Ernest Martinson.
W. A. Knain.
Tom M. Moen.
Oliver Ruzicka.
Christ Klein.
James and John Krogstad.
Melvin Wippler.
Kenneth Stennes.
John H. Novak.
Ray Ginsbach.
Jerald Lotvedt.
Gilmore Ness.
Bennie R. Grove.
Frank Klein.
S. A. Torgerson.
Orlando Odegard.
Magnus M. Lysne.
Knut Loyland.
Melvin Moench.
Arnet Weinlaeder.
Roald Lysne.
Wayne Ophaug.
Dale Mangin.
Raymond H. Mitchell.
Clarence Schermer.
Glenn Miller.
Lud Laroson.
O. B. Knote.
Walter R. Hageman.
Ole L. Olson.
Robert A. Bush.
L. F. DeHaven.
Lawrence Sandbeck.
Ernest Pietsch.
Johnny Ott.
Billy Thorson.
Cavalier F. U. G. T. A.
Hector Johnstone.
Dwight Holmes.
John Adamski.
R. S. Hardy.
Tony Krance.
Jack Soeby.
Robert J. Chrne.
Emil Gendreau.
Alex Wisenthal.
Cliff Ford.
Maurice Dunnigan.
Stanley Metelman.
J. I. Shepard.
Harley Kessner.
Tony Pfeffer.
Selmer Haugen.
Ross Van Horne.
Harvey Piper.
Ray Emanuelson.
Arthur J. Stevens.
Adolph Lysne.
Jesse Rae.
Joseph Soderberg.
Gilbert Spillum.
Edwin E. Olsen.
John Stenberg.
Ted Volk.
Joyce Knudsvig.
Ernest Emanuelson.
Lars A. Larson.
O. T. Hoidal.
Oscar Franson.
Olaf J. Ophaug.
Lee Bennington.
Albert Kven.

Ernest Borgeson.
Walter Vollmers.
Orville I. Anderson.
Joseph Kratochvil.
Robert Kylo.
Fred Mahoney.
Oscar Selle.
Earl Ronan & Sons.
David Holje.
John Brown.
Bennie O. Dahl.
Norman Gjellstad.
Clarence Okerson.
Lester F. Anderson.
Steve Dostal.
J. G. Brown.
Edwin Plutowski.
Norman Westrum.
Tilford Hegg.
Melvin Klein.
Joseph Rose.
Chester Johnson.
Leland Davis.
Leo Schultz.
Orville Bragg.
Sentinel Butte Farmers Elevator and Directors.
The Farnhams.
Alva Gladue.
Mel Solberg.
Douglas Hoffman.
Francis Perdaems.
Wayne Powers.
Milton Samson.
Gideon Bietz.
Wallace Jahnke.
Mr. and Mrs. Dale Shoeder.
George Ehlers.
Harold Arndorfer.
Fred Ehlers.
Melvin C. Djornholt.
Russell Earsley.
Clayton Runck.
Earl Rosenow.
A. K. Stolzman.
Lauvern Shoeder.
Mr. Dan Murphy.
Mr. John Bakken.
Norman Jellstad.
Al Lutgen.
Isak Hystad.
A. H. Burkle.
Norman Moen.
J. Allen Ogren.
Andrew Johnson.
Orville Ogren.

Mr. AIKEN. Mr. President, will the Senator yield?

Mr. MANSFIELD. I yield.

Mr. AIKEN. In the discussion of the pending business, many pertinent facts have not yet been presented, either to the Senate or to the public. It is time that they should be. I think that the 450 farmers who sent telegrams to the Senator from North Dakota would be interested in what I have to say.

Since there seems to be some doubt about the effect upon the income of wheat and cotton producers should Congress fail to enact any new legislation, it would seem in order to set forth pertinent facts at this time.

In my opinion—and that opinion seems to be borne out by the evidence—the Secretary of Agriculture has adequate authority under existing law to maintain wheat and cotton price supports at a level comparable to this year's prices if he deems it advisable.

Presenting the wheat situation first, let me say that the data I shall offer were obtained from the most recent official figures of the U.S. Department of Agriculture.

I shall try to present such material in terms that can be understood by anyone whether or not they are farmers

The wheat marketing year runs from July 1 to July 1.

The supply and demand situation is, of course, the basis of any good legislation or administrative action.

On July 1, 1963, there were on hand 1,189 million bushels of wheat in the United States. The production for the year 1963 was 1,133 million bushels. Imports for the year in the form of feed and other wheat products amounted to 5 million bushels, making a total supply available for the current marketing year of 2,327 million bushels.

The disappearance of wheat for the current year is estimated by the Department to be 1,602 million bushels, of which 602 million bushels will be used domestically and 1 billion bushels exported.

Deducting the amount of wheat used at home and the amount exported from the total available supply, the Department finds that when July 1 1964, comes around the total supply on hand will be 725 million bushels, or 464 million bushels less than last July 1.

Since it would be impractical to base legislation or administrative action on the record of the current year alone, it is necessary to look ahead through the coming year to the beginning of the wheat marketing year which begins on July 1, 1965, or 16 months from now.

Again, the supply and demand figures should weigh heavily in our consideration.

Starting on July 1, 1964, with a carryover of 725 million bushels, we must add the prospective production for this year in order to get the total supply available.

Thus far the only estimate on production is for winter wheat.

If the U.S. Department of Agriculture estimate of winter wheat production is borne out, there will be 959 million bushels produced this year. Add to this the most generous estimate of 275 million bushels of spring wheat, and we have a total production of 1,234 million bushels, which, added to the carryover, would make a total supply of 1,959 million bushels.

Now, what will be our requirement for the year ending June 30, 1965?

The Secretary of Agriculture properly contends that for security reasons we should maintain a reserve of a year's domestic supply, or 600 million bushels.

Then, he estimates exports for the coming marketing year at 650 to 700 million bushels.

Since we will use domestically another 600 million bushels, it appears that for home use, for export, and for security reserves we must have a supply of not less than 1,850 to 1,900 million bushels, which is only 50 to 100 million bushels less than the anticipated total supply, according to the figures of the U.S. Department of Agriculture.

In the face of these figures, we might conclude that the U.S. producers, consumers, processors, and exporters of wheat are "sitting pretty."

This assumption is not warranted.

First. We cannot assume that the 725 million bushels carried over is all fit for human consumption. No such miracle has ever occurred yet. To be safe, we had better deduct 50 million bushels for shortages and deterioration.

Second. In estimating exports, the Secretary obviously did not include any continuation of exports to Russia and other Communist countries.

It is understandable that the Secretary could not safely include sales in his estimate, but, as the newspapers say, "a reliable source" advises me that Eastern European countries are already undertaking to negotiate for next year.

Even though such sales might be reduced 100 million bushels from this year, we would have to boost the official estimate of requirements by another 200 million bushels.

Third. Department estimates are not infallible.

The administration desires new legislation.

It is understandable that the Secretary of Agriculture should present his testimony to Congress in the most persuasive manner possible.

However, if we look back to the spring of 1963, before the referendum on the wheat program then proposed, we find the U.S. Department of Agriculture solemnly and officially advising the producers that if the program were rejected, there would be a crop of 1.5 billion bushels this year.

The USDA planners missed their mark by 20 percent, which, to say the least, was not very good estimating.

They also told the farmers that there would be 70 million acres of wheat planted for the 1964 crop. It appears that there may be a maximum of 53 million acres, which means they missed the mark by about 30 percent in that estimate. In the estimate on exports, they missed the mark, even further, by 66½ percent. All of that teaches us that the Department estimates are not always infallible.

In the light of known facts and past experiences, we can safely assume that the supply of quality wheat will not equal the demand for the coming marketing year and that it will be necessary to cut into our security reserves rather heavily.

With virtually the entire carryover of old crop wheat in the hands of the Commodity Credit Corporation and with the estimated production of new wheat being less than the prospective demand, it would seem that if the CCC withholds Government-owned wheat from the market, the law of supply and demand alone should guarantee a good market price to producers.

Apparently, the Secretary does not share this view—and there may be substance to this difference of opinion.

It is, of course, possible that wheat buyers might persuade many farmers to sell for a lower price than that warranted by supply and demand.

The predictions of dollar wheat made by Department officials last year would lend itself to this purpose.

In the event that no new legislation is enacted and in the event that the law of supply and demand alone will not assure fair farm income, there is a way

under existing law by which the Secretary can maintain the price of wheat.

Section 332, paragraph C, of the Agricultural Adjustment Act, provides that when there is a "national emergency"—and we are not at that stage yet—or a "material increase in the demand for wheat"—and we definitely are in that position now—the Secretary may terminate the national marketing quota.

If marketing quotas are terminated the Secretary may require compliance with acreage allotments as a condition of eligibility for price support and, therefore, he has the authority to establish acreage allotments for 1965, in the event that he does not proclaim a marketing quota.

If a marketing quota is not proclaimed, section 107 of the Agricultural Act of 1949 provides that the support price for wheat to those who comply with acreage allotments, if the Secretary required such compliance, will be from 75 to 90 percent of parity, or from \$1.89 to \$2.27 per bushel, as determined by the Secretary.

It is perfectly obvious that with the current year's crop running 465 million bushels behind the demand and with a material increase in the demand for wheat, the Secretary is in an excellent position to maintain a highly satisfactory income to the wheatgrower.

It is also obvious that with production running behind disappearance, we must either increase production or cut down on exports.

Mr. President, I have been asked whether the Secretary could apply the new support prices and acreage allotments to this year's crop, three-quarters of which is already planted. He could not do so. But it is perfectly obvious to anyone engaged in business that with the CCC owning all the old wheat available on July 1, and the new crops running 2 or 3 hundred million bushels below requirements for the coming marketing year, and with a support price of, we will say, \$1.89 to \$2 announced for the 1965 crop, there would be a scramble for the 1964 crop which would probably guarantee the best prices that the wheatgrowers have had in years.

Turning briefly to the proposed cotton program, we find a situation which we have hardly considered before in relation to farm programs.

At present, the price of cotton to the farmer is supported at approximately 32½ cents per pound. The Secretary has authority to continue supports at this level under existing law.

The bill reported out by the Senate Agriculture Committee would authorize supports under different circumstances ranging from 30 to 34½ cents per pound.

I have a feeling that farm income would not be affected too greatly by this change, although it might result in some changes in the area of production.

The most far reaching provision of the bill is that which provides a subsidy to the textile industry of the United States.

This subsidy would probably amount to around a half billion dollars a year and ostensibly would permit American manufacturers to compete equitably with

or even undersell textile manufacturers of other countries in world markets.

There are many questions raised by this proposal which are not directly related to farm programs, although our cotton farmers will be affected by what we do.

First. Will the new policy of subsidizing the mills result in a further drop in the world price of cotton, thereby creating a need for still higher subsidies?

Second. Will this action on our part increase the probability of a world trade war?

Third. Having established a policy of directly subsidizing the textile industry, do we go on from there to other lines of manufacture? What about flour millers and manufacturers of aluminum or copper products and so on—and heaven knows what the end might be.

Fourth. If we subsidize our export manufacturers, will we then be willing to do away with tariff protection and import quotas so that American consumers will be able to buy on a competitive market?

I am not raising these questions in opposition to the cotton provisions of the bill because I am not sure what should be done.

It may be that the time has come when we should fight vigorously to maintain and expand our foreign markets.

I am sure of one thing, however, and that is when we decide to subsidize industry to the tune of what may turn out to be billions of dollars, let us be honest about it and not pretend we are doing so for the benefit of the little farmers.

If this bill passes, then the Secretary of Commerce should be authorized to reimburse the Commodity Credit Corporation for the cost of the subsidy and appropriations made to the Commerce Department for that purpose.

Mr. President, the Senator from North Dakota has received 450 telegrams, and I am sure they come from bona fide farmers. I have received telegrams from some of the largest banks and manufacturers in the country, in support of the bill. So there is another angle to the proposal, other than merely to help the farmers.

In proposing to consider H.R. 6196 at this time, the majority leader is quite properly attempting to carry out the policy of his party. The fairness of the majority leader and his respect for the rights of all Senators has become classic.

In objecting to consideration of the proposed legislation at this time, other Senators are acting in accordance with their judgment and their conscience.

My purpose in setting forth pertinent facts at this time is to assure the wheat and cotton growers of this country that regardless of whether new legislation is passed or not, there is no need for them to suffer a loss of income or a lowering of prices.

The Secretary of Agriculture is fully aware of the situation and I have no doubt will exercise his authority in a competent manner.

Mr. TOWER. Mr. President, a parliamentary inquiry.

The ACTING PRESIDENT pro tempore. The Senator from Texas will state it.

Mr. TOWER. Is it correct that the unanimous-consent request of the distinguished majority leader is still pending?

The ACTING PRESIDENT pro tempore. The Senator is correct.

Mr. TOWER. Mr. President, reserving the right to object, I wish to address myself to a comment made by the Senator from North Dakota.

Although there have been accusations to the effect that I have been much influenced by the Farm Bureau Federation, I have had very little contact with the Farm Bureau Federation. My position is at variance with their position, so I should like to disabuse the minds of those who believe otherwise.

Mr. President, I am constrained to object.

The ACTING PRESIDENT pro tempore. Objection is heard.

UNANIMOUS-CONSENT REQUEST

Mr. MANSFIELD. Mr. President—
The ACTING PRESIDENT pro tempore. The Senator from Montana is recognized.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that tomorrow, at the conclusion of the morning hour, the Senate turn to consideration of Calendar No. 850, H.R. 6196, the cotton-wheat bill.

The ACTING PRESIDENT pro tempore. Is there objection?

Mr. TOWER, Mr. MILLER, and Mr. CARLSON addressed the Chair.

The ACTING PRESIDENT pro tempore. The Senator from Iowa [Mr. MILLER] is recognized.

Mr. MILLER. Mr. President, I am not saying that I will object tomorrow, but I am constrained to object today.

The ACTING PRESIDENT pro tempore. Objection is heard.

Mr. MANSFIELD. Will the Senator from Iowa withhold that objection? I understand that other Senators have comments to make, so that they may have the right to object.

The ACTING PRESIDENT pro tempore. Does the Senator from Iowa withhold his objection?

Mr. MILLER. I withhold the objection for that purpose.

Mr. CARLSON. Mr. President, reserving the right to object—and I probably shall not object, this issue is more than one of farm programs—it is also one of farm income. As we begin discussion of these farm programs, I believe we should also realize what is happening to farm income.

It is estimated that for the year 1964 farm income will be \$11.6 billion. In 1963 it was \$12.2 billion. In 1960 it climbed to \$12 billion from 1947 which was \$17.3 billion, the highest income the farmers have ever received. We cited the \$400 million loss of income last year as a result of livestock prices. If no action were taken on the wheat program and there should be a lower margin of \$1.25 to \$1.30 a bushel, it would mean another loss of \$600 million.

Therefore, it seems to me that the issue in the Senate today is whether there is to be farm income, and not particular types of farm programs. The idea is to protect the farmer. We should remember that the parity ratio or the farm program goal for agriculture has dropped to its lowest level since 1939. It is important that we begin to look at some of the figures.

Farming costs are at record highs. The distinguished Senator from Vermont—[Mr. Aiken] discussed the programs and the possibility of the Secretary of Agriculture being in a position to take action. While wheat supplies will not be excessive on July 1, 1965, that is the end of the 1964 marketing year. The Secretary of Agriculture will have to determine this spring whether production in 1965, together with the carryover, will result in an excessive carryover on July 1, 1966, if he does not proclaim marketing quotas on the 1965 crops.

I believe this is of immediate concern to us. When we realize that the farmer has to buy in a domestic market, that he buys his labor in market that has a minimum wage and other fringe benefits, that he has to pay for his transportation and his utilities based on Federal statutes that guarantee a profit cost of operations, and that he buys his utilities, energy and gasoline in a market that has quotas and import limitations, it seems to me, Mr. President, based on all the information we can get, that some action must be forthcoming, if we are to protect the farmers' income this coming year.

Mr. ELLENDER. Mr. President reserving the right to object—and I shall not object—I listened with a great deal of interest to the statement made by my good friend from Vermont with respect to wheat prices. The program he suggests would, of course, be possible for 1965. However, the present wheat bill would affect the 1964 crop. Unless Congress acts, there is no doubt in my mind that wheat will be selling for \$1.35 or \$1.40 a bushel. That would certainly affect the income of wheat farmers. Inasmuch as wheat farmers have already turned down the program, under the law, the Secretary of Agriculture is unable to deal with price supports even if he desires to do so, because the law prevents it. That is because the wheat quota provisions have been voted down.

The wheat bill as now presented to the Senate does not differ from the present law, except that it is on a voluntary basis, rather than mandatory.

With respect to cotton, I was voted down in the committee. However, notwithstanding that fact, I did not object to taking it up. It is true, as my good friend from Texas has said, that the cotton provisions would change a great deal of what is now the present law. Further, the cost of the new program in my opinion would be much greater than has been alleged by the Department.

There has been a great deal of figure juggling; and I am prepared, when the time comes, to show—and I believe I can successfully show it—that the cost of the proposed program would be much greater than that of the present program.

New features have also been added to the bill. Notwithstanding the fact that we have a substantial surplus of cotton at the present time, the Secretary of Agriculture is permitted, during the current year, to increase acres for export over and above the quota by up to 10 percent, if he sees fit to do so. That will contribute to the production of much more cotton than we need.

There is no doubt that the export cotton would come into competition with the vast amount of cotton we now have in surplus.

For the years 1965, 1966, and 1967, there is no limitation in the bill as to the number of acres the Secretary of Agriculture could permit to be planted in excess of the allotment. That cotton, in my opinion, would also come into competition with our surplus, which we now have on hand, and prevent it from moving out of CCC stocks.

Another new feature is the provision permitting cotton producers to cut back on production and receive payments of up to 15 percent above the support price.

Still another, and the worst provision in my opinion is the requirement that the Secretary of Agriculture pay a domestic subsidy to other than producers in the same amount as the export subsidy. Today, that subsidy, paid on all domestic consumption, would be \$42.50 per bale, or a total of \$357 million.

Mr. EASTLAND. Mr. President, will the Senator yield?

Mr. ELLENDER. Notwithstanding these facts, as I have said, I was voted down in committee. However, I did all I could possibly do to get a bill before the Senate. It is before the Senate. In my judgment, we should take the bill up at this time and vote it up or down, or amend it in one way or another.

Mr. HUMPHREY. Mr. President, reserving the right to object, my first comment is to indicate to the distinguished Senator from Vermont [Mr. AIKEN], that much of what he has said in his statement is most constructive and helpful. I do not take exception to many of the points he has made. I said this the other day with respect to his address of about 2 weeks ago. I believe his address on the agricultural situation was most helpful and informative.

However, if wheat legislation is not passed there will be a direct and, I believe, unquestioned possibility that there will be an increase in wheat acreage.

It is one thing to anticipate a drop in wheat prices and to adjust our wheat acreage accordingly, and possibly not adjust it very much, but when we experience a \$1.25 and a \$1.30 price for a bushel of wheat, there will be no end to the amount of wheat planted.

We saw that happen with respect to corn. We cut back the price support levels on corn, and eliminated restrictions. I did not vote for that program, but it did become the law of the land, because a majority of the Senate voted for it. We saw millions more acres planted, and the most fantastic production of corn. We thought that by lowering prices, we would have a built-in discipline or control, on a voluntary basis, on producers, which in turn would result in

lower production. Nothing has been proved more false than that assumption.

I listened to the junior Senator from Iowa indicate some concern about the so-called noncertificated wheat provision in the bill.

The Senator from South Dakota [Mr. McGOVERN] made some reply to that statement. It is my understanding that unless the wheat bill which is on the calendar is passed, for all practical purposes, all wheat produced in the crop year 1964 will be noncertificated and will be at a price related to the feed value of corn, at about \$1.28 to \$1.30 a bushel. Therefore, we would have wholesale competition with the feed-grain program.

Mr. McGOVERN. Mr. President, will the Senator yield?

Mr. HUMPHREY. I yield.

Mr. McGOVERN. The Secretary of Agriculture, as matters now stand, would set the support at \$1.26 a bushel, which is several cents below what the noncertificated wheat would bring under the bill, as proposed. Therefore, instead of having about 75 percent or 80 percent of the wheat moving at a price of around \$2 a bushel, we would have the whole crop supported at not more than \$1.26 a bushel. That is the basis of the estimates by the Department of Agriculture and by the Senator from North Dakota and the Senator from Kansas. In other words, we would experience a drop of about \$600 million in income for wheat farmers if we do not act between now and the end of this month to implement the legislation.

Mr. MILLER. Mr. President, will the Senator yield?

Mr. HUMPHREY. -If I am permitted to do so, while reserving my right to object, I am glad to yield to the Senator from Iowa.

Mr. MILLER. Inasmuch as the Senator from Minnesota has raised the question, as I have already indicated, I have not had an opportunity to read the bill. I have been advised that there is a noncertificated wheat provision in the bill; therefore, I would like to have more information about it. What the Senator from South Dakota has said he has said in good faith, and that is also true of what the Senator from Minnesota has said.

However, the statement that the Secretary of Agriculture will set the price at a certain figure, and that there will be a decline of \$600 million in farm income, is based on the situation which existed several months ago. That is an estimate which the Senator from Vermont has already shot down. The estimate was that there would be a very great increase in production. If the premise is false—and the Senator from Vermont has already proved it to be false—I believe perhaps the Senator from South Dakota and the Senator from Minnesota and the Secretary of Agriculture had better start recalculating their figures before they tell us that there will be such a drop in price and such a loss in income as they have indicated.

I believe we are premature in taking up the bill. That is why I felt constrained today to object to taking it up

tomorrow. I believe we ought to allow at least a day to elapse.

Mr. AIKEN. Mr. President, will the Senator yield?

Mr. HUMPHREY. I shall be glad to yield in a moment. I am not making any wild predictions as to calculations or estimates.

Unless some legislation is passed, under existing law the Secretary of Agriculture has to adjust the price support levels downward. I know—as the Senator from Vermont has said, and rightly so—that certain administrative decisions can be made which may help to alleviate this situation. I am not trying to be dogmatic; in fact, I believe that ever since the defeat of the wheat referendum the Senator from Minnesota has been one of those who have called for administrative action, and I have indicated that there ought to be new legislation. I have not been conducting myself in a dog-in-a-manger attitude. I do not believe in punishing those who rejected the proposal that was extended to the farmers. I am interested in farm income. I would be less than honest if I did not say I am deeply concerned about farm income. I have every right to be deeply concerned about it. I am not an expert on the subject of cotton, and I do not pretend to be an expert in the field of wheat. But shortly the conference report on the tax bill will be before the Senate, and it is calculated to stimulate the economic structure of the United States.

I know of no person who has estimated that unless we pass a cotton bill or a wheat bill, we shall have anything else but lower prices set on accumulated surpluses of cotton and wheat. If that is the case, farmers will lose a part of the benefit of the tax bill by reason of our refusal to act on a timely basis on wheat and cotton. It will not do much good to act on wheat and cotton in July. Let us stop deluding ourselves, because we are not fooling any farmer. If we do not act on the wheat and cotton bill very shortly—in fact, we should act on it today; we should have acted on it last week—we shall have trouble.

In all good conscience, let us remember that shortly we shall have a highly controversial issue before us, namely, the question of civil rights. Unanimous consent is required to proceed with the wheat and cotton bill. It may require a week to debate it. I think we should look into it. Very frankly, I had intended to introduce a wheat bill different from the one reported to the Senate. I believe mine is better. I had a different proposal with respect to cotton. There are some proposals on cotton that I believe to be acceptable. But be that as it may, as the Senator from North Dakota [Mr. YOUNG] said, we should consider these proposals and vote them up or down.

If the Farm Bureau has a proposal that it wants enacted, let us bring it up and vote on it. If the Senator from Vermont has a proposal, he can offer it as an amendment. If any other Senator has such a proposal, he can offer it as an amendment. The only issue is: When shall we take up the bill?

I yield to the Senator from Vermont.

Mr. AIKEN. I believe the Senator from Minnesota, like many other persons has naturally been giving credence to the figures and estimates set forth in the 45-page document which was broadcast over the wheat area by the Department of Agriculture last spring. Although it was assumed that there would be an overplanting of wheat—and this document said if the farmers voted “no,” 70 million acres of wheat would be planted—it now appears that about 53 million acres will be planted, which is 2 million acres less than the 55 million acre minimum national allotment up to now. But to assume there is to be a big increase in the planting of wheat, one must assume that many farmers will be stupid enough to give up the growing of corn and soybeans, which pay them \$75 to \$100 an acre, in order to plant wheat at \$35 an acre. Farmers are not built that way. That is why this year they are planting less than the minimum they could have planted 2 years ago by 2 million acres.

Mr. HUMPHREY. Let us not be too sure about that, because all of the plantings are not in.

Mr. AIKEN. If the entire States of Minnesota and North Dakota were planted in spring wheat it would be possible only to catch up to the minimum allowed 2 years ago.

The Senator from Louisiana very properly pointed out that the Secretary of Agriculture cannot announce a \$2 support price for wheat for the 1964 crop. Unless the Commodity Credit Corporation sees fit to dump its holdings on the market come the first of July in order deliberately to depress the price, the supply of free wheat is going to be 20 percent less than the demand for the coming marketing year. When the free supply is 20 percent less than the demand, it is a seller's market. I do not believe Lyndon B. Johnson will ever permit the Secretary of Agriculture to crush the farm price for wheat or any other farm commodity, if he can help it. I think he is too smart for that. I do not believe the Secretary of Agriculture wants to do that, either.

Mr. HUMPHREY. The Senator from Minnesota, along with the Senator from Vermont, has been urging that there be a tightening up on the operations of the Commodity Credit Corporation. I have never believed that the Commodity Credit Corporation ought, willy-nilly, to run through the marketplace. I believe its purpose is to supplement, not to supplant. I join the Senator from Vermont in that belief. But I wish I could be as hopeful about the more conservative estimates that the Senator from Vermont makes.

Mr. AIKEN. I do not think the President or the Secretary of Agriculture will let this terrible thing happen or cause it to happen.

Mr. HUMPHREY. The Senator from Vermont is one of the wisest Members of this body, especially on the subject of agricultural policy. That is why we all listen to what he has to say. I must say, with all due respect, that even those who are opposed to the proposed legislation—and I have heard from many of

them who are opposed to it—are concerned that there will be a rather sizable crop and that it will have a depressing effect on the market. I do not know whether the price will go down to \$1.30 or \$1.25 in the marketplace, but we are surely skating on thin ice. We can take some remedial action. I see no reason to take a risk.

Mr. AIKEN. The predicted 1964 crop will be a little less than what the Secretary now predicts will be the requirements for the coming year. But the Secretary quite obviously omits all possible sales to Russia or other Communist countries, which amounted to something like 300 million bushels this year. I believe that very probably it will not be as much next year. Regardless of what the Senator may say, reliable sources tell me that those countries already are looking into the prospects for buying next year.

Mr. JOHNSTON. Mr. President, I should like to describe to the Senate exactly what will happen if the wheat bill is not passed. It is estimated by the Department of Agriculture that farmers will have \$400 million more in their pockets if the bill is passed than they would have if the bill were not passed.

The Senator from Vermont was discussing the income of farmers. The income of farmers will be \$400 million less if this bill is not passed than it would be under the bill. The reason is that it is calculated that domestic food wheat may sell for as much as 16 cents a bushel less if the bill is not passed.

Therefore, the bill should be passed. Farmers are already preparing to plant their spring crops. They will be planting them in only a few days. So the passage of the bill is highly important. Every day that we can save will mean one more day of benefit to the farmers who are planting wheat.

The bill is important for cotton farmers, too. They will want to know how many acres they can plant this year.

It is my view that the bill would be of great benefit, especially to small farmers throughout the South.

So I urge the Senator from Iowa [Mr. MILLER] to join in starting a movement to have the Senate take up the bill on Tuesday. We can have another day in which to study it.

I am learning that the telegrams reaching my office—I called my office only a moment or two ago—are more than 10 to 1 in favor of the bill. If they continue to come in such numbers, I think the Senator from Iowa also would like to check on his mail. I am sure that when the wheatgrowers of the Middle West and Northwest have learned that they will receive more money, the telegrams in favor of the bill will start pouring in on him.

I urge Senators not to object at this time to the taking up of the bill. Let us discuss whether it is a good bill. Every feature of the bill can be discussed after it has been taken up. I do not think that this is the proper time to discuss that question, but it is the proper time to stress to the Senate that every day counts in determining whether

to consider a bill that will benefit the farmers of our Nation.

Mr. HUMPHREY. Mr. President, at this time I yield, if I may, to the distinguished Senator from North Dakota [Mr. YOUNG].

Mr. YOUNG of South Dakota. Mr. President, I should like to believe in the accuracy of the figures submitted by the Senator from Vermont, and I should like to believe his optimistic viewpoint about what the Secretary of Agriculture could do about wheat prices and about what wheat prices would be. Winter wheat farmers did not overseed as much as expected. I understand that ordinarily they overseed about 12 percent, but that this year they overseeded about 14 percent; and the amount they plow down remains to be seen. Ordinarily they overseed for grazing purposes and to keep the land from blowing. This year, in the absence of new wheat legislation, I think they would not plow down very much.

In the spring wheat area, certainly the surplus of wheat has greatly increased. This year we had an alltime record, in storage, on January 1 of 179 million bushels. We had an estimated carryover, until Russian sales of around 1,100 million bushels. Even if the Russian sales materialize, we are going to have at least 750 million bushels; and that, on top of only a rather small crop, would mean a price-depressing surplus next year.

So I cannot believe that the position taken by the Senator from Vermont is accurate—namely, that the Secretary of Agriculture could declare there was an emergency on the basis that is a shortage of wheat.

Mr. AIKEN. No, that is not true—

Mr. YOUNG of North Dakota. In order to declare an emergency, he would have to determine that by 1966 there would not be a surplus; that would be the only way by which he could put into effect from 75 percent to 90 percent supports, as the Senator has said.

Mr. AIKEN. The Secretary of Agriculture would only have to find that there had been a “material increase” in the demand for wheat.

Furthermore, the figures I used were official U.S. Department of Agriculture figures; and I think they are more accurate than the ones issued before the referendum last spring.

Mr. YOUNG of North Dakota. He would have to determine that there would not be a surplus carryover on July 1, 1966. That is exactly what happened to dairy commodities and cotton; and when the Secretary of Agriculture Freeman increased the price supports it resulted in more surpluses. By no stretch of the imagination could he declare that there was not a surplus, and thus put into effect price supports of from 75 percent to 90 percent and acreage allotments. But even if he did with no mandatory controls that would result in a horrible increase in the surplus—a greater surplus than ever before.

Mr. AIKEN. The figures I used were absolutely correct; and the citations of law I submitted were found by the staff of the Senate Committee on Agriculture

and Forestry. I asked them to find the provisions of the law which authorize the Secretary to proclaim and also to terminate marketing quotas. The figures I used were from the U.S. Department of Agriculture, except I had to estimate 200 million bushels more for exports, which he did not include in his estimate, because he could not include it. That is not known, for there has not yet been a deal with the Communist countries, but they are dickering; let us be sure of that. They want to buy almost as much as they did last year, but not quite as much.

Mr. YOUNG of North Dakota. I should like to have the opinion of a competent attorney put into the RECORD, in order to support a case for the position that the Secretary of Agriculture could support prices for wheat, next year, by from 75 percent to 90 percent of parity, without a new law.

Mr. AIKEN. That is exactly the procedure I followed; I obtained the views of a competent attorney—one who knows agriculture from top to bottom; and he is not a farmer.

Mr. HUMPHREY. Mr. President, we have had demonstrated here the importance of debate on the farm bill, because it is clear that there are honest differences of opinion; and we should have this bill here before us, and it should be before us, not in connection with a point of order or in connection with a reservation of the right to object, but, instead, as a measure which is on the calendar, and is called up from the calendar, and is before the Senate, for action.

In the estimates made on either side, certain "ifs" are always included. In making his estimates just prior to the referendum, the Secretary of Agriculture had in mind some "ifs," too—relating to the increased acreage which would be put into production if the referendum were defeated.

Now we hear some say, "If the Communists continue to buy"—and, by the way, as things look at the moment, they may be buying, but there may be no deliveries. I have not yet heard of any reconciliation of that problem, which affects shipments of the supplies. And if the senior Senator from South Dakota [Mr. MUNDT] were to gain a little more power in the Senate, the "if" about purchases by Communists would be out, once and for all.

Mr. MUNDT. Mr. President, will the Senator from Minnesota yield to me?

Mr. HUMPHREY. I shall yield in just a moment.

Mr. MUNDT. Very well.

Mr. HUMPHREY. The other "if" is that if Western Europe were to have a crop failure, the United States would export about as much as it did this year. But no one can count on a crop failure in Western Europe.

Furthermore, if there is a drought in the United States, there will be decreased production. But that is another "if."

I think the point the Senator from North Dakota is trying to make is that even with the most reliable estimates in regard to the wheat carryover and production, I believe it will be well high impossible for the Secretary of Agriculture

to invoke section 322, paragraph (c) of the Agricultural Adjustment Act, relating to a national emergency; at least, I believe there would be quite a stew and quite a series of complaints if that were to be done.

The Secretary can tighten up some of the procedures in regard to the disposal of the Commodity Credit Corporation stocks; I think that is a possibility. I believe he could set the resale price on Commodity Credit Corporation stocks a little higher. But those would be only palliatives, not cures; and they do not in any way limit the accumulation of additional surpluses.

The Senator from South Dakota and the Senator from Louisiana were referring not only to the price structure, but also to the production itself and the accumulation of further surpluses; and that applies to cotton.

It is true that the Secretary of Agriculture, acting for the President, can continue the same price support or loan rate upon cotton; but he will also accumulate vast amounts of cotton in storage.

Without trying—again—to be an expert on that matter, let me say that I would hope the Senate would permit us to take up this farm bill expeditiously. I believe we should take it up this afternoon.

As soon as the majority leader returns to the floor—following some conferences—I shall urge that he try, once more, to see whether the Senate will agree to take up the bill today.

The report on the bill has been on the desks of Senators since last week. I recall the time when the Senate took up a bill which related to as much as \$50 billion for defense procurement—legislation which affected the very life of the Nation—even though copies of the bill had been on our desks for only a few minutes; and then some Senator asked for unanimous consent for the immediate consideration of the bill, and it was then considered. I recall a time when proposed legislation more far reaching than this measure was passed even though the printed report was not on the desks of Senators.

So, although I have my view in regard to certain controversial legislation, such as the civil rights bill, I believe we also need cotton legislation and wheat legislation, and I do not think we should stall it in any way. We have a difficult parliamentary situation; and the sooner we get at this proposed legislation, the better.

Mr. AIKEN and Mr. MUNDT addressed the Chair.

The PRESIDING OFFICER (Mr. RIBICOFF in the chair). Does the Senator from Minnesota yield; and if so, to whom?

Mr. HUMPHREY. I yield first to the Senator from Vermont.

Mr. AIKEN. Mr. President, I was just wondering. I am sure this proposed legislation is important to some people, and so is the civil rights bill. Why not take up the civil rights bill first, and get it out of the way; and then take up the farm bill?

Mr. HUMPHREY. Mr. President, I

would love to have that done, and my heart goes out to the Senator from Vermont. But the trouble is the calendar. I have reason to believe—on the basis of experience in the Senate—that when the civil rights bill is called up, following both the first reading and the second reading, and when the bill then is brought up by motion, we may be here a few days discussing it; and I also have a feeling that the planting season for wheat may well be over by the time we have completed our discussion of the civil rights bill. In fact, I am worried that perhaps the harvest will be over by the time we get through with the civil rights bill.

Mr. DIRKSEN. Mr. President, will the Senator yield?

Mr. HUMPHREY. I yield to the Senator from Illinois.

Mr. DIRKSEN. The distinguished acting majority leader has made the suggestion that perhaps when the majority leader returns, he will renew his request to take up the two-pronged farm bill. The Senator from Texas has objected. He registered a firm objection. The question is whether his objection stands for the day or whether objection must be made every time the request is made, because I would feel compelled to protect the distinguished Senator from Texas—

Mr. HUMPHREY. I should like to inform the Senator from Illinois that the Senator from Texas was told by the distinguished majority leader that any new unanimous request that might relate to the cotton and wheat bill would only be made after the Senator from Texas had been informed, because there are some other procedures that might be followed. So I can assure the Senator that no effort will be made to embarrass anyone, but there will be an honest effort made to find if we can get some date certain, at least, to take up the farm bill.

Mr. DIRKSEN. Mr. President, it ought to go further than that. If for any reason the Senator from Texas is tied up in a committee meeting and would not be available—

Mr. HUMPHREY. He will be brought back.

Mr. DIRKSEN. He should be present in the Chamber when the request is made. I shall protect him. I must protect him, because he registered a bona fide objection.

Mr. HUMPHREY. I understand. The minority leader is absolutely correct. All rights will be protected. I understand that a further effort will be made to bring the cotton and wheat bill before the Senate; and all Senators who are interested in it will be informed by word of mouth, ringing of bells, Western Union, smoke signals, or in some other way.

Mr. JOHNSTON. Mr. President, will the Senator yield so that I may clarify a statement?

Mr. HUMPHREY. I yield for a clarification.

Mr. JOHNSTON. The majority leader changed his request so that the bill would be considered tomorrow.

Mr. HUMPHREY. The Senator is correct.

Mr. JOHNSTON. Then the Senator from Iowa [Mr. MILLER] entered an objection temporarily. He withdrew it in order that there could be discussion of the request. I believe that is what is before the Senate.

Mr. MILLER. I propose to object after the discussion.

Mr. HUMPHREY. The Senator is merely accommodating Senators who wished to make some remarks.

Mr. MILLER. The Senator is correct. First, there was the objection to taking up the cotton and wheat bill today. The majority leader asked unanimous consent that it might be brought up tomorrow. I said that I would enter an objection at the appropriate time to taking up the bill tomorrow. I do not know what I shall do tomorrow. I do not know what the Senator from Texas will do tomorrow. That is the situation.

Mr. MUNDT. Mr. President, will the Senator yield?

Mr. HUMPHREY. I am delighted to yield to the Senator from South Dakota, who musters more power on the wheat sale every day.

Mr. MUNDT. I thank the Senator very much. I join the distinguished Senator from Minnesota to the extent that I hope we can get before the Senate for discussion the proposed wheat legislation and cotton legislation at the earliest possible date. I agree with him. I hope the Senate schedule will be arranged to accomplish this.

I agree also that it is a pretty precarious farm program that must rely on the presumed sale of wheat to the Communists. I commend the longshoremen for having displayed more regard for the best interests of Americans and the free world in connection with credit sales to Communist countries than has been demonstrated by the State Department, because they have refused to deliver what the State Department has authorized us to sell on highly speculative credit terms. But that is entirely a separate question.

Mr. HUMPHREY. The Senator made that point very well.

Mr. MUNDT. At some other time it should be and will be discussed more fully. I hope an appropriate farm bill can be enacted, for I follow more closely the line of reasoning of the Senator from North Dakota [Mr. Young] that the wheat farmer would prefer to have the Department of Agriculture directed to do thus and so than to rely on the optimistic hopes of the Senator from Vermont [Mr. Aiken] that the Secretary of Agriculture will voluntarily do what is required on his own volition.

I feel that a government of laws is always superior to a government of men. I wish to write specific provisions into the law. I think the proposed farm legislation can be substantially improved by proper amendments. This, I submit, is sound Republican philosophy.

Mr. President, in that connection I send to the desk an amendment of my own to the proposed farm bill (H.R. 6196) as reported by the Senate committee. In the main, my amendment provides that—

Notwithstanding the foregoing provisions of this section, the Commodity Credit Corporation may not—

I repeat—not—

not sell wheat owned or controlled by it at less than 115 per centum of the current price therefor, plus reasonable carrying charges.

That would do one of the things which the Senator from Minnesota has been discussing. This could be the most significant factor in the proposed new farm bill from the standpoint of giving our farmers a better price for their wheat production. It also moves in the direction of taking the Government out of competition with the private trade channels and individual farmers in the marketing of wheat at rising price levels. It is a salutary amendment. I hope that the Senator from Minnesota will support it at the proper time. I believe it is one of the things which would improve the bill and increase chances of passing appropriate, effective, and timely wheat legislation.

Mr. HUMPHREY. I thank the Senator. I have a similar amendment. I hope we can team up on the question.

It is good to have the Senator from South Dakota supporting the things I believe are right.

I would have felt much more influenced by the distinguished Senator from Vermont if I had not felt the massive power of the Senator from South Dakota when he took us over the traces on the matter of credit insurance on the sale to the Communist countries. So I am a little worried and confused by the cross current of argument between the Republicans on this question of proposed wheat legislation. But I wish to join the Senator from North Dakota [Mr. Young] and the Senator from South Dakota [Mr. MunDT], as I have done 101 times before, for the benefit of farm producers. I believe the effort will be all to the good.

Mr. WILLIAMS of Delaware. Mr. President, will the Senator yield?

Mr. HUMPHREY. I yield.

Mr. WILLIAMS of Delaware. The Senator from Texas is not present in the Chamber. The Senator from Illinois has pointed out the agreement he had with the majority leader to be advised before a unanimous-consent request is again advanced. That agreement also covers notice in the event there should be a motion made in connection with taking up the bill.

Mr. HUMPHREY. Oh, yes. I assure the Senator that the majority leader never has done and never would do such a thing when the Senate is not fully notified of his intention to do so. Moreover, that valiant guardian of the public interest, the distinguished Senator from Illinois [Mr. DIRKSEN], is present to make sure that Senators behave.

SALE OF WHEAT TO THE SOVIET UNION

Mr. DIRKSEN. Mr. President, will the Senator yield?

Mr. HUMPHREY. I yield.

Mr. DIRKSEN. Since my distinguished friend from Minnesota alluded to the fact that the so-called Soviet wheat was not moving too freely, it ought

to be pointed out, first, that they were going to charge us 66 cents a ton harbor fees as against the regular 22 cents until we unearthed a 1903 treaty.

Second, there was the assurance that payment would be cash on the barrel-head, until the transaction stretched out into a commercial venture with commercial credit running over a period of 18 months with export-import guarantees.

Third, it should be pointed out that not only did the late President of the United States give assurances about shipping in American bottoms, but Mr. James Reynolds, the Assistant Secretary of Labor, gave an unqualified assurance that that would be done. It is easy to understand why the maritime unions are up in arms. Only yesterday Mr. Meany commented on the fact, because here was an assurance from a responsible agent of Government as to what the Government was going to do. Then it begins trimming on its own assurances. Other things have entered into the picture to make it something of a nightmare. So when the story is told, let us tell the whole story and get all the facts before the Senate and before the country.

Mr. HUMPHREY. Mr. President, I do not wish my good friend from Illinois to think I am not in full disagreement with what he said, because much of what he has said is on the line.

Mr. DIRKSEN. All of what I said is on the line.

Mr. HUMPHREY. Much of what the distinguished Senator has said is on the line. If we can obtain agreement that much of what we say is on the line, it seems to me that we have secured a major victory. I was about to say "concession," but one cannot concede if he agrees.

Mr. DIRKSEN. All of what I said was on the line.

Mr. HUMPHREY. Mr. President, having heard from the distinguished Republican leader why the estimates of the Senator from Vermont are wrong, I want to yield to the Senator from South Dakota [Mr. McGovern].

Mr. DIRKSEN. Mr. President, I said nothing about the estimates of the Department of Agriculture.

Mr. HUMPHREY. The only problem is that the "ifs" and "ands" of the estimates of the Senator from Vermont were based on the fact that we were working on a normal, healthy basis of trade relations between the United States and the Soviet Union on wheat. I do not think the able Senator took into consideration the fact that the ships did not get off the track. Of course, I know that ships do not travel on tracks.

Mr. DIRKSEN. My distinguished transportation expert from the State of Minnesota has alluded to the Soviet wheat transportation, and I wanted to be sure that the whole story became a part of the Record.

Frankly, it is something of a mess—and all four letters in that word can be spelled with capitals.

Mr. HUMPHREY. Let me say to the Senator from Illinois that after having

heard the Senator from South Dakota, and now having listened to the eloquent and penetrating argument of the Senator from Illinois, and the sage arguments by the Senator from Vermont, whose estimates were based and predicated on wheat sales to the Soviet Union as one way of reducing wheat stocks, I am convinced that he did not consider the possibility that such sales would be erased from the calculations.

Mr. MUNDT. Let us hope they are.

Mr. HUMPHREY. The Senator from South Dakota and the Senator from North Dakota have made a case, in consequence of the supply of wheat and demand for it, which have an effect on price, which demands legislation.

I say the Senator has completely disproved the estimates of the Senator from Vermont.

Mr. DIRKSEN. Mr. President, will the Senator yield once more?

Mr. HUMPHREY. I yield.

Mr. DIRKSEN. The distinguished Senator from South Dakota, at the time he had offered and was doing his best to secure the adoption of the proposal that went to the Banking and Currency Committee, never quite knew how prophetic he was going to be, because none of the insurance authority of the Export-Import Bank has been used except with respect to two dribbling shipments to Hungary. So the distinguished Senator from South Dakota was quite prophetic.

Mr. HUMPHREY. Under that argument, the distinguished Senator from South Dakota was making much to do about little or nothing, because some of us said at that time that the Soviet Union was not going to ask for credit.

Mr. MUNDT. Mr. President, will the Senator yield?

Mr. HUMPHREY. I yield.

Mr. MUNDT. Quite different from making much to do about nothing, the "to do" the Senator from Minnesota alludes to has brought about a salutary effect.

Mr. HUMPHREY. That was the purpose of the Senator from South Dakota.

Mr. MUNDT. Precisely.

Mr. HUMPHREY. The Senator has tried, through many ways and means—I will not say they were devious, but they were effective—to see that all the negotiations would result in a great big goose egg.

Mr. DIRKSEN. Mr. President, will the Senator yield?

Mr. HUMPHREY. I yield.

Mr. DIRKSEN. As they say down in Tennessee, it was one of the greatest nothings that ever happened, so far as the country is concerned.

Mr. HUMPHREY. Mr. President, I yield now to the Senator from Arkansas [Mr. FULBRIGHT].

Mr. FULBRIGHT. Mr. President, I appreciate the Senator's yielding to me. I have been very interested in the discussion and argument of the outcome of the wheat agreement. There was a very interesting discussion last fall. The Senate acted on that question, and approved the Export-Import Bank guarantee of the credit, which, in effect, was approval by the Senate of the sale.

There has been a great deal of criticism recently, and I thought in an off-hand remark by the Secretary of State, talk about private boycotts of sales. In effect, it seems to me as a result of the agitation by those who oppose the wheat sale, as demonstrated now by the labor unions, the conduct of our foreign relations has been taken out of the control of the administration and the Senate—insofar as concerns the Senate's part in having approved the wheat sale. In this case the labor union has negated the foreign policy as announced by the administration and as approved by the Senate. I think this is a dangerous thing to do, and that we should deplore it in the strongest possible terms. This is an effort to achieve indirectly what was sought to be achieved directly, through the challenge of that bill on the floor of the Senate.

Mr. HUMPHREY. Mr. President, it all adds up to the fact that if this situation continues, and if the sale does not go through, there will be no further sales. It will mean that supplies of wheat which have been gathering in the Commodity Credit Corporation inventory will continue to mount. If the sale is off, supplies of wheat will continue to grow and mount in size. The price will go down. If the price to the producer and farmer goes down, we shall be in economic trouble.

I am hopeful the sales will go through. I am hopeful that exports will expand. If they do not, much of what the Senator from Vermont has said bearing on market price and the sale will have no basis. But there are some uncertainties; and it is those uncertainties that plague us.

I yield now to the Senator from South Dakota [Mr. McGOVERN].

Mr. McGOVERN. Mr. President, first, I agree wholeheartedly with the observations of the distinguished chairman of the Committee on Foreign Relations. I think it is a shocking situation when a handful of labor leaders in effect take over the foreign policy of the United States.

On another matter, the Senator from Vermont very properly pointed to the unreliability of some of the estimates on which we attempt to base our actions.

I think we should agree that what we must do is make a judgment based on the best possible information we can obtain.

Without speaking directly to the point raised by the Senator from Vermont, I remind Senators that there have been at least six studies by agricultural economists as to what would happen to the farm economy in the absence of any farm program. There have been various studies showing that if we do not pass a wheat bill it will have a harmful effect on our livestock market, as well as wheat itself. The studies all indicate what will happen if agriculture is thrown on a free market, or something near a free market.

The latest study was made at Iowa State College, a distinguished agricultural institution in the State represented by the Senator from Iowa. This study projected what would happen in the absence of farm programs to stabilize both

production and price of agricultural commodities. This is what the experts have found:

First of all, farm income by the year 1967 would fall by approximately \$5.7 billion, or a drop of 40 percent. Corn prices would drop to 85 cents a bushel. Wheat prices would drop to 94 cents a bushel. As a consequence, the price of cattle would fall to about \$15.80 a hundredweight, or \$6 below the price for 1962.

Estimated hog prices then would be \$13.50 a hundred, and so on. This means a total drop of some 40 percent in net agricultural income. I believe the best estimates that are available to us from the Department have made it quite clear that if we fail to act, the best we can hope for in wheat prices for 1964 is around \$1.40 to \$1.45. The support price, I should like to emphasize again, will be only \$1.26 or 50 percent of parity. So I wish to say to those who are concerned about livestock prices that the surest way we can undercut livestock prices and knock the bottom out of the cattle and hog market is to delay action on the bill to the point where it cannot be effective in time to benefit the 1964 crop.

Mr. AIKEN. Mr. President, will the Senator from South Dakota yield?

Mr. McGOVERN. I yield.

Mr. AIKEN. I will agree it is the surest way to undercut livestock prices. It has been amply proved already by admitting unrestricted imports of meat products from other countries into the U.S. market.

Mr. McGOVERN. I will agree with the Senator that that is one problem.

Mr. AIKEN. That is a problem for the executive branch. It could have stopped that a year ago, before it got started, but it did not. It was so interested in turning over our markets to other countries that would lose their commonwealth preference if England were admitted to the Common Market, that it was trying to absorb those exports.

Mr. McGOVERN. I agree that an increase in our imports is one factor that helps to determine the price of our own livestock prices, but it is only one. A basic factor is the price of feed grains that go to cattle and hogs. Cheap feed grains mean cheap cattle and hog prices a little later. I submit that is a basic cause of our problem.

Mr. AIKEN. The other day, I took occasion to compliment the Secretary of Agriculture on his handling of the feed grain situation. It has been costly. We cannot deny it. But the Secretary has held the price at a rather good level.

I wish the Senator from South Dakota to know why I spoke this morning as I did. The Senator may have noticed that I did not take a position on either part of the farm bill, but I do not wish the wheat growers of the Central Plains States, and other States, to get the idea that all is lost if they do not get the legislation out of this session of Congress. In fact, I believe the cotton part of the bill would get a lot more votes than the wheat part, anyway; but I do not wish wheat farmers to get discouraged. I believe there

is a future in growing wheat. Regardless of whether we act on this bill or not, we are not going to produce enough this year to meet the probable demand. So there will be still further reduction in carry-over next year. My best guess now would be in the neighborhood of 200 million bushels or more; but what I was trying to point out was that there is a way in which wheat prices can be maintained. If I know the President of the United States—and all Senators worked with him in the Senate for many years—and I know the Secretary of Agriculture, they are not going to let wheat prices fall to a disastrous level, regardless of what Congress does.

Mr. McGOVERN. The Senator from Vermont fully recognizes that in terms of the 1964 crop, the hands of the Secretary of Agriculture are tied, that he has already prescribed marketing quotas. The referendum has rejected the quotas and I do not know how the price support can go over \$1.26; the law clearly says where quotas are rejected support shall be 50 percent of parity.

Mr. AIKEN. The hands of the Secretary of Agriculture are not tied. He will have control of practically all of the old wheat, I believe it is 725 million bushels, on July 1, and if that is not put on the market at the minimum allowed by law, market prices will be good. It is evident that 1964 production will be considerably less—I estimate 20 percent less—than the requirements; and, under such conditions, we will have a seller's market. It is probably true that some wheat growers might get pinched for money and might sell for less than they should, but wheat growers are smart people and will not give away their wheat when they realize the demand is greater than the supply—assuming, of course, that the CCC will not dump its supplies on the market. That would depress prices, of course; but I do not believe they will use CCC wheat to depress the price to \$1.30 or \$1.40 a bushel; I do not believe that.

Mr. McGOVERN. I appreciate the concern of the Senator from Vermont that the executive branch use whatever authority it has to protect prices of agricultural commodities, but I do not believe that relieves Congress from doing what it can to head off—

Mr. AIKEN. We have an obligation to the people who have been discriminated against. We also have an obligation to the civil rights advocates. I do not know which bill will take longer when it comes up on the floor of the Senate.

Mr. McGOVERN. I would hope, in view of the planting season that faces us just a couple of weeks down the road, that we could act quickly on this matter.

Mr. AIKEN. I am sure the farmers of the country are not going to give up planting corn for \$1.25 or \$1.26 a bushel, or planting wheat at the same price. Neither are they going to give up planting soybeans at \$2.50 a bushel when planting wheat would bring half that price. I believe this is a practical situation, but what I wished to do is reassure wheat farmers that if Congress does not act, there is no necessity for and no probability of their getting disastrous prices next year.

Mr. McGOVERN. I agree that we must give the farmers whatever assistance we can muster if the bill fails, but I am afraid that the rather optimistic conditions the Senator paints depend on an awful lot of "ifs." I believe there are at least 8 or 10 "if" conditions that would have to be met before what the Senator from Vermont contends would come true, so we really cannot promise the farmers of the country that they will get a good price for their 1964 wheat crop without any new wheat law at this time.

The supply of wheat will be near the level of our needs and prices will be above \$1.26 supports, but below the \$2 per bushel level in case all these "ifs" come true:

First. If winter wheat crop planting estimates prove correct.

Second. If farmers follow the plow-down pattern of recent years—years when marketing quota penalties were in effect—and

Third. If weather conditions are exceptionally unfavorable from the Dakotas to Texas the next 6 months; and

Fourth. If spring wheat producers do not overplant to any significant degree. In short, if all of these conditions did exist production could be as low as 1,200 million bushels. This production, taken together with the 25 million bushels of "hot" wheat available on July 1, the 65 million bushels of barter and donation wheat which by law must come from CCC stocks, the normal 5-million-bushel imports, plus the 65 million bushels PIK certificate redemption wheat, would mean a free supply of 1,360 million bushels as a bare minimum; and

Fifth. If export demand holds at a high level which depends on worldwide weather conditions, production, quality, response to the 1963 situation, dollar demand, Public Law 480 demand, and shipments, and so forth; and

Sixth. If wheat prices stay in the range of \$1.25–\$1.35, we could estimate a significant increase in feed use—as much as 75 million bushels. If prices are above this level feed utilization will drop sharply only if there is stable domestic food use and some increase in feed use, could utilization in the range of 1,280 to 1,320 million bushels occur; and

Seventh. If all of these assumptions, or "ifs," were to turn out as facts; and

Eighth. If CCC abandons its long-time and well-accepted policy of payment-in-kind for export subsidies; and

Ninth. If CCC completely withdrew from the market and locked up its stocks; and

Tenth. If the policy of using wheat from CCC stocks for the short-term credit program was reversed; and

Eleventh. If wheat or flour for donation programs were, to the maximum extent possible, obtained from private stocks, then there would be upward pressure on wheat prices, at least after the normal harvest season glut, and season average prices could possibly be in the range of \$1.70–\$1.75 per bushel.

However, should all of the supply and utilization "ifs" not generally materialize, then even with all of the administrative actions permissible, it is hard to see

how the season average prices could be much above \$1.40 per bushel.

If, on the other hand, weather was real good this spring, if plow down was less than normal, if spring wheat plantings were up, if world wheat supplies were good and total utilization equal to recent years prevailed, then prices could well average in the range of \$1.25–\$1.30 for the 1964 marketing year.

With only winter wheat seedings as a guide, I do not believe the incomes and destinies of some 1.25 million wheat farmers should be left to chance, or to the uncertainties of weather, plow down, world wheat production, and so forth. The risks, the "ifs," are just too great—too much of a gamble.

Mr. MILLER. Mr. President—

The PRESIDING OFFICER (Mr. NELSON in the chair). The Senator from Iowa is recognized.

Mr. MILLER. I wish to make a few comments before I close. First of all, the Senator from Vermont had two sets of figures, one set relating to the estimated production of acreage by the Secretary of Agriculture, and the other relating to exports more particularly to Communist countries.

It may be that the Senator from Minnesota believes that the second set of figures has been demolished; but I assure him that there has been no demolition of the first set of figures, upon which the Senator from South Dakota is premising the somewhat dismal picture.

I do not gainsay the sincerity of the Senator from Minnesota and the Senator from South Dakota. We come from the same general area of the country and we are all concerned about the prosperity of the farmer. But I do believe that we had better get our premises lined up. I have not seen anything yet to refute the figures of the Senator from Vermont with respect to the first total, and I would suggest that the Senator from South Dakota has been premising his viewpoint on obsolete figures and obsolete estimates by the Secretary of Agriculture which were made about the time of the wheat referendum nearly a year ago.

I do not wish to take a dog-in-a-manger attitude on this question, but I pointed out earlier in the day that I have not even had an opportunity to read the bill; but I must confess a little amazement at the great concern on the other side of the aisle to get something done on the wheat bill right now.

After the wheat referendum rejected the wheat program last spring, I was among the first in the Senate to ask for a new bill which would give the farmers a decent choice. Months have since gone by. The distinguished chairman of the Senate Agriculture and Forestry Committee was quoted as saying, I believe, that after the wheat referendum there would be no farm bill and that was all there was to it.

Other statements were made by other responsible Members of the Senate on the other side of the aisle. I do not recall hearing the distinguished Senator from Minnesota say anything about it. He might have used a little more in-

fluence as the majority whip to get a bill before the Senate last year.

Months have gone by, and suddenly, Friday and today, a great sense of urgency is being displayed in the Senate.

Mr. McGOVERN. Mr. President, will the Senator yield?

Mr. MILLER. I am not blaming the Senator from South Dakota for this situation. He was one of those who was in favor of a bill. Unfortunately his views did not prevail. It is a little late now, it seems to me—

Mr. HUMPHREY. Mr. President, will the Senator yield?

Mr. MILLER. The Senator from Minnesota and the Senator from South Dakota are in good standing on this subject. It is a little late, however, for our friends on the other side to say that the bottom will fall out of things if something is not done about the situation today or tomorrow.

The PRESIDING OFFICER (Mr. NELSON in the chair). Is there objection to the unanimous-consent request of the Senator from Montana?

Mr. MILLER. Mr. President, I enter my objection.

The PRESIDING OFFICER. Objection is heard.

Mr. HOLLAND. Mr. President, may I address a question to the acting majority leader?

Mr. HUMPHREY. I yield.

Mr. HOLLAND. As usual, two or three different things require my attention. I wish to be on the floor of the Senate as a member of the Committee on Agriculture and Forestry if the bill is to come before the Senate today. Are we to understand that now it has been definitely decided that the bill will not come up on the floor for debate?

Mr. HUMPHREY. Regrettably, that is the decision. There will be no agricultural bill on the floor of the Senate today. There may be some discussion of the bill, but no further action.

Mr. HOLLAND. I thank my friend.

Mr. HUMPHREY. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. PROXMIRE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

APPOINTMENTS BY THE PRESIDENT PRO TEMPORE

The PRESIDING OFFICER (Mr. NELSON in the chair). The Chair, for the President pro tempore, announces the following appointments:

To the Board of Visitors to the U.S. Coast Guard Academy: Senator WALTERS.

To the Board of Visitors to the U.S. Military Academy: Senator BIBLE, Senator HOLLAND, and Senator KEATING.

To the Commission on Battle of New Orleans Sesquicentennial: Senator WALTERS.

To the Joint United States-Mexican Parliamentary Conference: Senators

ELLENDER, JOHNSTON, GORE, GRUENING, KUCHEL, TOWER, MECHEM, and SIMPSON.

TRANSACTION OF ROUTINE BUSINESS

By unanimous consent, the following routine business was transacted:

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Hackney, one of its reading clerks, announced that the House had disagreed to the amendment of the Senate to the bill (H.R. 9640) to authorize appropriations for procurement of vessels and aircraft and construction of shore and offshore establishments for the Coast Guard; agreed to the conference asked by the Senate on the disagreeing votes of the two Houses thereon, and that Mr. BONNER, Mr. GARMATZ, Mr. LENNON, Mr. TOLLEFSON, and Mr. GLENN were appointed managers on the part of the House at the conference.

BILLS AND JOINT RESOLUTION INTRODUCED

Bills and a joint resolution were introduced, read the first time and, by unanimous consent, the second time, and referred as follows:

By Mr. BIBLE (by request):

S. 2537. A bill to amend the Policemen and Firemen's Retirement and Disability Act to allow credit to certain members of the U.S. Secret Service Division for periods of prior police service, to the Committee on the District of Columbia.

By Mr. COTTON (for himself and Mr. EASTLAND):

S. 2538. A bill to amend section 47 of title 28, United States Code, to provide means for the disqualification of circuit judges for bias or prejudice; to the Committee on the Judiciary.

By Mr. ALLOTT (for himself and Mr. DOMINICK):

S. 2539. A bill for the relief of Koo-Sun Kim; to the Committee on the Judiciary.

By Mr. NELSON:

S. 2540. A bill for the relief of Emanuel E. Bloch; to the Committee on the Judiciary.

By Mr. JACKSON (by request):

S. 2541. A bill to repeal the provisions of law codified in 5 U.S.C. 39, and for other purposes; to the Committee on Interior and Insular Affairs.

(See the remarks of Mr. JACKSON when he introduced the above bill, which appear under a separate heading.)

By Mr. SMATHERS (for himself and Mr. HOLLAND):

S.J. Res. 158. Joint resolution to authorize the President to proclaim the week beginning February 10 in each year as National Parkinson Week; to the Committee on the Judiciary.

TO PRINT A SENATE DOCUMENT ON THE FEDERAL PRISON SYSTEM

Mr. LONG of Missouri (for himself and Mr. HRUSKA) submitted a resolution (S. Res. 300) to print a Senate document on the Federal prison system; which was referred to the Committee on Rules and Administration.

(See the above resolution printed in

full when submitted by Mr. LONG of Missouri, which appears under a separate heading.)

AGRICULTURAL ACT OF 1964—AMENDMENTS (AMENDMENT NOS. 424 AND 425)

Mr. HUMPHREY submitted an amendment, intended to be proposed by him, to the bill (H.R. 6196) to encourage increased consumption of cotton, to maintain the income of cotton producers, to provide a special research program designed to lower costs of production, and for other purposes, which was ordered to lie on the table and to be printed.

Mr. MUNDT submitted amendments, intended to be proposed by him, to the bill (H.R. 6196) to encourage increased consumption of cotton, to maintain the income of cotton producers, to provide a special research program designed to lower costs of production, and for other purposes, which were ordered to lie on the table and to be printed.

REPEAL OF PROVISIONS OF LAW CODIFIED IN TITLE 5, UNITED STATES CODE, SECTION 49

Mr. JACKSON. Mr. President, I introduce, by request, a bill to repeal the provisions of law codified in title 5, United States Code, section 39, and for other purposes.

This bill has been submitted and recommended by the Department of the Interior, and its purpose is to repeal the provisions of law which prohibit the detail of Department of Interior field personnel to duty in the District of Columbia except under certain conditions.

I ask unanimous consent that the letter from the Assistant Secretary of the Interior explaining the purpose of this legislation be printed at this point in my remarks.

The ACTING PRESIDENT pro tempore. The bill will be received and appropriately referred; and, without objection, the letter will be printed in the RECORD.

The bill (S. 2541) to repeal the provisions of law codified in title 5, United States Code, section 39, and for other purposes, was received, read twice by its title, and referred to the Committee on Interior and Insular Affairs.

The letter presented by Mr. JACKSON is as follows:

U.S. DEPARTMENT OF THE INTERIOR,
OFFICE OF THE SECRETARY,
Washington, D.C., February 14, 1964.

HON. CARL HAYDEN,
President pro tempore,
U.S. Senate, Washington, D.C.

DEAR MR. PRESIDENT PRO TEMPORE: Enclosed is a draft of a proposed bill to repeal the provisions of law codified in title 5, United States Code, section 39, and for other purposes.

We suggest that the bill be referred to the appropriate committee for consideration, and we recommend that it be enacted.

The proposed bill repeals the provisions of law that are codified in title 5, United States Code, section 39 (22 Stat. 255 and 34 Stat. 449), which prohibit the detail of field personnel to duty in the District of Columbia

Digest of CONGRESSIONAL PROCEEDINGS

OFFICE OF
BUDGET AND FINANCE

(For information only;
should not be quoted
or cited)

Issued Feb. 26, 1964

For actions of Feb. 25, 1964

88th-2nd; No. 33

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HIGHLIGHTS: House Rules Committee denied rule on water research bill. House Rules Committee cleared bill to establish Public Land Law Revision Commission. Reps. Harding and Langen expressed disappointment with beef-import agreement. Rep. King (N.Y.) urged increase in REA interest rates. House agreed to conference report on tax bill. Sens. Mansfield, Monroney, and Hruska expressed concern over beef import situation. Sen. Young, N.Dak., criticized longshoremen's refusal to load wheat shipments to Russia. Sens. Humphrey and McGovern commended lifting of longshoremen's boycott on wheat shipments to Russia. Sen. Gruening urged extension of public works acceleration program. Several Representatives introduced and Reps. Olsen (Mont.), Jensen, Fisher, and Montoya discussed bills to restrict meat imports.

SENATE

- 1. PEACE CORPS.** The "Daily Digest" states that the Foreign Relations Committee "ordered favorably reported without amendment S. 2455, authorizing \$115 million for the operation of the Peace Corps for fiscal year 1965." p. D132
- 2. TAXATION.** Received the conference report on H. R. 8363, the tax bill, and several Senators debated the merits of several provisions of the bill. pp. 3397-4412
- 3. FARM LABOR.** The Labor and Public Welfare Committee reported S. Res. 290, to authorize the Committee to investigate matters relating to migratory labor; referred to Rules and Administration Committee. p. 3310
Sen. Humphrey commended Sen. Williams', N.J., efforts to improve the welfare of migratory farm workers. pp. 3395-7

4. COTTON; WHEAT. Sen. Tower submitted amendments intended to be proposed to H. R. 6196, the cotton-wheat bill. p. 3314
5. BEEF IMPORTS. Sen. Mansfield inserted his and Sen. Metcalf's letter to the U.S. Tariff Commission supporting the establishment of a quota system or tariff protection based on domestic consumption and production of beef. p. 3318
Sen. Monroney expressed concern over beef imports, congratulated the President on the agreements with Australia and New Zealand limiting beef imports, and inserted an address by Sen. McGee, "Congress Looks at the Price of Beef." pp. 3320-2
Sen. Hruska expressed concern over the beef import situation and inserted several articles reviewing the matter. pp. 3327-30
Sens. Monroney, Bible, Cannon, Carlson, Curtis, Dominick, Edmondson, Goldwater, Hartke, Hayden, Long (Mo.), Mechem, Simpson, and Yarborough were added as cosponsors of S. 2525, to restrict imports of beef, veal, and mutton into the U.S. p. 3314
6. WHEAT; FOREIGN TRADE. Sen. Young, N. Dak., criticized the longshoremen's refusal to load wheat for shipment to Russia, stated that their "demand that 50 percent of the wheat shipped to Russia be handled by American ships is just impossible," and inserted an editorial, "Administration, Congress are Permitting Dockworkers to Kick Farmers Around." pp. 3332-3
Sen. Humphrey commended the announcement of the ending of the longshoremen's boycott on wheat shipments to Russia and stated that the boycott had resulted from a misunderstanding over terms for shipment of the wheat. pp. 3412-4
7. FARM PROGRAM. Sen. Symington inserted Secretary Freeman's speech before the National Association of Soil Conservation Districts in Kansas City, Mo., reviewing the agricultural situation. pp. 3338-40
8. PUBLIC WORKS. Sen. Gruening urged extension and expansion of the public works acceleration program as a part of the President's proposals to combat poverty and inserted an article in support of his position. pp. 3342
9. POVERTY. Sen. McGee commended the selection of Peace Corps Director Shriver to organize "the unconditional war against poverty," and inserted an article commending the selection. pp. 3334-5
10. CONSERVATION. Sen. McGee inserted Bureau of Reclamation Commissioner Dominy's speech before the Wyoming State Conference of Agricultural Stabilization and Conservation Service Committeemen reviewing activities in the area of resource conservation and development. pp. 3336-8
11. CIVIL RIGHTS. Sen. Stennis criticized the action of the leadership in not referring H. R. 7152, the Civil Rights bill, to committee for consideration. pp. 3319-20
12. FLOOD CONTROL. Sen. Carlson commended the report of the Corps of Engineers recommending construction of several reservoirs on the Walnut River for flood control and other beneficial uses. p. 3350
13. CIVIL DEFENSE. Sen. Inouye criticized an editorial questioning the need for construction of fallout shelters for civil defense purposes. pp. 3391-2
14. LEGISLATIVE PROGRAM. Agreed to a unanimous-consent agreement to vote on adoption of the conference report on the tax bill today, Wed., followed by the

Joint Resolution 159 be printed in the RECORD and that it also be held at the desk for cosponsors until Friday, March 6.

I believe this is the resolution that designates the fourth Friday in September as American Indian Day.

The ACTING PRESIDENT pro tempore. Without objection, the joint resolution will be printed in the RECORD and will be held at the desk for cosponsors until Friday, March 6.

Senate Joint Resolution 159 is as follows:

Whereas the American Indian is the original American and has resided on this continent since time immemorial; and

Whereas he has made an indelible imprint on our national character and culture, and history is replete with names and deeds of many outstanding American Indians who have contributed immeasurably to our way of life, our moral standards, and our love of nature; and

Whereas Indian woods and water lore, arts, and handicraft are basic in the manuals of the Boy Scouts, Girl Scouts, Camp Fire Girls, Y-Indian Guides of Young Men's Christian Association, and the many other American patriotism-building youth groups, while outdoor enthusiasts, young, and old, all over the world, rely on Indian folkways for guidance and inspiration; and

Whereas the American Indian has made such other outstanding contributions to our American economy as the cultivation of corn, cotton, tobacco, beans, squash, tomatoes, peanuts, and melons, which have today become basic American industries; and

Whereas a number of States celebrate "Indian Days" in September when traditional Indian festivals are held in recognition of the contributions the American Indian has made to our national life; and

Whereas the special responsibility of the Federal Government for the American Indian makes national recognition particularly fitting; Now, therefore, be it

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That the fourth Friday in September of every year is designated as American Indian Day, and the President of the United States is authorized and directed to issue annually a proclamation setting aside that day as a public occasion and inviting the people of the United States to observe that day with appropriate ceremonies.

EXEMPTION FROM INCOME TAXATION OF CERTAIN NONPROFIT CORPORATIONS AND ASSOCIATIONS—AMENDMENTS (AMENDMENT NO. 426)

Mr. JAVITS. Mr. President, on behalf of myself, my colleague, the junior Senator from New York [Mr. KEATING], and the Senator from Maryland [Mr. BEALL], I submit amendments, intended to be proposed by us, jointly, to the bill (H.R. 3297) to amend section 501(c)(14) of the Internal Revenue Code of 1954 to exempt from income taxation certain nonprofit corporations and associations organized to provide reserve funds for domestic building and loan associations, and for other purposes. I ask unanimous consent that a memorandum, relating to the amendments, be printed in the RECORD.

The ACTING PRESIDENT pro tempore. The amendments will be received,

printed and referred to the Committee on Finance; and, without objection, the memorandum will be printed in the RECORD.

The memorandum presented by Mr. JAVITS is as follows:

MEMORANDUM ON AMENDMENT TO H.R. 3297 REGARDING THE NEW YORK STATE SAVINGS AND LOAN BANK

The Savings and Loan Bank of the State of New York is a quasi-governmental instrumentality of New York. It is a nonprofit mutual institution. The bank's function is to maintain a liquidity fund to make loans to banks which are basically sound but short of liquid assets—the same function as the tax-exempt Federal home loan banks. The bank was exempt from income taxation from its inception in 1915 until 1963 when the Internal Revenue Service reversed its previous ruling on the narrow ground that the bank does not fall within the literal language of code section 501(c)(14). This section was enacted in 1951 to cover institutions such as the bank. This technical amendment corrects this apparently unintentional legislative oversight.

The Savings and Loan Bank of the State of New York was created by an act of the Legislature of the State of New York in 1914 and commenced operating in 1915 as the Land Bank of the State of New York. The original name was changed to the present one by the New York Legislature in 1932.

From its inception, the Savings and Loan Bank has been a creature of the New York State Legislature. Proposed bylaws for the bank, the general powers of the bank and the restriction on such powers as well as the composition of the bank's membership and the number and election of the bank's directors are all specifically regulated by statute. The Savings and Loan Bank, together with its capital, accumulations and other funds are exempt from State taxation under section 446, article 16-B of the New York State banking law.

The Savings and Loan Bank is organized without capital stock and membership is limited to savings and loan associations in New York. It is authorized to extend credit to, and act as a service bank for, its membership. The bank is also authorized to administer a fund for the insurance of savings accounts in savings and loan associations; however, an amendment to the New York banking laws is necessary before the Savings and Loan Bank can adopt a plan of insurance.¹

By letter dated July 15, 1935, the Internal Revenue Service ruled that the Savings and Loan Bank of the State of New York was exempt from Federal income tax under section 101(4) of the Revenue Act of 1934 which provided exemption for domestic building and loan associations. Congress in 1951 eliminated the tax-exempt provisions for domestic building and loan associations; however, a tax-exempt status for State-chartered insurance and liquidity funds was expressly provided in what is now section 501(c)(14). This exemption was expected to cover the Savings and Loan Bank, and the Internal Revenue Service by letter dated December 1, 1952, reaffirmed the tax-exempt status of the Savings and Loan Bank.

¹ At the time this section of the New York banking law was adopted, there were about 250 savings and loan associations in New York. A limitation was added that the insurance fund could not be established for less than 100 savings and loan associations. At the present time there are only about 100 savings and loan institutions in New York (other than Federal savings and loan associations which must obtain insurance from the Federal Savings and Loan Insurance Corporation) and some of these are presently insured with the FSLIC.

By letter dated December 4, 1961, the Revenue Service notified the Savings and Loan Bank of the Service's intention to revoke the bank's tax-exempt status on the grounds that the Service had erred in reaffirming the tax-exempt status of the bank in 1952. It considered it had erred because the Savings and Loan Bank did not insure accounts in savings and loan associations but only provided reserve funds. By letter dated July 12, 1963, the tax-exempt status of the Savings and Loan Bank was revoked.

It is apparent that the Savings and Loan Bank of the State of New York has been the victim of an unintentional legislative oversight. The predecessor of section 501(c)(14) was added at the behest of the two mutual deposit guarantee funds in Massachusetts. No thought was given to New York. The Ohio Deposit Guarantee Fund did not qualify under the 1951 amendments and an amendment in 1960 was approved to correct this discrimination. No relief was considered for New York because it was considered that New York was already covered by the exemption. The Maryland Savings-Share Insurance Corp. is also not covered by section 501(c)(14), it having been organized after the cutoff date in the statute, and H.R. 3297 has been passed by the House of Representatives to alleviate this inequity.

The House Ways and Means Committee report on H.R. 3297 describes the functions of organizations exempt under section 501(c)(14) as follows:

"The organizations covered by this provision are nonprofit, mutual deposit guarantee organizations without capital stock organized for the benefit of a group of mutual savings banks or for a group of building and loan associations. These guarantee organizations provide two services for their member banks. First, they provide a deposit insurance fund to aid their members in financial difficulty and in final extremities to pay off the depositors in full if a member bank is liquidated. Second, they also maintain a liquidity fund (which may or may not be a fund separate from the deposit insurance fund) to make loans to member banks which are basically sound but short of liquid assets. The deposit insurance fund is built by premium charges and the liquidity fund by deposits made with the guarantee organization. In addition, investment income is earned by the organization on both types of funds although there is little accumulation in the case of the liquidity funds since interest generally is paid on these deposits of the member banks." (H. Rept. No. 459, 88th Cong., 1st sess. (1963).)

The first of the two functions of the deposit guarantee organizations, that is the deposit insurance function, is performed under Federal laws by the tax-exempt Federal Savings and Loan Insurance Corporation. The second of these two functions—maintaining a liquidity fund—is performed under Federal laws by the tax-exempt Federal Home Loan Bank system. The State-created institutions of Massachusetts and Ohio (the only deposit guarantee organizations presently covered by the exemption), have combined these two functions in one institution.

It is not maintained that the Savings and Loan Bank of the State of New York performs the functions in New York of the FSLIC. It does not. It is submitted, however, that the Savings and Loan Bank does perform the functions in New York of the Federal home loan banks.

Section 13 of the Federal Home Loan Bank Act (12 U.S.C. 1433) exempts from State and Federal tax the Federal home loan banks. This amendment will extend this same tax treatment to a State-chartered institution which is performing the same function as the Federal home loan bank system. There is no reason to require that the Savings and Loan Bank of the State of New York perform the same functions as both the Fed-

eral home loan banks and the Federal Savings and Loan Insurance Corporation to get tax exemption when Congress has split these functions between two Federal instrumentalities and granted exemption from tax to each. Unless it is the intention of Congress to eliminate the "competition" of the Savings and Loan Bank of the State of New York, there is no justification for taxing the quasi-governmental instrumentality of the State of New York and exempting from tax the Federal home loan banks.

This amendment is limited to those institutions organized prior to July 22, 1932, the date when the Federal Home Loan Bank Act was enacted by the Congress.

AGRICULTURAL ACT OF 1964— AMENDMENTS

Mr. TOWER submitted six amendments (Nos. 427, 428, 429, 430, 431, and 432), intended to be proposed by him, to the bill (H.R. 6196) to encourage increased consumption of cotton, to maintain the income of cotton producers, to provide a special research program designed to lower costs of production, and for other purposes, which were ordered to lie on the table and to be printed.

RESTRICTION OF IMPORTS OF BEEF, VEAL, AND MUTTON—ADDITIONAL COSPONSOR OF BILL

Mr. MONRONEY. Mr. President, I ask unanimous consent that my name may be added as a cosponsor of the bill (S. 2525) to restrict imports of beef, veal, and mutton into the United States, introduced by the Senator from Montana [Mr. MANSFIELD] (for himself and other Senators) on February 20, 1964, the next time that bill is printed.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

RESTRICTION OF IMPORTS OF BEEF, VEAL, AND MUTTON INTO THE UNITED STATES—ADDITIONAL COSPONSORS OF BILL

Under authority of the order of the Senate of February 20, 1964, the names of Mr. BIBLE, Mr. CANNON, Mr. CARLSON, Mr. CURTIS, Mr. DOMINICK, Mr. EDMONDSON, Mr. GOLDWATER, Mr. HARTKE, Mr. HAYDEN, Mr. LONG of Missouri, Mr. MCHEM, Mr. SIMPSON, and Mr. YARBOROUGH were added as additional cosponsors of the bill (S. 2525) to restrict imports of beef, veal, and mutton into the United States, introduced by Mr. MANSFIELD (for himself and other Senators) on February 20, 1964.

ADDRESSES, EDITORIALS, ARTICLES, ETC., PRINTED IN THE APPENDIX

On request, and by unanimous consent, addresses, editorials, articles, etc., were ordered to be printed in the Appendix, as follows:

By Mr. JAVITS:

Letter from officers and members of the Jewish Veterans Association to Mrs. Jacqueline Kennedy, informing her of the planting of 100 trees in the Freedom Forest in Israel in memory of the late President John Fitzgerald Kennedy.

Excerpt from a recent address by Nat H. Hempel, president of the Queens County Bar Association, describing the present status of the Queens plan to improve judicial selection.

INDEPENDENCE OF ESTONIA

Mr. JAVITS. Mr. President, Estonia became a free and independent Republic 46 years ago, on February 24, 1918; and Estonians all over the world outside of their native land are commemorating that event this February 24. Like the other Baltic States, Estonia enjoyed 22 precious years of self-rule before she was overwhelmed by the Soviet Union's armies. The conflict with Communist oppression over the years since then has been long and costly; but the people of Estonia continue to struggle on, in the hope of eventual liberation.

Americans of Estonian extraction and others who uphold the right of self-determination as a principle of international law are determined to keep alive the desire for freedom, in spite of the terror that holds this unhappy land in its grip. In Estonia as in other Baltic countries the enslaved peoples know that their struggle can have only one conclusion—the ultimate liberation of their people. I join in that hope, because the United States will continue to struggle against Communist aggression until all the people of the world are again free.

The ACTING PRESIDENT pro tempore. Is there further morning business?

Mr. MANSFIELD. Mr. President, I suggest the absence of a quorum.

The ACTING PRESIDENT pro tempore. The clerk will call the roll.

The Chief Clerk proceeded to call the roll.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mr. INOUYE in the chair). Without objection, it is so ordered.

ORDER FOR HANDLING OF TREATIES ON THE EXECUTIVE CALENDAR

Mr. MANSFIELD. Mr. President, after discussion, and with the approval of the distinguished minority leader and other Senators who are concerned, I ask unanimous consent that when the treaties which are on the calendar are considered—and I understand they have been cleared on both sides—one vote be considered as four separate votes, and that before they are recorded in the RECORD, there be entered in the RECORD an explanation of each executive agreement.

Mr. JAVITS. Mr. President, will the Senator from Montana yield?

Mr. MANSFIELD. I yield.

Mr. JAVITS. The only treaty which concerns me in connection with the unanimous-consent request is the one which provides for return of Austrian assets. Will the Senator from Montana except it from his present unanimous-consent request, with the right to include it a little later in the request? I should

like to consider that treaty, in that connection, to be certain.

Mr. MANSFIELD. Yes—and, of course, with the proviso that if anything untoward develops later, inasmuch as some Senators are not now in the Chamber, the request will be withdrawn.

Mr. JAVITS. Yes—and with the exception of the treaty on return of Austrian assets, but with the right to include it a little later in the request.

Mr. MANSFIELD. Yes.

Mr. DIRKSEN. I understand that each treaty will then appear in the RECORD, and the yea-and-nay vote will appear three times—and possibly four times, if the distinguished Senator from New York is satisfied in regard to the Austrian treaty; and that an adequate explanation of each treaty will also be included in the RECORD, before the yea-and-nay vote on it is set out. Is that correct?

Mr. MANSFIELD. Yes.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Montana? Without objection, it is so ordered.

U.S. AMBASSADOR TO PANAMA

Mr. MILLER. Mr. President, it has been my feeling that had the administration acted promptly in naming a new ambassador last fall, the trouble we are now having in Panama could well have been averted. It has been a source of puzzlement to me, as well as to many others, as to the reasons underlying the failure to appoint an ambassador to that vital nation.

But it is no understatement, to say the least, that I was astonished to read in the Washington Daily News of February 4 the comments by the former ambassador to Panama, Joseph S. Farland. If what Mr. Farland says in Henry J. Taylor's column is true—and thus far we have no reason to believe otherwise—then it goes far in explaining our recent foreign reversals not only in Panama but elsewhere as well.

Mr. President, these questions should be and must be resolved:

First. Why was not Mr. Farland "debriefed" upon his return from Panama? And why had Secretary of State Rusk apparently been informed that Mr. Farland had?

Second. Why were orders given that Mr. Farland was not to be invited for consultation with various agencies which should have had the benefit of his knowledge?

Third. Why was Mr. Farland ordered not to have any contacts with top CIA executives and any congressional leaders?

Fourth. Why were Mr. Farland's dispatches warning of the Castro buildup and mounting crisis in Panama ignored?

Fifth. Are there any officials in the State Department who are hampering our policies?

These are not idle questions. The security of our Nation depends upon their being answered. If they are not, then it is quite obvious that we will suffer more reverses such as have occurred in Panama and South Vietnam.

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF
BUDGET AND FINANCE

(For information only;
should not be quoted
or cited)

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HIGHLIGHTS: Senate passed tax bill. President later approved bill. Senate debated civil rights bill. Sen. Mundt inserted items critical of wheat trade with Russia. Sen. Hruska submitted amendment to cotton-wheat bill to impose quotas on meat imports. Sen. Pearson urged further negotiations for voluntary limitations on meat imports. Sen. Javits inserted Jt. Economic Committee minority views on poverty program. Rep. Kyl charged voluntary meat import agreements and cropland conversion programs are harmful to livestock industry. Rep. Nelsen inserted Farm Bureau letter critical of meat import agreement and charging CCC with dumping feed grain stocks. Several Representatives criticized federal aid to eliminate poverty problem. Rep. Bow charged budget juggling in CCC, meat inspection and cotton-dairy programs.

SENATE

1. **TAXATION.** By a vote of 74 to 19, agreed to the conference report on H. R. 8363, the tax bill (pp. 3543-6, 3551, 3556). See Digest 32 for items of interest. This bill was then sent to and approved by the President.
2. **CIVIL RIGHTS.** Debated H. R. 7152, the Civil Rights bill (pp. 3553, 3556-84, 3623-7). The Chair overruled a point of order by Sen. Russell against the request of Sen. Mansfield to place the bill on the calendar without referring it to committee for consideration (pp. 3557-60). By a vote of 54 to 37, agreed to a motion by Sen. Mansfield to table Sen. Russell's appeal of the ruling of the Chair (pp. 3560-83). Sen. Javits objected to a unanimous-consent request of Sen. Mansfield to refer the bill to the Judiciary Committee with instructions to report it back to the Senate, without recommendation or amendment, not later than noon, Wed., Mar. 4 (p. 3583).

3. COTTON; WHEAT. Sen. Hruska submitted an amendment intended to be proposed to H. R. 6196, the cotton-wheat bill, to impose import quotas on fresh, chilled, and frozen beef, veal, mutton, and lamb. pp. 3601-2
Sen. Simpson submitted an amendment intended to be proposed to the cotton-wheat bill. p. 3601
4. WHEAT; FOREIGN TRADE. Sen. Mundt stated that "vital repercussions continue to expand as a result of this country's sale of wheat to the Soviet Union," and inserted two items critical of such sales. pp. 3605-9
5. RECLAMATION. Passed without amendment H. R. 8171, to reauthorize the River-ton extension unit, Missouri River Basin project, to include all the River-ton reclamation project, except the Muddy Ridge area (pp. 3620, 3622-3). This bill was reported earlier by the Interior and Insular Affairs Committee without amendment (S. Rept. 879)(p. 3578). This bill will now be sent to the President.
6. MEAT IMPORTS. Sen. Pearson contended that the voluntary meat import agreements with Australia and New Zealand were "no more than a token concession to the livestock industry," stated that it "further indicates the dominance of State Department in determining domestic agricultural policy to the detriment of American agriculture," and urged further negotiations with countries exporting meat to the U. S. in an effort "to substantially reduce their exports destined for the United States." p. 3623
Sen. McGee was added as a cosponsor of S. 2525, to restrict imports of beef, veal, and mutton into the U. S. p. 3604
7. POVERTY. Sen. Javits inserted the report of the Republican members of the Joint Economic Committee critical of the President's proposals to combat poverty and suggesting alternative proposals for combating poverty. pp. 3551-3
8. FARM PROGRAM. Sen. Proxmire inserted a Redbook article depicting life on a family farm in Wis. pp. 3617-20
9. FARM LABOR. Agreed to without amendment S. Res. 290, to authorize the Labor and Public Welfare Committee to investigate matters relating to migratory labor. pp. 3587, 3553-4
10. EXPORT-IMPORT BANK. Received from the Export-Import Bank a report "on certain guarantees authorized by that Bank." p. 3586
11. CIVIL DEFENSE. Received from the Defense Department a proposed bill "to further amend the Federal Civil Defense Act of 1950, as amended, to extend the expiration date of certain authorities thereunder"; to Armed Services Committee. p. 3586
12. INTEREST RATES. Sen. Douglas inserted an editorial supporting the proposed truth-in-lending bill to require disclosure to interest charges on extensions of credit. p. 3616

America in Congress assembled, That it shall not be deemed to be an Act in restraint of trade under any law of the United States for any nonprofit blood bank, nonprofit reservoir of other human tissue or organs, any hospital or any physician to refuse, or to join together with others in refusing, to obtain from or to accept delivery of blood, blood plasma, other tissue or organs from any other such blood bank or reservoir.

Mr. LONG of Missouri. Mr. President, I am honored to have as cosponsors on this bill, Senators BAYH, CARLSON, DIRKSEN, HOLLAND, MCCARTHY, PEARSON, SCOTT, SYMINGTON, and TOWER.

You will note that the bill refers not only to blood banks but additionally to banks for other tissues and organs of the body. Although banking of other tissues and organs is in its infancy, there are many indications that these repositories will become quite common in the future. I believe that the Congress should encourage their organization on a community nonprofit basis, rather than on a private commercial basis. The addition of repositories of organs and tissues—other than blood—was made at the suggestion of a number of distinguished doctors and I believe it is a worthy addition to the original draft of the bill.

I ask that this bill be held at the desk for a week, so that other Senators who might be interested in cosponsorship will have an opportunity to study it.

The ACTING PRESIDENT pro tempore. The bill will be received and appropriately referred; and, without objection, the bill will lie on the desk, as requested by the Senator from Missouri.

The bill (S. 2560) to amend the antitrust laws to provide that the refusal of nonprofit blood banks and of hospitals and physicians to obtain blood and blood plasma from other blood banks shall not be deemed to be acts in restraint of trade, and for other purposes, introduced by Mr. Long of Missouri (for himself and other Senators), was received, read twice by its title, and referred to the Committee on the Judiciary.

Mr. PEARSON. Mr. President, I am privileged today to join the distinguished junior Senator from Missouri [Mr. Long] in cosponsoring this bill to amend the antitrust laws as they might apply to nonprofit blood banks.

Blood is a priceless commodity which cannot be considered a product similar to bartered merchandise. Blood should be procurable from whatever bank, depository, or reservoir a physician or hospital chooses to use. Transactions in blood are for humanitarian purposes and the manner by which it is acquired must be left to the discretion of the physicians or hospitals who daily are engaged in the use of human blood, human tissues, and organs, and who must of necessity prescribe its full use with full confidence in its source.

Although the original investigation was prompted by Federal Trade Commission charges of restraint of trade in a major metropolitan area, there are similarly operated blood banks in towns and communities throughout the Nation as well as in my own State of Kansas.

This bill has notable merit and deserves the careful attention and support of all Senators because of its vital importance to the continuance of a free choice of blood supply for those who daily fight the battle between life and death with human blood.

AGRICULTURAL ACT OF 1964— AMENDMENTS

Mr. SIMPSON submitted an amendment (No. 433) intended to be proposed by him, to the bill (H.R. 6196) to encourage increased consumption of cotton, to maintain the income of cotton producers, to provide a special research program designed to lower costs of production, and for other purposes, which was ordered to lie on the table and to be printed.

QUOTAS ON BEEF IMPORTS— AMENDMENT (AMENDMENT NO. 434)

Mr. HRUSKA. Mr. President, I send to the desk an amendment to H.R. 6196, the cotton-wheat bill. This amendment will help to stabilize livestock prices by placing quantitative limits on the amounts of beef, veal, mutton, and lamb permitted to be imported. I am pleased that several Senators have already joined as cosponsors.

Mr. President, the emergency faced by the American cattle industry is such that we cannot afford to delay action any longer. Cattle prices have slumped disastrously. During the past 15 months prices of fed steers at both Omaha and Chicago have dropped nearly 30 percent. They are almost back down to 1946 OPA levels.

Rapidly increasing imports of boneless beef have contributed heavily to this price break. Boneless beef imports from Australia alone have increased 32,000 percent during the past 10 years. Last year beef imports in all forms amounted to the equivalent of 1,859 million pounds on a carcass weight basis, equal to about 11 percent of our own production. Prior to 1957, imported beef generally amounted to only about 2 percent of our production; this shows the rapidity of the increase in imports.

The agreements recently negotiated with Australia and New Zealand, fixing beef imports at the average of the all-time record years of 1962-63, are completely unsatisfactory to the stockmen. Instead of helping them to solve their problem, these agreements would simply perpetuate that problem.

My amendment would impose import quotas on fresh, chilled, and frozen beef, veal, mutton, and lamb at the level of average annual imports during the period 1958-62, with a growth rate equal to our population growth. The amendment would also authorize, but not require, the use of import quotas if necessary on other types of these meats—such as canned beef—and on the live animals.

If adopted, my amendment will provide for imports in 1964 of approxi-

mately 543.2 million pounds of fresh, chilled, and frozen beef and veal, and approximately 52.8 million pounds of mutton and lamb.

By contrast, the recent executive agreements with Australia and New Zealand would permit beef and veal imports to continue this year at the extremely high 1962-63 average. A direct comparison is difficult, since under the administration approach many foreign countries may never be limited in their meat shipments at all. However, if the pattern of the Australia and New Zealand agreements were applied uniformly, the total imports in 1964 from all sources would be approximately 923.4 million pounds of fresh, chilled, and frozen beef and veal, plus uncertain quantities of mutton and lamb.

I ask unanimous consent that my amendment be printed in the RECORD at the conclusion of my remarks; and further that it lie on the desk until Thursday to permit other Members of the Senate to add their names as cosponsors.

The ACTING PRESIDENT pro tempore. The amendment will be received, printed, and lie on the table; and, without objection, the amendment will be printed in the RECORD, and lie on the desk, as requested by the Senator from Nebraska.

The amendment (No. 434) is as follows:

On page 32, after line 13 add the following new title:

"TITLE III—IMPORT QUOTAS ON CERTAIN LIVESTOCK AND LIVESTOCK PRODUCTS

"SEC. 301. (a) The total quantities of fresh, chilled, or frozen beef, veal, mutton, and lamb which may be entered, or withdrawn from warehouse, for consumption during any period of 12 months shall not exceed the average annual quantities of such products imported into the United States during the 5-year period ending on December 31, 1962: *Provided*, That for the year beginning January 1, 1965, and for any year thereafter, the President by proclamation may provide for an increase in such quota by a percentage not greater than the percentage increase in estimated population of the United States over the estimated population for 1964.

"(b) The annual quota for the unexpired portion of the calendar year in which this title becomes effective shall be a quantity equal to such average annual quantity reduced by an amount equal to one-twelfth thereof for each calendar month or part thereof that has expired in such year prior to the effective date of this title.

"SEC. 302. Whenever the President determines that the imposition of import quotas on cattle or sheep, or on any products thereof other than those referred to in section 301, is necessary in order to maintain reasonable prices on cattle or sheep, or on beef, veal, mutton or lamb products, he is authorized to issue a proclamation prescribing the total quantities of such cattle, sheep, or products which may be entered, or withdrawn from warehouse for consumption during the period or periods specified in such proclamation, and the total quantities so entered or withdrawn during such period or periods shall not exceed the quantities so prescribed.

"SEC. 303. The President is authorized to allocate any quota imposed by or pursuant to this Act among exporting countries on the basis of the amounts supplied by such countries during a previous representative period or periods, or upon such other basis as he may deem to be fair and reasonable.

"SEC. 304. This title shall take effect as soon as practicable on a date to be specified by the President in a notice to the Secretary of the Treasury following such negotiations as may be necessary to effect a modification or termination of any international obligation of the United States with which the amendment might conflict, but in any event not later than sixty days after the date of enactment of this Act."

APPROPRIATIONS FOR DEFENSE PROCUREMENT (AMENDMENT NO. 435)

FIFTY-TWO MILLION-DOLLAR REDUCTION IN BOMBER EXPENDITURES

Mr. McGOVERN. Mr. President, the bill now before us would authorize the expenditure of \$17 billion. It represents almost a fifth of the entire budget for the next fiscal year. This is probably the largest single authorization bill ever to come before Congress.

I think it is unfortunate that we are being asked to appraise this enormous authorization without an opportunity to study the committee report or the testimony developed in the hearings.

Senators have protested that even 3 or 4 days after the filing of the report on the wheat and cotton bill, they have not had enough time to read the report and to analyze the legislation intelligently. Yet, the report on the Defense appropriation bill now before us was available only a few hours ago. I have not been able to read the report, much less analyze it. Moreover, the budgetary implications of the Defense authorization bill are enormous compared to the implications of the farm measure.

The farm bill, if it passes, will save the Nation's farmers hundreds of millions of dollars and result in smaller burdens for the taxpayer than if we permit our agriculture to run wild.

The military procurement bill, on the other hand, will cost the taxpayers \$17 billion—more than double the size of our entire Federal budget during any one of the years of the New Deal period, 1933–40.

While there is an urgent need to pass the farm bill now, since spring planting will begin in a very few days, no such urgency exists for passage of the military authorization bill. We could pass that bill next month or the month after without endangering the security of the Nation.

I appreciate the parliamentary situation that dictated the consideration of this bill today. It is anticipated that the debate on the civil rights bill will be prolonged indefinitely. But I do think we are following an unwise course when we are asked to evaluate this enormous defense bill before we have studied the report and the evidence on which it is based.

Personally, I have great respect for the distinguished chairman of the Armed Services Committee. I think the Nation is fortunate to have so able a man in charge of this vital committee. And he is backstopped by some of the ablest committee members of the Senate.

Yet, I am concerned about voting \$17 billion for a program that I have not had a chance to study. Along with the

two Senators from Wisconsin, I am going to offer an amendment to reduce one item in the bill to the level requested by the administration. But I seriously question other aspects of the bill that I need more time to evaluate. Time has not permitted me to develop these further thoughts about the bill. But I want to express my strong hope that when the Defense appropriation bill is ready, that we will be given ample time to study it before we are asked to vote. A quick perusal of this bill leads me to believe that we ought to cut it in other respects and I may want to offer some amendments when the appropriation bill is before us.

The amendment I am offering would reduce by \$52 million the funds included for the development of a new "follow-on" bomber. This amendment would reduce the bomber funds to the \$5 million level requested by the President and the Secretary of Defense. Four members of the House Armed Service Committee, which held long and extensive hearings on this procurement bill, filed a minority report protesting the inclusion of the added \$52 million in the bill. There was no provision in the President's budget for these funds and Secretary McNamara indicated that the Defense Department did not want the money.

The Air Force itself did not request the funds of the Department of Defense, which is the usual procedure followed in preparing budget requests. Indeed, it appears that the first mention of these funds came when General LeMay appeared before the House Armed Services Committee and suggested that they would be useful. Evidently, very little evidence was provided to support General LeMay's request, and it appears that the House committee granted the funds virtually on faith.

I do not know the considerations that led the Senate committee to accept the judgment of the House committee on this matter rather than the judgment of the Secretary of Defense and the President.

In the minority report, the four dissenting members of the House Armed Services Committee had the following comment to make on the extra \$52 million:

Frankly, it is not at all clear to us just what the \$52 million is to be spent for, and there is nothing in either the committee report or the testimony to answer this question. Presumably the money is to be used to develop and acquire long leadtime items in avionics and engines. But we find it hard to see how funds could be wisely or economically spent on supporting equipment for an aircraft whose full configuration and mission had not yet been clearly defined.

The dissenting House members went on to point out that the \$52 million is just the beginning of a program which will cost close to \$5 billion before it is completed. They say in their report:

We must be especially careful to guard ourselves against the temptation of building new aircraft just for the sake of building, and before we know how a particular system will be used and precisely how it will be integrated with the ballistic missile force on which we are now concentrating so much of our effort and substance.

Can anyone explain how this new bomber would be used and precisely why it is being developed? Unless we know the answer to this question, I do not think we ought to spend \$52 million more than the substantial \$5 million already provided for research.

Let us remember what hasty consideration in the development of new aircraft systems has cost heavily in the past.

The F-7U aircraft, which cost \$417.2 million, was abandoned after 149 planes were built, because the planes were found unsuitable for the intended purpose.

The T-2V aircraft, which cost \$139 million, was abandoned after 149 planes were built, because the planes were found unsuitable for the intended purpose. The recent cancellations of the Dyna-Soar project and the Typhon program after expenditures of hundreds of millions of dollars illustrate the dangers of hasty embarkation on ill-conceived projects.

The P-6M aircraft, and the F-8U aircraft were canceled after they had gone into production. How much was lost on these projects is still classified information.

The APS-44A radar system was found to be unreliable after 263 units were built, at a cost of \$51.6 million.

The B-70 airplane, which has been called by many names, has already cost this country over \$1½ billion. This plane has not yet flown and may never get off the ground. Only two models are being built, and the Air Force has already announced that the plane will never be a part of the Air Force weapons system because there is no mission for it.

As recently as February 14 of this year, the Comptroller General of the United States reported that an Army missile which cost \$300 million to develop and produce has proved useless.

The total of the amount wasted on the few projects I have mentioned probably exceeds \$5 billion. Such a sum could build the schools and roads we need, retrain the unemployed and satisfy our hospital needs.

The Comptroller General, in his report on one of the canceled and wasteful projects I have named, blamed the unwise development of the plane on the "general Navy equipment procurement policy, whereby an end item is placed in production without sufficient assurance of success, and that thereafter, because of urgency aspects, the Navy feels that there is no alternative but to continue production even though serious shortcomings in the equipment are apparent."

In criticizing the recent missile fiasco, the Comptroller General stated:

The unsatisfactory characteristics of the weapon were known at the points in time when the Army ordered successively increasing quantities of equipment and missiles.

Mr. President, the Senate of the United States is responsible for the careful consideration of vast and expensive procurement programs for our military forces to avoid a repetition of wasteful mistakes. I commend the Secretary of

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HIGHLIGHTS: Senate took up cotton-wheat bill. House Rules Committee denied rule on tobacco research bill. Sen. Keating criticized negotiations for sale of lard to Cuba. Sen. Goldwater inserted Dirksen-Halleck statements critical of U. S. foreign policy, including sale of wheat to Russia. Rep. Jensen urged passage of bill to restrict meat imports. Rep. Betts criticized Australia-New Zealand meat imports agreement. Rep. Findley criticized negotiations for lard sale to Cuba. House subcommittee reported Alaska agricultural land development bill.

SENATE

1. COTTON; WHEAT. Began consideration of H. R. 6196, the cotton-wheat bill, after voting 57 to 19 to agree to the motion by Sen. Mansfield to proceed to consideration of the bill after objection had been raised by Sen. Keating (pp. 3708-16, 3720-1). Sen. Mansfield stated that he anticipated that debate on the bill would take several days (pp. 3699-3701). Sens. Aiken and Dirksen submitted amendments intended to be proposed to the bill (p. 3652).
2. PEACE CORPS. The Foreign Relations Committee reported without amendment S. 2455, to increase the appropriation authorization for the Peace Corps from \$102 million for fiscal year 1964 to \$115 million for fiscal year 1965 (S. Rept. 881). p. 3640

3. CIVIL RIGHTS. Sen. Eastland objected to a unanimous-consent request by Sen. Mansfield to refer H. R. 7152, the civil rights bill, to the Judiciary Committee with instructions to report it back without recommendations or amendments to the Senate not later than noon, Wed., Mar. 4. pp. 3688-90
4. FATS AND OILS. Sen. Keating criticized reported negotiations by American businessmen for the sale of lard to Cuba and urged the Department of Commerce to take action under the Export Control Act to prevent such sales. p. 3653
5. FOREIGN POLICY. Sen. Goldwater inserted statements by Sen. Dirksen and Rep. Halleck critical of the conduct of U. S. foreign policy, including a critical reference by Rep. Halleck to the sale of wheat to Russia. pp. 3663-4
Sen. Talmadge inserted an article by May Craig, "A Woman Writer Takes a Critical Look at America," including a reference to the sale of wheat to Russia. pp. 3665-6
6. INTEREST RATES. Sen. Douglas inserted a series of questions and answers on the provisions of S. 750, the truth-in-lending bill to require disclosure of interest rates on extensions of credit. pp. 3671-7
7. ECONOMIC REPORT. The Joint Economic Committee agreed to file its report on the President's Economic Report on March 2. p. D147
8. APPROPRIATIONS. Agreed to a unanimous-consent request by Sen. Hayden authorizing the Appropriations Committee to report appropriation bills during adjournments and recesses this session of Congress. p. 3652
9. BALANCE-OF-PAYMENTS. Sen. Javits suggested measures to be taken which he stated would improve the balance-of-payments situation and inserted several items on the subject, including one stating that increased sales of agricultural products was a factor in the improvement of the balance-of-payments situation during the last half of 1963. pp. 3658-62
10. ELECTRIFICATION. Sen. Metcalf charged that the Virginia Electric & Power Co. was over-charging customers for electric power and inserted several items in support of his position. pp. 3654-8
11. PERSONNEL. Sen. Gruening inserted the testimony of Rep. Rivers opposing enactment of H. R. 7401, to terminate cost-of-living allowances for statutory-salaried Federal civilian employees in nonforeign areas. pp. 3670-1
12. STOCKPILING. Received the report of the Joint Committee on Reduction of Nonessential Federal Expenditures on Federal stockpile inventories as of Dec. 1963, including agricultural commodity inventories. pp. 3640-0
13. EXPORT CONTROL. Both Houses received from Commerce a report on export control for the fourth quarter of 1963. pp. 3639, 3799
14. FOREIGN TRADE. Received the annual report of the U. S. Tariff Commission. p. 3639

HOUSE

15. PUBLIC LANDS; PEACE CORPS. The Rules Committee reported a resolution for the consideration of H. R. 8070, to establish a Public Land Law Review Commission to study existing laws and procedures relating to the administration of the public lands of the U. S. (P. 3728); and H. R. 9666, to increase the authori-

command and control system. This in effect would cancel the MMRBM program, since it cannot be developed at this funding rate indicated by the House committee.

In addition, I would like to point out, Mr. President, that our NATO allies have expressed a keen interest in the acquisition of mobile medium range ballistic missiles as soon as they become operational.

General Taylor, in his appearance before the Senate Appropriations Subcommittee last year, said:

Our NATO Allies are intensely interested in our treatment of this program. For several years, they have come to regard an MMRBM as essential to replace obsolescent aircraft and missiles now assigned to the attack of targets of prime interest to NATO. The proposed reduction of research and development funds in support of this missile (MMRBM) will be regarded with apprehension and will be interpreted by some as an indication of our reduced concern for the requirements of the defense of the NATO area. I hope that this committee will review this item of the budget in the light of its national and international importance.

I submit that statement still stands this year. Long and careful study has already been made both as the need for this weapon and its ability to perform the mission for which it is designed. Any further delay by this Congress pending further studies is unwise and unnecessary. Furthermore, the reductions may result in up to 2 years delay in the operational readiness of this weapon.

In addition to my convictions that the MMRBM is necessary and vital to our defense, I would like to point out some of the practical problems which occur in the business community when Congress starts and stops programs of this magnitude. Major contractors have a hard time training and retaining skilled personnel to do the research and development on new programs. We are at the point in research and development on the MMRBM, that if the program is delayed, thousands of key personnel of major contractors will either be fired or will seek other employment where the future of a particular program is more secure.

Furthermore, I am particularly concerned about the progress that the Russians may be making in the ICBM field. What is this Nation to do if Russia perfects a missile or a system making our ICBM force inoperative?

The MMRBM project is a necessary backup. The development of this program should continue so that if the need for a secondary backup ever arises we shall have it. Nowhere in our arsenal today is there an effective intermediate ballistic missile with the characteristics of MMRBM. A weapon system with a high probability of survival is a requirement today. Survivability, together with a clear demonstration of the fact that our weapons are survivable, is, in fact, the keynote of a successful deterrent posture.

I would like at this time to introduce several system advantages:

First. Mobility ensuring survivability.
Second. Extreme accuracy gives a more extensive capability against hard targets than can be achieved with any other operational or planned weapons system.

Third. Air transportability guarantees an operational capability anywhere in the world within a few days.

Fourth. Capability readily to move system from country to country ensures the flexibility necessary to cope with the changing tactical and/or international situation.

Fifth. Cost/effectiveness ratio superior to other weapon systems in that previously developed technology is utilized to the fullest extent and nearness to the target significantly increases accuracy.

Sixth. Development of the MMRBM will provide valuable know-how should the requirement for a mobile ICBM become more urgent.

If this system were now terminated and at some later date reinstated, the overall program cost will be substantially more. Schedules will be slipped significantly; the weapons system will have a shorter useful life.

It is my hope that the Congress will reconsider the recommendations of the Joint Chiefs of Staff and that the Appropriations Committees will act to restore the funds for the MMRBM program which were imprudently cut by the House and Senate Armed Services Committees.

MILITARY PROCUREMENT AUTHORIZATION—1965

The Senate resumed the consideration of H.R. 9637, an act to authorize appropriations during fiscal year 1965 for procurement of aircraft, missiles, and naval vessels, and research, development, test, and evaluations, for the Armed Forces and for other purposes.

The PRESIDING OFFICER. The bill is open to further amendment.

If there are no further amendments to be proposed, the question is on the engrossment of the amendments and the third reading of the bill.

The amendments were ordered to be engrossed and the bill to be read a third time.

The bill was read the third time.

Mr. RUSSELL. Mr. President, I ask for the yeas and nays on the passage of the bill.

The yeas and nays were ordered.

LEGISLATIVE PROGRAM

Mr. DIRKSEN. Mr. President, I should like to ask the distinguished majority leader what the schedule will be for the remainder of today and the remainder of the week; and I wish particularly to query him with respect to the possibility of a Saturday session.

Mr. MANSFIELD. Mr. President, the question is most pertinent and, I am sure, one in which Senators are quite interested. If and when the pending proposed legislation is passed, it is anticipated that the Senate will move to consider Calendar No. 850, the bill H.R. 6196, the so-called cotton-wheat bill.

It is hoped that the Senate will be able to consider that bill within a reasonable length of time and that the Senate will work its will and allow it to come to a final conclusion.

After talking with a number of Senators, it has been decided that there

will be no Saturday session this week, but beginning with next week I think the Senate should be put on notice that we may very likely be meeting not only from early in the morning until late at night, but on Saturdays as well. I hope that all Senators, both Republicans and Democrats, will align their schedules, engagements, and "whatnots" accordingly, and be prepared for votes on any and all occasions thenceforward, as the lawyers would say.

Mr. RUSSELL. Mr. President, will the Senator yield?

Mr. MANSFIELD. I yield.

Mr. RUSSELL. Will the Senator tell us the occasion for this tremendous surge forward, requiring us to jump from ordinary sessions to sessions that will start early in the morning and continue late at night and on Saturdays as well?

Mr. MANSFIELD. The Senator from Georgia knows better than I.

Mr. RUSSELL. Does the Senator propose immediately to take up a certain type of proposed legislation and to change all procedures of the Senate in addition to all the rules?

Mr. MANSFIELD. Not exactly.

Mr. RUSSELL. Would he have an entirely different approach to the bill even at the outset, so that the cry of filibuster will rise above the very cogent arguments that some of us have to make with respect to an unconstitutional bill?

Mr. MANSFIELD. After seeing the distinguished Senators from New York [Mr. JAVITS and Mr. KEATING] and the Senator from Mississippi in the same company and on the same side today, I believe anything can happen. But so far as the leadership is concerned, we will do what must be done within the rules. We shall not be capricious. We shall try to give ample notice ahead of time. Again I assure the distinguished senior Senator from Georgia that all the cards will be as fully up on the table as we can place them.

Mr. RUSSELL. The Senator laid them out just now, but they did not appeal to the Senator from Georgia even when they were face up. It seemed at the outset that the Senator proposed to apply a different set of rules to the proposed legislation.

The Senator knows the difficulty that any Senator has in getting the reasons for his position reported adequately in the press, over the radio, and on the television. The minute this so-called civil rights legislation hits the floor of the Senate, some strange things begin to happen. Charges are made on the floor of the Senate. It matters not how valid one's position may be, he cannot get it superimposed upon, or squeezed into, or even wedged under the headlines of "Filibuster, Filibuster, Filibuster." I believe we were entitled to at least 2 or 3 days of normal proceedings on that bill in the hope, vain though it may be, that some few of the arguments that are made against the bill might get to the people in our country by means other than the CONGRESSIONAL RECORD, which does not have a large subscription list.

Mr. MANSFIELD. I am sure that when the distinguished minority leader raised his perfectly innocent question, he had no idea that a colloquy such as we have heard would occur.

Mr. RUSSELL. Could he have known what the answer to the question would be?

Mr. MANSFIELD. I assure the Senator from Georgia that, as always, he will receive the utmost consideration. I assure the Senate and the country that, so far as obtaining the views of Senators is concerned, they will be laid out in no uncertain terms so that everyone will understand. It is intended to move gradually into the proposal which was advanced by the Senator from Montana.

Mr. RUSSELL. I presume some of the procedure will be normal.

Mr. DIRKSEN. Mr. President, will my distinguished friend from Montana yield further?

Mr. MANSFIELD. I yield.

Mr. DIRKSEN. In connection with committee meetings, when we finally start plowing the long furrow which I call extended sessions rather than filibuster, which is a more acceptable term—

Mr. RUSSELL. I thank the Senator. "Educational campaign" is even more acceptable.

Mr. DIRKSEN. Mr. President, on those occasions chairmen of committees have come and solicited a dispensation from me. This time I shall be compelled, as long as there is any breath left in this rather feeble body of mine, and I have enough power of articulation to be able to say "I object," to insist upon the rule that there will be no committee meetings. So there will be no committee meetings. There may be one qualified dispensation, and that will be in relation to the Committee on Rules and Administration, which may wish to meet 2 days a week—I do not think they ought to ask for more—to pursue the business in hand.

But there are two minority members on the Committee on Rules and Administration whom I have designated as captains to help monitor the floor with respect to the civil rights bill. They are entitled to be present, and I shall insist that they be present. So if we are to summon witnesses from all over hell's half acre to come to Washington, either at their own or Government expense, I must admonish Senators that no matter whether it is desired to call a witness from Australia, Yokahoma, Oklahoma or some other places, objection will be raised. So Senators had better take that into account when they arrange to bring witnesses to appear before hearings.

Mr. MANSFIELD. Mr. President, will the Senator permit me to make one observation?

Mr. DIRKSEN. Certainly.

Mr. MANSFIELD. I am sorry to hear the announcement made by the distinguished minority leader because I had hoped at an appropriate time to seek unanimous consent for all committees to meet during the remainder of the session this year.

I shall not seek such an agreement now, because the Senate has been put on notice and, of course, we shall do the best we can within the rules of the Senate.

Several Senators addressed the Chair.

The PRESIDING OFFICER. Does the Senator yield, and if so, to whom?

Mr. MANSFIELD. Have I the floor? The PRESIDING OFFICER. Yes.

Mr. MANSFIELD. I yield to the Senator from Illinois.

Mr. DIRKSEN. Mr. President, the majority leader knows I mean no offense by taking a firm and hard attitude; but let it not be forgotten that if we must depend on 51 bodies on this floor to do business, that will not be an easy undertaking. I doubt whether Members can very efficiently divide their time between this Chamber and committee rooms scattered through the New and Old Office Buildings.

I shall be glad to sit down with the majority leader and discuss this matter, but at the present moment it is my intention to object, unless some more attractive and practical arrangement can be arrived at, because this is the place where these policies must find affirmation by this body, and this is where the work must be done.

Mr. MANSFIELD. The Senator is correct. What he has stated any Senator could also state and be within his rights. It is, of course, mandatory that 51 Senators be on hand at all times if we are to establish and maintain a quorum; and I have doubts as to whether calls for quorums will not be too frequent.

Mr. McCLELLAN. Mr. President, I wonder if the Senator from Montana will yield so I may ask whether I correctly understood the minority leader to say that he made an exception for the Committee on Rules and Administration.

Mr. MANSFIELD. I yield.

Mr. DIRKSEN. I have not made it yet. I have discussed it with members of the Rules Committee on this side, and they have indicated to me, being so-called captains of the civil rights bill, they wish to be on the floor a substantial time. They cannot be in the Caucus Room under the klieg lights and be here following the vagaries and uncertain destinies of the civil rights bill, and they have a right to be here.

Mr. McCLELLAN. I was not objecting to their being here; I was wondering why the exception.

Mr. DIRKSEN. Because the committee is under the mandate of the Senate, the committee not only being authorized, but directed, to make the inquiry and report back at the earliest practicable date.

Mr. McCLELLAN. The Senator would not consider it to be practical if Senators needed to be on the floor? That would not bar the committee from acting.

Mr. DIRKSEN. I have tried to work it out as practicably as I can. I do not think my motives should be impugned, or that it should be said that I am trying to hold up the investigation. I know the popular interest in the matter, and I want the committee to expedite action.

Mr. McCLELLAN. If the Senate did not have such long sessions, it would not be necessary. The hearings could be held in the morning.

Mr. DIRKSEN. Yes, if the Senate convened at noon; but if there are to be long days, I shall have to take a stand.

Mr. ELLENDER. Mr. President, will the Senator yield?

Mr. MANSFIELD. I yield.

Mr. ELLENDER. I am a little confused. I thought the next order of business would be the farm bill.

Mr. MANSFIELD. Yes.

Mr. ELLENDER. Are we to apply the rigid rules that have been suggested on the farm bill?

Mr. MANSFIELD. Not tomorrow, but we are getting around to the idea of sitting longer hours.

Mr. ELLENDER. Does the Senator mean until the civil rights bill is reached?

Mr. MANSFIELD. Gradually, because we are up against a time limitation, under the statement of the Senator from Louisiana himself.

Mr. ELLENDER. Yes. I want to get rid of the bill, but I want to have an opportunity to have Senators hear about the farm bill.

Mr. MANSFIELD. I think the Senator will have that opportunity.

Mr. MORSE. Mr. President, will the Senator yield?

Mr. MANSFIELD. I yield to the Senator from Oregon.

Mr. MORSE. I did not hear all the majority leader said in his announcement. I should like to ask him a question. Does the Senator expect to have several days taken up in debate on the farm bill, or the wheat-cotton bill?

Mr. MANSFIELD. That would be my anticipation, but exactly how many days, I do not know.

Mr. MORSE. If the majority leader will permit me, I should like to ask the minority leader a question, because I heard his announcement of his intention to object to committee hearings with the possible exception of the Rules Committee. I would be more inclined to giving an exception as to the Rules Committee if he gave us assurance that they would be interrogating as to the competency and qualifications of some of the witnesses, as to whether or not they would have a standing in court once a lawyer got through cross-examining on their competence to testify. Be that as it may, I wonder if the Senator from Illinois would change his position if the civil rights bill could be sent to committee for 10 days or 2 weeks.

Mr. DIRKSEN. That might affect the exception, because I share the view of the distinguished majority leader that one title, other than the one I talked about, ought to be the object of some testimony that we cannot get on the Senate floor. So far as the Rules Committee is concerned, the minority leader is no expert on the subject of charm, competence, fifth amendment, or what not. He claims no competence in that field.

In response to the subcommittee chairman who asked me the question with respect to the committees, my statement would apply also to committees that have set hearings away from Washington, because there will be no variation of the rule unless I can be persuaded that I am in error.

Mr. ELLENDER. Mr. President, would the Senator object to committee meetings during the filibuster, if there is one—and I am sure there will be—on the civil rights bill, or would he also feel that that matter should be taken into consideration in making exceptions?

Mr. DIRKSEN. I am not going to apply it to the farm bill, because I feel there is no reason for making it in that case, since the committees can meet in the morning, under the rule.

Mr. ELLENDER. There will be a very important meeting of the Committee on Agriculture and Forestry on March 4 to consider several important measures. I would like to know ahead of time if we will be able to meet, because a number of Senators are very interested in this legislation.

Mr. RUSSELL. Mr. President, may we have order? I cannot hear the Senator speaking, and I am near him. I insist that the Chair obtain order in the Chamber.

The PRESIDING OFFICER. The Senate will be in order.

Mr. DIRKSEN. As I said before, this interdiction of mine will apply when we begin to plow the long furrow.

Mr. ELLENDER. That is the civil rights bill.

Mr. JOHNSTON. Mr. President, will the Senator yield for a question?

Mr. MANSFIELD. I yield.

Mr. JOHNSTON. Does not the Senator think it would be well to sit 2 days a week, at which time the Senate would meet at 12 o'clock?

Mr. DIRKSEN. I think that question should be addressed to the majority leader.

Mr. MANSFIELD. Once upon a time that may have been a good idea.

Mr. HRUSKA. Mr. President, will the Senator yield?

Mr. MANSFIELD. I yield to the Senator from Nebraska.

Mr. HRUSKA. The Senator from Illinois said he would not object to committee meetings while there was debate on the farm bill. Would that be his feeling if the Senate met at 9 o'clock in the morning?

Mr. DIRKSEN. If the Senate met that early, my opposition would go to it. The objection would apply if the Senate was in session. But I have the feeling, so far as the farm bill is concerned, that committees could meet while it was under consideration. I am willing to make the concession in that respect. But I am doing this now so committees will be on notice, so committee chairmen will not come with entreaties and say, "I have a room full of witnesses that have come from Alaska, Australia, Western Europe, and elsewhere," and then put me in an embarrassing and awkward position. So this is notice well in advance before the witnesses start for Washington.

Mr. HRUSKA. I am hopeful that the majority leader will not insist on long sessions during the consideration of the farm bill, but I suggest to the minority leader that he might feel constrained to do so, but if the minority leader does not have the physical stamina to object to such committee hearings during that time, I shall supplement any inadequacies with my ejaculations on such a point.

Mr. DIRKSEN. I am delighted by that implementation.

MILITARY PROCUREMENT AUTHORIZATION, 1965

The Senate resumed the consideration of H.R. 9637, an act to authorize appropriations during fiscal year 1965 for procurement of aircraft, missiles, and naval vessels, and research, development, test, and evaluations, for the Armed Forces and for other purposes.

The PRESIDING OFFICER. All time on the bill has expired. The bill having been read the third time, the question is, Shall it pass? On this question the yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk called the roll.

Mr. HUMPHREY. I announce that the Senator from New Mexico [Mr. ANDERSON], the Senator from Idaho [Mr. CHURCH], the Senator from Connecticut [Mr. DODD], the Senator from Arizona [Mr. HAYDEN], the Senator from Florida [Mr. HOLLAND], the Senator from Ohio [Mr. LAUSCHE], the Senator from Washington [Mr. MAGNUSON], the Senator from Minnesota [Mr. MCCARTHY], the Senator from New Hampshire [Mr. MCINTYRE], the Senator from Utah [Mr. MOSS], the Senator from Rhode Island [Mr. PELL], the Senator from Connecticut [Mr. RIBICOFF], the Senator from Virginia [Mr. ROBERTSON], and the Senator from Florida [Mr. SMATHERS] are absent because of official business.

I further announce that the Senator from Indiana [Mr. HARTKE] is necessarily absent.

I further announce that the Senator from California [Mr. ENGLE] is absent because of illness.

I further announce that, if present and voting, the Senator from New Mexico [Mr. ANDERSON], the Senator from Idaho [Mr. CHURCH], the Senator from Connecticut [Mr. DODD], the Senator from California [Mr. ENGLE], the Senator from Indiana [Mr. HARTKE], the Senator from Arizona [Mr. HAYDEN], the Senator from Florida [Mr. HOLLAND], the Senator from Ohio [Mr. LAUSCHE], the Senator from Washington [Mr. MAGNUSON], the Senator from Minnesota [Mr. MCCARTHY], the Senator from New Hampshire [Mr. MCINTYRE], the Senator from Utah [Mr. MOSS], the Senator from Rhode Island [Mr. PELL], the Senator from Connecticut [Mr. RIBICOFF], the Senator from Virginia [Mr. ROBERTSON], and the Senator from Florida [Mr. SMATHERS] would each vote "yea."

Mr. KUCHEL. I announce that the Senator from New Hampshire [Mr. COTTON], the Senator from New Mexico [Mr. MEICHEM], the Senator from Kentucky [Mr. MORTON], and the Senator from Massachusetts [Mr. SALTONSTALL] are necessarily absent.

If present and voting, the Senator from New Mexico [Mr. MEICHEM], the Senator from Kentucky [Mr. MORTON], and the Senator from Massachusetts [Mr. SALTONSTALL] would each vote "yea."

The result was announced—yeas 80, nays 0, as follows:

[No. 48 Leg.]

YEAS—80

Aiken	Goldwater	Morse
Allott	Gore	Mundt
Bartlett	Gruening	Muskie
Bayh	Hart	Nelson
Beall	Hickenlooper	Neuberger
Bennett	Hill	Pastore
Bible	Hruska	Pearson
Boggs	Humphrey	Prouty
Brewster	Inouye	Proxmire
Burdick	Jackson	Randolph
Byrd, Va.	Javits	Russell
Byrd, W. Va.	Johnston	Scott
Cannon	Jordan, N.C.	Simpson
Carlson	Jordan, Idaho	Smith
Case	Keating	Sparkman
Clark	Kennedy	Stennis
Cooper	Kuchel	Symington
Curtis	Long, Mo.	Talmadge
Dirksen	Long, La.	Thurmond
Dominick	Mansfield	Tower
Douglas	McClellan	Walters
Eastland	McGee	Williams, N.J.
Edmondson	McGovern	Williams, Del.
Ellender	McNamara	Yarborough
Ervin	Metcalf	Young, N. Dak.
Fong	Miller	Young, Ohio
Fulbright	Mohrney	

NAYS—0

NOT VOTING—20

Anderson	Holland	Moss
Church	Lausche	Pell
Cotton	Magnuson	Ribicoff
Dodd	McCarthy	Robertson
Engle	McIntyre	Saltonstall
Hartke	Mechem	Smathers
Hayden	Morton	

So the bill (H.R. 9637) was passed.

Mr. MANSFIELD. Mr. President, the distinguished Senator from Rhode Island [Mr. PELL] and the distinguished Senator from New Hampshire [Mr. MCINTYRE] came into the door of the Chamber just as the Chair was making the announcement on the vote. The Senate should know also that they were delayed in coming to the Chamber because of circumstances over which they had no control. I believe this statement should be made by the majority leader at this time, because he is aware of all the facts and circumstances.

Mr. MCINTYRE subsequently said: Mr. President, I should like the RECORD to show that if I had been present and voting I would have voted "yea" on the passage of the military procurement authorization bill.

Mr. PELL subsequently said: Mr. President, I thank the majority leader for his earlier statement. If I had been present and voting on the passage of the military procurement authorization bill, I would have voted "yea."

THE MYTH OF OVERKILL

Mr. RUSSELL. Mr. President, I ask unanimous consent to have printed in the body of the RECORD at this point a very interesting article that was published in the Air Force and Space Digest magazine of February 1964. It is entitled "The Myth of Overkill," and was written by Mr. Amron H. Katz.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

[From Air Force, Feb. 1964]

"Economy is a distributive virtue, and consists not in saving but in selection. Parsimony requires no providence, no sagacity, no powers of combination, no compari-

son, no judgment."—EDMUND BURKE, "Letter to a Noble Lord (1796)."

THE MYTH OF OVERKILL—A CRITIQUE OF "A STRATEGY FOR AMERICAN SECURITY"

(By Amrom H. Katz)

(EDITOR'S NOTE.—This magazine rarely devotes its limited space to detailed refutation of theories and proposals of a single individual. In the case of Prof. Seymour Melman, of Columbia University, we are making an exception. This is not solely because we believe his theories to be specious, but because we believe them to be dangerously so in that they are capturing the fancy of certain Members of Congress and also that of other policymakers and policymakers. The author of the following study possesses unimpeachable credentials. Mr. Katz is a physicist and an outstanding expert on aerial and space reconnaissance, first with the Air Force and now with the Rand Corp. More importantly, he has a long record of activity and interest in the problems of peace as well as war. He is a long-time member of United World Federalists and has served on its national executive council. He was an original member of the Committee on Security Through Arms Control of the National Planning Association. He is on the board of sponsors of the magazine War/Peace Report, the board of the magazine Disarmament and Arms Control, and the advisory board of the Journal on Arms Control. He has actively participated in most of the major arms-control and disarmament conferences in this country and abroad, including the Pugwash Conferences in Moscow and London, the Arden House Strategy for Peace Conferences, several meetings of the American Assembly, the Stowe (Vt.) Conference of Scientists on World Affairs, and the Accra Assembly in Ghana. He was a professor in residence of political science and senior fellow in the national security studies program at UCLA in 1963 and is a consultant to the U.S. Arms Control and Disarmament Agency. We are proud to count him among our authors. (The views expressed in this paper are those of the author. They should not be interpreted as reflecting the views of the Rand Corp. or the official opinion or policy of any of its governmental or private research sponsors.))

1. THE ROAD TO MELTOWN—WHAT DOES MELTOWN SAY?

The prophet of overkill has risen in the East, and his preaching is sweet to the ears: "We (the United States) have stockpiled bombs enough to kill the Soviets hundreds of times over, but killing them more than once is costly, stupid, and wasteful; we can kill them only once, so we should stop wasting money. We should cut the defense budget by at least \$22 billion. Here is a list of the things to do with the \$22 billion you save."

And who wouldn't like such news? Especially when delivered with conviction and without equivocation by the leader of a group of professors. When large sums are spent there is often a strong suspicion that much is wasted. And when complex problems of strategy, politics, and procurement swirl around our heads like nebulae—who would not like to have all this reduced to plain talk and simple arithmetic?

Answers are what we want—the simpler and neater the better. That's what Seymour Melman gives us.

Professor Melman and six associates have prepared a booklet entitled "A Strategy for American Security."¹ The following quota-

tion from the Wall Street Journal, January 24, 1963, appears on the inside cover of the booklet:

"It's impossible to buy a perfect defense; nothing can always deter somebody else's irrational act, nor is there any technical formula guaranteed to tell how much should be spent, or for what, to assure the best of always imperfect protection. But many people here think the whole process could be improved by more informed consideration of the strategies, instead of just the hardware, that dictate all the spending."

It would seem that we're off to a fast start. An informed discussion of strategies is always in order. But this premise is supported only by the title of the booklet; one vainly turns the pages looking for any further discussion of strategy. There is none.

Let us then briefly examine Melman's statements and proposals. The booklet consists of 11 chapters. "Chapter I: How Much Military Power Is Enough?" and "Chapter II: The Military Budget, Is There a Choice?" are by Melman. The rest of the booklet contains chapters by Melman and his colleagues which deal largely with how defense money could be better spent.

This paper will concern itself primarily with the first 2 chapters, which are the heart of the booklet. They have attracted considerable attention by their statement of Melman's thesis. Let's see if we can discover what the thesis is. Melman quotes Secretary McNamara's judgment that "we calculate that our forces today could still destroy the Soviet Union without any help from the deployed, tactical air units, or carrier task forces or Thor or Jupiter intermediate-range ballistic missiles." Melman then asserts: "Never before could one think of military power sufficient to kill a population more than once," and describes how the assumed American and Soviet available megatonnage could be used against cities of more than 100,000 population.

Back to the meager details of his analysis shortly. But first, his conclusion. On what he labels a "conservative" assumption, in which he allowed a 50-percent attrition of carriers, he asserts that for the 140 major cities of the Soviet Union the United States "overkill capacity" is 78 times. In his terms this means that we have 78 times as much as is necessary to kill the 140 largest cities in the Soviet Union. Melman also calculates that for the 370 major cities of the Sino-Soviet bloc, the United States has an overkill capacity of 41 times, allowing for 30-percent attrition of delivery systems.

Although strategic considerations are desperately needed here, they are completely missing. What are his attrition assumptions based upon? Who attacks first? The United States? The Soviet Union? Does he assume the United States is starting a preventive war or a preemptive war, or does he assume that the Soviet Union has struck the United States first, and that we are responding with an all-out counterforce campaign? Is there any mention of alternative target systems—of a partial response? Any thought of damping out a war? Nary a word. We have no campaign analysis at hand—only conclusions.

But let's see what happens to his figures if we change certain of Melman's conservative assumptions. Suppose the United States suffered a surprise attack. It is improbable that the Soviets would attack our cities first, leaving alone our bombers and our missiles. The cities aren't going anywhere; they would be available for later attack, for use as hos-

tages, for threat and bargaining purposes. Suppose 90 percent of our military forces were struck, and that the reliability of the remainder is 30 percent, and of that 30 percent, local defenses in the Soviet Union can knock down 70 percent—we are now down to a force over the Soviet Union of but 1 percent of everything we had. In terms of our Melman unit (the overkill statistic) we are down to but two times and, if the entire Sino-Soviet bloc is considered, by Melman's own statistics, we have no overkill at all. And even this result assumes adequate retargeting, good communications, reallocation of weapons, etc.

What's wrong then? He assumes that deterrence has failed. He then assumes a counterforce target system, and he arbitrarily assumes very low attrition figures (that is, he assumes that a high percentage of the weapon carriers we start with will survive, prove reliable, and get to their targets). However, the purposes of our forces are to deter, not to tempt, and, if war comes, to terminate it quickly with minimum loss of life. Melman apparently assumes that even if the Soviets strike first, this first strike is instantaneous, and would use the entire Soviet capability. He also assumes that all of the United States response must come later in time than all of the Soviet's first move. Melman needs this assumption, for otherwise counterforce operations (that is, the U.S. forces responding with an attack on as yet unused Soviet forces) make sense. It is Melman's clear purpose to have this concept make no sense, and to make our present posture appear exclusively dependent on this concept.

Melman asserts: "Until recently the counterforce concept of national security has appeared to have the full endorsement of the Secretary of Defense." He says: "The counterforce perspective has been rendered implausible by the development on the Soviet side of the same sort of hard missile locations and submarine carriers for missile launching as developed by the United States. Under these circumstances, the counterforce perspective reflected in the administrative budget has no military reality."

He seems to believe that a hard missile site is absolutely invulnerable. But in truth, hardness certainly does not confer or connote absolute invulnerability. A hard missile site is simply more difficult to attack than if it were soft. This problem is part of the reason for the extra forces that Melman talks about. But the main needs for what Melman calls extra forces stem from uncertainty and the need for insurance. We want to be far away from that threshold which might tempt the Soviets. And this has little to do with a counterforce strategy.

It is truly amazing that certainty comes easily, if without grace, to those most removed from the realities and complexities of military hardware and responsibilities. It would be difficult to explain to the American public that our only position in the event of war is to murder the Soviet population, smash their cities, and not even attempt to touch those forces which if left alone would succeed in killing Americans. Strangely enough, it is the military and hardheaded civilian analysts who are against a strategy whose sole content is mutual and complete annihilation of cities. It is Melman's so-called strategy that can be properly termed senseless, inhumane, and mechanical.

It is infinitely better not to have nuclear war, and it is the fundamental purpose of our forces to discourage any opponent from adventurism and from miscalculation of the kind Melman makes. We hope that we have deterred and will continue to deter the Soviets from deliberately planning a surprise attack on the United States. Are we wasting money if we achieve this?

Melman's answer is that we have the wrong strategy, and we can do it cheaper. But can we? The only strategy he considers is the

¹ "A Strategy for American Security: An Alternative to the 1964 Military Budget," Prof. S. Melman, Ed., Columbia University; and the following contributors: T. McCarthy, Basic Economic Appraisals, Inc.; Prof. O. Feinstein, Wayne State University; Prof.

E. Liewen, University of New Mexico; Prof. J. E. Ullman, Hofstra College; Prof. W. Vickrey, Columbia University; Benjamin Spock, M.D., Western Reserve University; published by Lee Service, Inc., New York, April 1963. Also condensed in the Saturday Review, May 4, 1963.

"We must provide hospital insurance for our older citizens, financed by every worker and his employer under social security, contributing no more than \$1 a month during the employee's working career to protect him in his old age, without cost to the Treasury." Yet the law specifically allocates from the General Revenue Fund \$500 million to blanket in the 2½ million not covered under social security.

Why don't they tell the truth? For every one of your employees who make \$5,200 a year or more, to the half of the American working people who are employed in industry whose wages are a hundred dollars a week or more, under this law the first year's tax is \$27.50 for every employee, matched by every one of you as employers, for a total of \$55. It is not a question of whether "\$12" is correct, as was written in the President's speech, or whether \$27.50 is a great deal as written in the bill. It is a question of fact.

When a writer for the President of the United States will deliberately lie to the American people and write in there that no worker will pay more than \$1 a month during his working career, it becomes a question of "truth."

We ask the question: Why don't they tell the truth? If you have a good bill, sell it honestly, but don't sell it by deliberately misrepresenting the truth to the American people.

They say we must provide hospital insurance for our older citizens. Eighteen million people would be immediately covered and would be covered as long as they live; and at age 65 they have an average life expectancy of at least 15 more years. And you will live a lot longer than that if you will just fasten your seatbelts.

But let us look at this. Hospital insurance for our older citizens? You know, I have heard them talking about a tax reduction lately. Do you know what this bill would do, that is, the King-Anderson bill? It would immediately put a debt against those who work and their employers of in excess of \$35 billion. It would increase your taxes immediately \$35 billion.

Where did I get this figure? The late Senator Kerr before he died asked the actuaries of the Congress how much it would cost today's workers and their employers to pay for the 17 million people at that time over the age of 65 who would be cared for as long as they live? How much will it cost today's workers and their employers, just to pay for these people as long as they live. The answer given to the Senator was \$35 billion at that time.

Recently Senator Long of Louisiana, looking at the increased number of people beyond the age of 65—numbering 18 million, has come up with a recapped estimated figure of \$48 billion. This is what it would cost.

In the first year under this bill, they say, from the social security levies they will raise the amount of \$1,100 million, and from general revenue, \$500 million, for a total cost the first year of \$1,600 million. That is from the 70 million who are employed and their employers.

If you multiply this by 20 years and you took every nickel as presented for 20 years, you would have only \$32 billion, some \$3 billion short of what it would cost to take care of those who never paid a nickel. And they dare to mislabel this with a good term—"insurance." This is a giant welfare program, providing for rich and poor alike, because it had a birthday, to be paid for by those who work and their employers. Why, then, don't they tell the truth?

Because some of our people over 65 need help, must we establish Government medicine to provide for all when they go into a hospital or a medical institution? Is it right

to tax a workingman's wages to pay the hospital bills for many who are well able to provide for themselves? Or should we not do a good job of helping through the insurance industry to make it possible for people who are able to do so to provide for themselves and for those unable to do so, make the Kerr-Mills understood, implement it so that it will work and so that it will work in such a way that no one is reduced to dependency or a state of pauperism because of the needs of medical care. Toward these ends we shall continue to work.

Our experience has been, as we have traveled the country, that as more and more people know and understand these two bills, more and more support is being given to Kerr-Mills. One of these bills, of course, is the law of the land. The greatest obstacle to its understanding is the administration and those of its proponents who have been trying to push this kind of legislation for a long period of time.

THE TOBACCO PROBLEM

One other question in view of its importance today is the relationship of the American Medical Association and tobacco. A couple of months ago—in fact 3 days before the Surgeon General's report came out—I addressed the Kentucky Legislature. Their number one cash crop is tobacco. Behind me the Governor and Lieutenant Governor and the Speaker of the House, and out before me were all of the legislature, and up in and around the balcony were the tobacco growers. Before I went in, I shook hands with at least 10 or 12 burley growers, and we talked about tobacco.

Speaking for the American medical profession, I was able to say a few things that are true. One was that in my opinion then as a clinician, the Surgeon General's report would show an overwhelming mountain of evidence linking the prolonged inhalation of cigarette smoke and the production of some diseases and the aggravation of others.

But, I said, doctors as doctors are not against smoking. We are not against tobacco, I said; we are against disease, and the evidence from the laboratories and from the clinical offices and the hospitals of the land, in my opinion, will show that the use of tobacco and particularly the inhalation of cigarette smoke over a long period of time is one of the greatest producers of preventable disease with which doctors have to deal.

So we have to be realists. This is the problem. There is no question about the extent nor the seriousness of the problem. However, as scientists we have to admit to you, we do not know what takes place. We do not know what happens in the cell.

You know, we become sick because of sick cells. We start, first of all, as cells from our mother and father, two units uniting into one; and then from that comes a complex mechanism known as our God-given body, but when we become sick, we start at the cellular level, whether it is from bacteria from toxin or viruses. And so it is with cancers. They start at the cellular level. We do not know what takes place.

Does the inhalation of cigarette smoke over a long period of time directly affect the cell and produce the cancer, or does it, for example, irritate the defense mechanism of the cell, reducing its resistance to allow the invasion of a virus as yet not isolated, if one exists, and that this causes the trouble? To the tobacco people—and I suggest to you, as well—there are many unanswered questions.

VALUE OF RESEARCH

Up until a few years ago we knew there was a disease affecting the transmitting apparatus between the brain and the muscles of the body, known as polio, or infantile paralysis, so named because it affected so many young people. We knew where the

tract was affected. We knew the damage which was done. We did not know how it was accomplished nor what was the agent.

The researchers in the laboratories paid close attention and studied at many laboratories, many researchers, many clinicians together, to find out what it was. As time went on, they ruled out bacteria. As more time went on, they ruled out a toxin or poison-like chemical. Still further time, and they found it was an active agent so small it could not be seen by the most powerful microscopes, an agent to which we have given the name of viruses.

Still more research and the great names of Salk and Sabin and their coworkers from the laboratories isolated not one but several; and then we had the whole puzzle with all of its parts—the multiple viruses capable of producing the disease—the manner in which it could be transmitted—its point of invasion and what it can do to the cell and the ultimate effects.

As a result, because of an enlightened public, in the week of January 4 of this year, for the first time since we have kept vital statistics in the United States, not one new case of polio was reported in the entire United States. It is a tribute to the results of research. Through the results of research made available to the doctors and ultimately, through them and because of the great cooperation of the communications media, newspapers, radio and television, to an understanding people, we were able to make great inroads against just one more disease. Perhaps we can do this when we know more of the answers for tobacco.

CANCER CAUSES

In another example I recall in the city of Milwaukee, where I went to school some 30 years ago, I studied pathology, and our very fine pathologist, Dr. John Grill from Germany, pointed out to those of us in the postmortem room that something had happened to the lungs of some of the men who died. Men would be brought in who had died from a heart attack or accident; these were men who shoveled soft coal all day long. They inhaled the coal dust all day long. You were able to take a knife and cut through these lungs and hear the scraping against the grit of the coal dust. Yet this did not produce cancer or many of these other diseases which are indicted with cigarettes.

Even in those days, 30 years ago, Dr. Grill used to say that one of the reasons coal dust did not produce these serious diseases was that the particles were too big. When they were inhaled, they did not invade the interstices of the cell, they could not—like the cat that is too big to get in the mouse hole.

In contrast, they told us of a town in Bulgaria where half of all of the men who died died of lung cancer—but the women did not. The reason was the men worked in the cobalt mines, and as they mined the cobalt, the dust particles of cobalt would be inhaled and they would be so small, measured in terms of one or two or three microns, that they could invade the cell and, either by mechanical or chemical irritation of the cobalt particles, set up dendrites of irritation that ultimately resulted in the cancer.

So we suggest filtering something out of a cigarette or perhaps the scientists will figure out a way to add something making it more like coal dust and less like cobalt.

There are many unanswered questions in many areas. This is the reason the American Medical Association, at its meeting in Portland, even before the Surgeon General's report was released, announced a new program of research to find what it is that takes place in people who use tobacco over a long period of time.

We know we may be able to dissuade some people—some teenagers from starting to smoke. We may be able to convince others that they should stop or switch from cigarettes to cigars and pipes and not inhale; but human nature being what it is, we know, of the 65 to 70 million who smoke daily, great numbers will continue to smoke, and our job as doctors is to find out what it is that produces the trouble. If we can answer these many unanswered questions, we may have a solution that will be most satisfactory to us as doctors, as physicians, and at the same time of great value to the tobacco industry and to this great Nation.

So we were happy to announce today that as a result of a research project now underway, the tobacco industry of this Nation, yesterday agreed to add to our research project \$2 million a year for a 5-year period, for a total of \$10 million, specifically to find out what it is that takes place when people inhale cigarette smoke, particularly over a long period of time.

AMA OBJECTIVE

When it was announced by the president of the American Medical Association's Research Foundation, Dr. Raymond Mcuen, a member of our board, we were cheered, because we will solicit support from every source of funds, every source of knowledge, every source of research which can help us to solve one more of the serious diseases which afflict our patients, the American people.

We are for taking care of people who are sick. We are preventing illnesses when it is possible. As an American medical profession, we resent those who have forced us into the realm of politics. We resent those who would misuse the health of our patients for political purposes. But we will tell you our own story, and we will not be misled by those false prophets who would disgrace and discredit and vilify the whole profession in their efforts to mislead the American people and to produce a change in the very system of medicine which has made American medicine preeminent in the world.

We came into being as an association in 1847 with two main purposes. To these purposes we are still dedicated. They are to advance the art and the science of medicine, and to protect the public health.

Thank you.

Chairman WALBERT. Thank you, Dr. Annis, for a most thought-provoking talk. We have time for just a few questions, Doctor, if you will join me.

Question. Since you are against socialized medicine, do you encourage a patient to price doctors' fees or druggists' charges, as a housewife regularly prices food costs? This would be in keeping with the free enterprise system of which you are an ardent advocate, would it not?

Dr. ANNIS. The question of doctors' fees, of course, is not involved in this legislation. Some of the politicians who are for King-Anderson say we should be for it, too, because if the Government pays the hospital bills, doctors will make more money.

We are not denying that some doctors overcharge and that some doctors take advantage of the patients of insurance companies; but we ask when they do, let their conferees know it through their county medical societies and all the rest.

We encourage people to honestly, deliberately discuss with their doctors the question of fees. When it involves elective things, such as surgery and the rest, we urge the individual to do so before the services are performed.

If I had a doctor with whom I attempted to do this and he was reluctant to do so, I might look for another doctor.

Question. Do any of the official family of AMA smoke cigarettes? If so, why?

Dr. ANNIS. Seated over on my right is the assistant to the executive vice president of the AMA. When this question card came up, he was there puffing a cigarette. So I took it over and handed it to him, and he said, "Just tell them I'm addicted."

You see, these are reasons why we have to continue our research. There are a number of these fellows who are extremely important to us, and we want to preserve them, too.

President WALBERT. Dr. Annis, pay no attention to the fact that Dr. Karl Meyer is sitting next to you when you answer this question. Generally speaking, what do you think is the stature of the Cook County Hospital?

Dr. ANNIS. I must admit that I am prejudiced. I first visited Cook County Hospital when I was a young general practitioner in north Florida, working with 12 other general practitioners.

I heard of Cook County Graduate School, working in conjunction with its hospital. I heard that there doctors could go and learn anything they wanted to learn. So, as a young physician, I used to take turns with the other physicians in my area.

In those days it was known as perhaps the biggest hospital in the world. I found that it had some of the biggest doctors—biggest in their ability, biggest in their knowledge, biggest in their willingness to share what they knew.

I think the Cook County Hospital today deserves the reputation which is worldwide, because in its halls, in its operating rooms, in its clinics, and within its walls has been practiced some of the finest medicine practiced any place in the world.

Question. Do the newspapers, generally speaking, tend to twist, criticize or "back up" your public statements?

Dr. ANNIS. Two to 2½ years ago when I was member of the Speaker's Bureau of the AMA, all of our interviews used to open with this question: "Why are you against the old people?" Or: "Why are doctors against medical care for the aged?" It is only a question of who pays the bill? What do you care who pays the hospital bill?

Many newspaper and radio and television people were misled during the earlier months of this campaign, first, by a vilification of the profession at large, and, second, to give the impression that all you had to do was pass the bill they were for and everything would be rosy.

I find an increasing understanding, and I have found among the communications people generally what I found among the people of the United States—most are honest. And when they understand what you are talking about and when you give them a reasonable approach and when you give the background supporting the position you maintain, if it is reasonable and if it is one on which you can firmly stand, I find we are gaining more and more understanding friends and supporters, every day. I have no complaints against those who have been reporting what we have said across the Nation.

Question. Why does it seem that the field of medicine is being narrowed down to only specialists? For a beginning doctor, which would you advise—general practice or specialization?

Dr. ANNIS. This, of course, is difficult to answer, because the first question is what do you want to do? The second question is where do you want to live?

If a young man wants to be a brain surgeon or a heart surgeon, if he wants to specialize in many types of research in, say, cardiology or kidney disease, then he is going to have to live and work and practice in a big area, in a big community, not only where there are many people with diseases which may be rare, but also where there

are many other of his colleagues with whom he can work—where there are laboratories, diagnostic facilities and all the rest.

But for Dr. Meyer and his associates to train a chest surgeon for 6 or 8 years and then send him out to a community of 5,000 people—well, the man would not be able to do any heart surgery. He would not have any patients. Yet, there are many I have seen in my recent trip through the West who are good general doctors and also especially trained in certain fields, whether surgery or obstetrics. When you get around Sun Valley, all of them become orthopedists.

If you are one who has been a skiing enthusiast and you have to see an orthopedic doctor, and he is the only one you know, he is the one to call when you need advice in other fields.

When you are just a shade older and your neurologist is your only friend, I am sure in addition to the fine plumbing that is available today, he will give you the advice you need.

There is room for all kinds of doctors in this vast country. What kind of training you take and where you take it pretty much depends on what you want to do and where you want to live.

Question. Three prominent doctors back the social security program. They are Spock of Cleveland, Clement of the National Medical Association, and Yerby of the New York Public Health Association. Why the difference in viewpoint from the AMA?

Dr. ANNIS. The American Medical Association today is made up of 200,000 physicians. Some 52 of these 200,000 have gone on record as disagreeing with the basic philosophy of the American Medical Association.

One of those who went on national television with the former President is a man that I debated three times before public gatherings; 6 months ago this man stopped me and said, "Ed, no more debates. I have had a chance to read the bills. I understand them thoroughly. You guys are right and I am with you. This is one out of 27, so we have one less than we had not long ago."

I have a statement that Dr. Spock presented the other day. It was about a page and a half of typewritten statement. I have it over at the hotel. This is a statement written by a man who I would be willing to wager even money, has never read either of the bills. He doesn't know what is incorporated in Kerr-Mills certainly, and I question whether he knows what King-Anderson will do. But like many other fine people who are busy in other fields, doing their work day in and day out, they can be misled by headlines. They, too, can be misled by those people who give good intentions to the label of a bill.

I am not too surprised when good men for one reason or another disagree with us. The only thing we hope they do, is come and bring their disagreement to the American Medical Association's meetings. We meet twice a year, where any physician in the country can express his point of view. If we are wrong, we hope we will be educated. If we are right, we hope to get more than just one out of the original 27.

President WALBERT. Dr. Annis, I am sorry we do not have time for more of these interesting questions. We certainly have enjoyed your visit. Thank you very much.

LEGISLATIVE PROGRAM

Mr. DIRKSEN. Mr. President, I should like to ask the acting majority leader whether any more business is expected to come before the Senate tonight.

Mr. HUMPHREY. It is not the intention of the leadership to have any more business considered tonight.

When the Senate completes its business for today, I shall move that the Senate take a recess until 11 o'clock tomorrow morning. It is hoped that at that time Senators who are in charge of or who are deeply interested in the farm bill will be prepared to make their opening statements and presentations.

Mr. DIRKSEN. I ask further whether it is expected to have a morning hour tomorrow, in view of the recess to be taken tonight.

Mr. HUMPHREY. I would expect that the Senate would proceed to the consideration of the farm bill, and that Senators who wished to ask for a waiver of the rule of germaneness, for the introduction of extraneous material into the RECORD, might do so.

HUBLESS CAST IRON SANITARY SYSTEM

Mr. SPARKMAN. Mr. President, in my State of Alabama as much soil pipe is manufactured as is manufactured in all the rest of the country. In fact, Alabama is one of the leading soil pipe centers of the entire world.

Recently, an Alabama manufacturer of soil pipe developed a coupling from material that makes it possible to reduce the size of the coupling that is usually used for the installation of pipe inside house framing so that it may be placed behind a two-by-four. This product should prove helpful in the housing industry.

As chairman of the Subcommittee on Housing of the Committee on Banking and Currency, I am always anxious to take note of advances made in providing better homes for the American people. Therefore, I ask unanimous consent to have printed at this point in the RECORD the text of a statement which describes the housing advance to which I have just referred.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

A SALUTE TO A NEW PRODUCT FOR HOMEOWNERS

One of the most impressive new products that has arrived on the American scene is the unique hubless cast iron sanitary system sponsored by the Cast Iron Soil Pipe Institute to bring time-tested cast iron pipe to the low-cost housing market.

The American homeowner, the man and his family who want to be assured of high quality and very dependable materials in the home, have the assurance of the durability of the cast iron soil pipe and fittings employed in this new hubless cast iron sanitary system.

This new system uses no-hub cast iron with a patented new method of joining the soil pipe and fittings together. It provides dependable cast iron soil pipe in 2-inch, 3-inch, and 4-inch sizes. The 2-inch and 3-inch fit into the standard 2- by 4-inch partitions used in so many new homes today.

The new system is not a substitute for the time-honored and historic lead and oakum cast iron soil pipe joint which has been used by American plumbers over 100 years.

The new system, which was thoroughly tested by the Pittsburgh Testing Laboratory before the Cast Iron Soil Pipe Institute adopted it, uses a neoprene gasket which couple two pieces of cast iron pipe and the fittings together. A stainless steel shield fits tight over the neoprene gasket, and a stain-

less steel clamp fastened to the shield is tightened to compress the strip rings on the sleeve against the exterior of the pipe or fittings.

In this way an extremely durable, watertight, gastight joint is established. And, this can all be done with cast iron soil pipe and the new no-hub joint right within the wall of the average new American house.

The hubless cast iron sanitary system is a highly dependable plumbing drainage system installed from house sewer to roof vent in the house, but at a lower cost. Every piece of cast iron soil pipe that is cut can be used.

With cast iron soil pipe, a pipe that has a history of durability, the new system will outlast the ordinary life of every new home in which it is installed, according to the institute.

It provides homebuilders with a streamlined and permanent cast iron soil pipe sanitary system which they can give the buyers of the homes they construct.

Now, the organization of conscientious and industrious American manufacturers who sponsored the hubless cast iron sanitary system which provides so much to our homebuilders and our home buyers, certainly deserves credit for its accomplishments.

The Cast Iron Soil Pipe Institute, which has its headquarters in Chicago, represents about 95 percent of all of the manufacturing facilities in the United States for cast iron soil pipe and fittings.

It was formed in 1949 so that member companies could work together to improve their products and assist their industry and the plumbing industry.

The Cast Iron Soil Pipe Institute made many contributions in its industrywide standardization program. Also it has achieved significant successes in upgrading the manufacture of traditional products including:

(1) The no-hub joint for the hubless cast iron sanitary system and the new 10-foot lengths of cast iron soil pipe;

(2) Maintaining a vigorous promotional campaign to combat the infiltration of house sewers, infiltration which leads to greater expense to homeowners and to the cities and towns and villages in which they live; and

(3) Assisting apprentice training courses nationwide by helping provide materials and training in caulked joint projects.

The Cast Iron Soil Pipe Institute has, in short, conducted itself in the finest traditions of American manufacturing.

More than half of the tonnage in the soil pipe industry comes from Alabama.

RECESS UNTIL 11 A.M. TOMORROW

Mr. HUMPHREY. Mr. President, if there is no further business to come before the Senate at this time, I now move that the Senate stand in recess until 11 a.m. tomorrow.

The motion was agreed to; and (at 6 o'clock and 1 minute p.m.) the Senate took a recess until tomorrow, Friday, February 28, 1964, at 11 o'clock a.m.

CONFIRMATIONS

Executive nominations confirmed by the Senate February 27 (legislative day of February 26), 1964:

DEPARTMENT OF THE ARMY

Paul R. Ignatius, of Massachusetts, to be Under Secretary of the Army.

U.S. ARMY

Maj. Gen. Robert Hall McCaw O38722, Judge Advocate General's Corps, U.S. Army, for appointment as indicated under the provisions of title 10, United States Code, sec-

tion 3037, to be the Judge Advocate General, U.S. Army.

Brig Gen. Harry Jarvis Engel O39840, Judge Advocate General's Corps, U.S. Army, for appointment as indicated under the provisions of title 10, United States Code, sections 3037, 3442, and 3447, to be the Assistant Judge Advocate General; major general, Judge Advocate General's Corps, in the Regular Army of the United States; and major general, Army of the United States.

The following-named officer to be placed on the retired list in grade indicated, under the provisions of title 10, United States Code, section 3962:

To be lieutenant general

Lt Gen. Garrison Holt Davidson O16755, Army of the United States (major general, U.S. Army).

The following-named officer, under the provisions of title 10, United States Code, section 3066, to be assigned to a position of importance and responsibility designated by the President under subsection (a) of section 3066, in grade as follows:

To be lieutenant general

Maj. Gen. Edwin John Messinger O18503, U.S. Army.

The following-named officers for temporary appointment in the Army of the United States to the grades indicated, under the provisions of title 10, United States Code, sections 3442 and 3447:

To be major generals

Brig. Gen. William Charles Haneke, O20263, U.S. Army.

Brig. Gen. Kenneth Gregory Wickham, O21073, Army of the United States (colonel, U.S. Army).

Brig. Gen. Hamilton Austin Twitchell, O19843, U.S. Army.

Brig. Gen. John Hart Caughey, O19885, U.S. Army.

Brig. Gen. Frederick James Clarke, O20572, Army of the United States (colonel, U.S. Army).

Brig. Gen. James Edward Landrum, Jr., O20216, U.S. Army.

Brig. Gen. Walter Thomas Kerwin, Jr., O21963, Army of the United States (lieutenant colonel, U.S. Army).

Brig. Gen. Ferdinand Joseph Chesarek, O21177, Army of the United States (colonel, U.S. Army).

Brig. Gen. Robert Henry Schellman, O22002, Army of the United States (lieutenant colonel, U.S. Army).

Brig. Gen. George Henry Walker, O20617, Army of the United States (colonel, U.S. Army).

Brig. Gen. Joseph Rieber Russ, O19860, U.S. Army.

Brig. Gen. Bruce Edward Kendall, O30623, U.S. Army.

Brig. Gen. James Willoughby Totten, O19834, U.S. Army.

Brig. Gen. Frederic William Boye, Jr., O21891, Army of the United States (lieutenant colonel, U.S. Army).

Brig. Gen. Lloyd Elmer Fellenz, O19485, U.S. Army.

Brig. Gen. Roy Lassetter, Jr., O51714, U.S. Army.

Brig. Gen. Howard McCrum Snyder, Jr., O20213, U.S. Army.

Brig. Gen. Robert Hawkins Adams, O19474, U.S. Army.

Brig. Gen. Carl C. Turner, O31909, Army of the United States (colonel, U.S. Army).

Brig. Gen. Douglas Blair Kendrick, Jr., O20511, Army of the United States (colonel, U.S. Army).

To be brigadier generals

Col. Lawrence Joseph Fuller, O22001, Army of the United States (lieutenant colonel, Judge Advocate General's Corps, U.S. Army).

Col. Victor Woodfin Hobson, Jr., O23038, Army of the United States (lieutenant colonel, U.S. Army).

Col. John MacNair Wright, Jr., O23057, Army of the United States (lieutenant colonel, U.S. Army).

Col. Charles Thompson Horner, Jr., O23530, Army of the United States (lieutenant colonel, U.S. Army).

Col. Elmer Hugo Almquist, Jr., O24228, Army of the United States (lieutenant colonel, U.S. Army).

Col. Paul Francis Smith, O33169, Army of the United States (lieutenant colonel, U.S. Army).

Col. Stephen Wheeler Downey, Jr., O22649, Army of the United States (lieutenant colonel, U.S. Army).

Col. Shelton E. Lollis, O32575, Army of the United States (lieutenant colonel, U.S. Army).

Col. Kenneth Wilson Collins, O22169, Army of the United States (lieutenant colonel, U.S. Army).

Col. Ellis Edmund Wilhoyt, Jr., O20593, U.S. Army.

Col. Donald Ralph Pierce, O43322, U.S. Army.

Col. Paul David Phillips, O22939, Army of the United States (lieutenant colonel, U.S. Army).

Col. Lawrence Harland Walker, Jr., O34243, Army of the United States (lieutenant colonel, U.S. Army).

Col. Melvin Zais, O33471, Army of the United States (lieutenant colonel, U.S. Army).

Col. Roger Merrill Lilly, O21924, Army of the United States (lieutenant colonel, U.S. Army).

Col. Edmund Louis Mueller, O34292, Army of the United States (lieutenant colonel, U.S. Army).

Col. Hal Dale McCown, O23532, Army of the United States (lieutenant colonel, U.S. Army).

Col. John Hancock Hay, Jr., O25290, Army of the United States (lieutenant colonel, U.S. Army).

Col. Howard Francis Schiltz, O38956, U.S. Army.

Col. Robert Clyde Gildart, O20703, U.S. Army.

Col. Charles Henderson Hollis, O38981, Army of the United States (lieutenant colonel, U.S. Army).

Col. George Cicero Fogle, O44428, Army of the United States (lieutenant colonel, U.S. Army).

Col. James Sykes Billups, Jr., O21932, Army of the United States (lieutenant colonel, U.S. Army).

Col. Glenn David Walker, O33282, Army of the United States (lieutenant colonel, U.S. Army).

Col. Walter Bernard Bess, O20151, U.S. Army.

Col. William Henry Blakefield, O33927, Army of the United States (lieutenant colonel, U.S. Army).

Col. Richard Thomas Knowles, O35418, Army of the United States (lieutenant colonel, U.S. Army).

Col. Frank LeRoy Gunn, O34734, Army of the United States (lieutenant colonel, U.S. Army).

Col. Thomas Brownbridge Simpson, O20902, U.S. Army.

Col. Roy Tinsley Dodge, O21468, Army of the United States (lieutenant colonel, U.S. Army).

Col. Charles Carroll Case, Jr., O34824, Army of the United States (lieutenant colonel, U.S. Army).

Col. Jack Sneed Blocker, O32118, U.S. Army.

Col. Harley Lester Moore, Jr., O40729, Army of the United States (lieutenant colonel, U.S. Army).

Col. Charles Harold Gingles, O20920, Medical Corps, U.S. Army.

Col. Laurence Addison Potter, O22294, Medical Corps, U.S. Army.

The officers named herein for promotion as Reserve commissioned officers of the Army, under the provisions of title 10, United States Code, sections 593(a) and 3384:

To be major generals

Brig. Gen. Herbert Borden Brand, O916491.
Brig. Gen. Stanley Warren Connelly, O4046538.

Brig. Gen. James Eugene Frank, O268106.
Brig. Gen. Robert Harrie Travis, O406588.
Brig. Gen. John Wister Wurts, O283443.

To be brigadier generals

Col. Melvin Ira Bookman O349751, Transportation Corps.

Col. Charles Vines Collier, Jr., O352187, Chemical Corps.

Col. Ernest Raiford Ellis, O343225, Signal Corps.

Col. Ray DuChene Free, O331127, Artillery.
Col. Horace Barber Hanson, Jr., O361034, Corps of Engineers.

Col. Louis Kaufman, O3908454, Artillery.
Col. Joseph Murray, Jr., O1081435, Infantry.

Col. Warren Earl Myers, O446047, Infantry.
Col. Paul Michael Nugent, O299714, Infantry.

Col. George Sutor Purple, O306744, Artillery.

The Army National Guard of the United States officers named herein for promotion as Reserve commissioned officers of the Army, under the provisions of title 10, United States Code, sections 593(a) and 3385:

To be major generals

Brig. Gen. Russell Boyt, O266555.
Brig. Gen. Lincoln Maupin, Cummings, O292152.

Brig. Gen. John Alvin Dunlap, O325757.
Brig. Gen. Martin Henry Poery, O370696.

Brig. Gen. Francis Patrick Kane, O354217.
Brig. Gen. Howard Samuel Wilcox, O423347.

To be brigadier generals

Col. William Francis Bachman, O404581, Infantry.

Col. Richard Thomas Dunn, O394780, Infantry.

Col. Michael Charles Galiano, O269138, Infantry.

Col. Leon Henry Hagen, O285503, Infantry.
Col. Kay Halsey II, O342122, Armor.

Col. James Taylor Hardin, O388679, Quartermaster Corps.

Col. William George Kreger, O348666, Infantry.

Col. Robert Grant Moorhead, O515271, Infantry.

Col. William Frederick Moor, O328924, Infantry.

Col. Leonard Edward Pauley, O373640, Infantry.

Col. Francis Shigeo Takemoto, O2046481, Infantry.

The Army National Guard of the United States officers named herein for appointment as Reserve commissioned officers of the Army, under the provisions of title 10, United States Code, sections 593(a) and 3392:

To be brigadier generals

Col. Daniel Preston Lee O320843, Adjutant General's Corps.

Col. Victor Lee McDearman, O328046, Adjutant General's Corps.

Col. John Perrill McKnight, O258303, Adjutant General's Corps.

U.S. NAVY

The following-named officers of the Naval Reserve for temporary promotion to the grade indicated subject to qualification therefor as provided by law:

LINE

To be rear admiral

George A. Weaver

MEDICAL CORPS

To be rear admiral

Howell E. Wiggins

CHAPLAIN CORPS

To be rear admiral

Roland D. Driscoll
Rear Adm. Benedict J. Semmes, Jr., U.S. Navy, for appointment as indicated, pursuant to title 10, United States Code, section 5141, to be Chief of Naval Personnel for a term of 4 years.

CHAPLAIN CORPS

To be vice admiral

Rear Adm. Benedict J. Semmes, Jr., U.S. Navy, having been designated under the provisions of title 10, United States Code, section 5231, for commands and other duties determined by the President to be within the contemplation of said section, for appointment to the grade indicated while so serving.

The following-named officers of the Navy for appointment to the grade indicated on the retired list, in accordance with title 10, United States Code, section 5233:

To be vice admirals

Vice Adm. Herbert D. Riley, U.S. Navy.
Vice Adm. Rufus E. Rose, U.S. Navy.

Capt. Wilfred A. Hearn, U.S. Navy, to be Judge Advocate General of the Navy for a term of 4 years with the rank of rear admiral.

The following-named officers of the Navy for permanent promotion to the grade indicated:

LINE

To be rear admirals

Luther C. Heinz Joseph W. Williams, Jr.
Ralph L. Shifley
Paul Masterton
George P. Koch
George F. Pittard
William M. McCormick Thomas A. Christopher

Robert L. Townsend Robert A. Macpherson
Herman J. Kossler
Noel A. M. Gayler
Kenneth L. Veth
Draper L. Kauffman
Eugene B. Fluckey
Harry Hull
Robert H. Weeks
Thomas H. Morton
John S. Coye, Jr.

Paul D. Buie
James R. Reedy
Henry S. Monroe
Lester R. Schulz
Lester S. Chambers
John H. McQuilkin
William F. Petrovic
James A. Brown

MEDICAL CORPS

To be rear admiral

Walter Welham

SUPPLY CORPS

To be rear admirals

Emory D. Stanley, Jr.

Stephen Sherwood

CIVIL ENGINEER CORPS

To be rear admiral

Alexander C. Husband

The following-named Reserve officers for permanent promotion to the grade indicated:

LINE

To be rear admirals

James D. Hardy Robert W. Copeland
Harry H. Hess Carl E. Watson
Eric C. Lambart Leslie L. Reid
Thomas J. Killian Robert H. Barnum
Leonard S. Bailey Charles E. Rieben, Jr.
William M. McCloy Stephen E. Jones
Ralph G. Coburn, Jr.

MEDICAL CORPS

To be rear admiral

Moore Moore, Jr.

SUPPLY CORPS

To be rear admirals

Harold W. Torgerson

Edgar H. Reeder

CIVIL ENGINEER CORPS

To be rear admiral

Louis R. LaPorte

The hot line between Washington and Moscow will do part of the job called for by this suggestion.

By all odds, the mightiest blow struck in years against science, sanity, and sense in the discussion of the problem of accidents was given by C. P. Snow:¹³

"We know with the certainty of statistical truth, that if enough of these weapons are made—by enough different States—some of them are going to blow up through accident, or folly, or madness—but the motives don't matter. What does matter is the nature of the statistical fact. For we genuinely know the risks. We are faced with an 'either-or,' and we haven't much time. Either we accept a restriction of nuclear armaments. That is the 'either.' The 'or' is not a risk, but a certainty. The nuclear arms race between the United States and the U.S.S.R. not only continues but accelerates. Other countries join in. Within at the most, 10 years, some of these bombs are going off. I am saying this as responsibly as I can. That is the certainty. On the one side, therefore, we have a finite risk. On the other side, we have a certainty of disaster. Between a risk or a certainty, a sane man does not hesitate."

Snow infers, but does not state explicitly that some of these bombs going off will result in general, full-scale nuclear war. Perhaps it is obvious to him, for he refers to the certainty of disaster. What Snow and others have failed to realize is that we have gone a long time without a single accident and large numbers of nuclear weapons have been in possession of both the Soviet Union and the United States for more than 10 years. This does not mean, of course, that therefore we will go a similar length of time in the future without an accident. This statistic does, however, argue against the inevitability of an accident over a corresponding length of time in the future. If anything, it suggests that the probability of an accident is extremely low. This, of course, is insufficient.

It must be our position to see that accidents are prevented as far as possible, but that if they do occur they do not yield or lead to automatic inexorable consequences. We must de-couple accidents and alleged automatic consequences.^{14 15} It is far too simple to assert that probabilities are cumulative. In fact, we are not dealing with coins, but with experience, and probabilities are continually modified by experience.

The likelihood of accidents may be low but, as long as there are weapons in the world, we cannot count on their being no accidents. What we should count on, and can insist on, is that kind of a pause in the event of an accident which would let us determine whether it was indeed an accident, or a provocation, or the beginning of a war. This is an important point, made in a Senate resolution by Senator HUMPHREY who, stating in detail what the United States is doing to maintain control over its weapons and to reduce the probability of accidental unauthorized use of weapons, called upon the Soviet Union to let the world know what they were doing about these same problems. The Soviet Union has not responded.

Important too are the consequences of the accident problem to the kind of strategy we need. The kind of strategy that we have and the forces we are building, the thinking upon which forces and strategy are based, are clearly responsive to this problem. This

is what was called for several years ago (see footnote 2):

"There is serious thought about removing or desensitizing the retaliatory hair trigger, the instant-response strategy that we seem to prefer. One way that has been suggested is to slow down the required response time of our retaliation, to back off from the kind of instant response or preemptive strategy that used to be fashionable—to convert our strategy into what I have been calling a metastable strategy. This concept implies not perfect but relative stability. The idea I'm suggesting is simple. A successful strategy of this type would take us from an unstable situation to a relatively stable one. It would enable us to respond in some measure but without ultimate disaster and ultimate commitment—it would be a strategic boat that can stand a little rocking without being swamped."

"What are the elements of such a strategy? It seems easier to describe than to attain. This strategy may take more money, for example. The elements that would enter into a stabilized deterrent strategy are those things which involve insuring that we don't have to strike first or preempt (anticipatory retaliation), building a capability of being quiet while we are being hit, or absorbing a first blow, not having to respond instantaneously, not having to get our airplanes and missiles off at once. This strategy might involve, for example, building missile sites that are hardened, numerous, dispersed, or perhaps mobile—that are able to absorb the first hit. This is expensive."

"Such a strategy would require having adequate mutual inspection—adequate information exchange with all possible opponents to convince each other that it is neither pays nor is there occasion to strike first. I'm assuming we're in an era when we haven't got perfect disarmament, and that there are still some things to worry about. In the event of an accident, or a third-party attempt to catalyze a war, an adequate mutual inspection system would enable the Russians to tell us and us to tell the Russians, 'Now look, that bomb didn't come from us, and we can prove it. It came from somewhere else. Don't start a war.'"

This list of things to do is not meant to be complete, nor inclusive. It ignores large blocks of important activity—our activities in support of the U.N. and specialized agencies, medical, food problems, problems of world trade, etc., etc. An equal list of domestic problems can and should be compiled and acted on. Despite Melman's stating it, it is not true that people interested in defense problems and in maintaining our security by military means are not interested or active in enhancing security by other methods or are indifferent to and uninterested in domestic and human problems. Military security is only one facet of the problems we face.

It was once appropriate to argue that "what is wrong with deterrence as we have come to talk about it is not deterrence itself, but an overwhelming preoccupation with deterrence alone to the exclusion of complementary and concurrent efforts (see footnote 2). Well, we are now engaged in complementary and concurrent efforts; the fact that they don't always succeed according to our expectations is not entirely our fault, for we are not in complete and sole charge. When the Department of the Interior or the Army's Corps of Engineers fails to complete a dam in the United States, you know exactly where blame lies and where to assign responsibility. When the Arms Control and Disarmament Agency fails to secure an arms-control agreement, it is senseless and erroneous to complain to them alone. Some of the frustration and disappointment should

be siphoned off and directed toward the Soviets.

Hope for a more peaceful world, and more important, positive actions, must take off from a secure foundation. Surely it is in order to give some credit to the forces that have fulfilled their mission of deterrence. It is no advance toward negotiated disarmament, toward greater stability, toward a more peaceful world to enter the door marked "unilateral disarmament."

We can hope boldly, but we had better judge cautiously.

EXECUTIVE SESSION

Mr. MANSFIELD. Mr. President, I move that the Senate proceed to the consideration of executive business.

The motion was agreed to; and the Senate proceeded to the consideration of executive business.

EXECUTIVE REPORTS OF A COMMITTEE

The following favorable reports of nominations were submitted:

By Mr. EASTLAND, from the Committee on the Judiciary:

Thomas J. Kenney, of Maryland, to be U.S. attorney for the district of Maryland; and Roy Lee Call, of Alabama, to be U.S. marshal for the northern district of Alabama.

By Mr. DIRKSEN, from the Committee on the Judiciary:

Edward V. Hanrahan, of Illinois, to be U.S. attorney for the northern district of Illinois.

The PRESIDING OFFICER. If there be no further reports of committees, the nominations on the Executive Calendar will be stated.

DEPARTMENT OF THE ARMY

The legislative clerk read the nomination of Paul R. Ignatius to be Under Secretary of the Army.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

U.S. ARMY

The legislative clerk proceeded to read sundry nominations in the U.S. Army.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the nominations may be considered en bloc.

The PRESIDING OFFICER. Without objection, the nominations are considered and agreed to en bloc.

NAVY

The legislative clerk proceeded to read sundry nominations in the Navy.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Navy nominations may be considered en bloc.

The PRESIDING OFFICER. Without objection, the nominations are considered and agreed to en bloc.

AIR FORCE

The legislative clerk proceeded to read sundry nominations in the Air Force.

Mr. MANSFIELD. Mr. President, I make the same request.

¹³ Snow, C. P., "Address to the AAAS," New York Times, December 28, 1960.

¹⁴ Katz, A. H., "Clichés, Complexes and Contingencies," War/Peace Report, October 1962.

¹⁵ Katz, A. H., "Psychologist's Cure for Arms Race Questioned," War/Peace Report, January 1962.

The PRESIDING OFFICER. Without objection, the nominations are considered and agreed to en bloc.

FEDERAL DEPOSIT INSURANCE CORPORATION

The legislative clerk read the nomination of Kenneth A. Randall to be a member of the Board of Directors of the Federal Deposit Insurance Corporation.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

COMPTROLLER OF CUSTOMS

The legislative clerk read the nomination of William Rummel to be Comptroller of Customs.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

NOMINATIONS PLACED ON THE SECRETARY'S DESK

The PRESIDING OFFICER. Without objection, the nominations placed on the Secretary's desk in the Air Force, in the Army, and in the Navy and Marine Corps are considered and agreed to en bloc.

ADDITIONAL NOMINATIONS

Mr. MANSFIELD. Mr. President, I ask unanimous consent that three nominations, reported favorably today by the Committee on the Judiciary, be considered at this time.

The PRESIDING OFFICER. Without objection, it is so ordered.

U.S. ATTORNEYS

The legislative clerk read the nomination of Edward V. Hanrahan to be U.S. attorney for the northern district of Illinois.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

The legislative clerk read the nomination of Thomas J. Kenney to be U.S. attorney for the district of Maryland.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

U.S. MARSHAL

The legislative clerk read the nomination of Roy Lee Call to be U.S. marshal for the northern district of Alabama.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the President be immediately notified of the nominations confirmed today.

The PRESIDING OFFICER. Without objection, the President will be notified forthwith.

LEGISLATIVE SESSION

Mr. MANSFIELD. Mr. President, I move that the Senate resume consideration of legislative business.

The motion was agreed to; and the Senate resumed the consideration of legislative business.

COMMITTEE MEETINGS DURING THE SESSION OF THE SENATE TOMORROW

Mr. MANSFIELD. Mr. President, on behalf of the distinguished majority whip, the Senator from Minnesota [Mr. HUMPHREY], I ask unanimous consent that the Committee on Commerce may meet tomorrow during the session of the Senate.

The PRESIDING OFFICER. Without objection, it is so ordered.

On request of Mr. McCLELLAN, and by unanimous consent, the Subcommittee on Patents, Trademarks, and Copyrights of the Committee on the Judiciary, was authorized to meet during the session of the Senate tomorrow.

COMMITTEE MEETING DURING SENATE SESSION ON MONDAY NEXT

Mr. KENNEDY. Mr. President, I ask unanimous consent that the Special Committee on Aging be permitted to sit on Monday next during the session of the Senate.

The PRESIDING OFFICER. Without objection, it is so ordered.

LEAVE OF ABSENCE

Mr. MORSE. Mr. President, I ask unanimous consent that I may be excused from attendance on the Senate tomorrow.

The PRESIDING OFFICER. Without objection, it is so ordered.

AGRICULTURAL ACT OF 1964—THE COTTON AND WHEAT PROGRAM

Mr. MANSFIELD. Mr. President, I move that the Senate proceed to the consideration of Calendar No. 850, H.R. 6196, and that it be laid before the Senate and made the pending business.

The PRESIDING OFFICER. The bill will be stated by title for the information of the Senate.

The LEGISLATIVE CLERK. A bill (H.R. 6196) to encourage increased consumption of cotton, to maintain the income of cotton producers, to provide a special research program designed to lower costs of production, and for other purposes.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Montana.

Mr. KEATING. Mr. President, it is my intention to oppose the motion. While Senators are present in the Chamber, I ask for the yeas and nays.

The yeas and nays were ordered.

Mr. KEATING. Mr. President, I shall be brief. There is now on the calendar the civil rights bill, H.R. 7152, and the cotton-wheat bill. I oppose the strategy selected by the majority leader in bringing up the farm bill now and thus supplanting the civil rights bill with the farm bill.

The first reason is this: It is no secret that many Senators who are pressing for action on the cotton bill are the same Senators who have frequently in the past been among the filibustering Senators on

the issue of civil rights. Perhaps it is a forlorn hope, but it seems to me that if we are desirous of passing a meaningful civil rights bill, there would be some hope that action on the bill would be expedited if the farm bill were not brought up until the civil rights bill was passed. Thus, Senators who have so vigorously and at such length opposed the civil rights bill might be persuaded, since they have a deep interest in the cotton bill, to help to reach a final determination of the civil rights bill, in order to move on to the farm bill.

Any such lever, if that is a proper word to use, would be completely surrendered now by first taking up the farm bill, and then, after it had been disposed of some days, or probably weeks, hence, turning to a consideration of the civil rights bill.

We have heard strong protestation that the tax bill and the civil rights bill were the two major bills to be acted upon at this session. It had been said that the civil rights bill should not be taken up until the tax bill had been disposed of. This argument was made in spite of the fact that the tax conference report was privileged and could have been called up at any time during the debate on any subject, including the debate on the civil rights bill. We could have started the debate on the civil rights bill as soon as the bill reached the Senate. It passed the House on February 10, more than 2 weeks ago. It could have been taken up at that time, and any Senator seeking recognition could, during the debate on the civil rights bill, have obtained recognition to seek approval of the conference report on the tax bill.

The tax bill had very little to do with the delay in the consideration of the civil rights bill. The delay was sought in order to take up this so-called farm bill. It is not my intention to discuss the merits of the farm bill. I have never opposed the taking up of a bill because I did not like its contents. I find much lacking in the cotton-wheat proposal, but my remarks now are not addressed to the merits of the farm bill itself. I know, and we should all be aware, that it is a complicated measure. Dozens of amendments will be offered. The bill is favored or opposed by numerous organizations and individuals. It is the subject of much lobbying activity both pro and con. We all know that it cannot be disposed of in 2 or 3 days. The bill will be the subject of considerable debate. Many substitutes will be offered for both the wheat and the cotton proposals. They will be offered in good faith. Senators who offer amendments will be entitled to be heard fully, on their proposals. I can envision a prolonged debate on the farm bill, a debate which will push into the outer darkness, for the time being at least, the civil rights proposal.

My feeling is that it is imperative that a meaningful civil rights bill be enacted without delay. I do not like to see the grave problems of human rights pushed into the background and supplanted by a proposal relating to cotton and wheat, which, even if it were a sound proposal, has not as much import to many of us as do human rights.

We are asked to put the subsidy program for cotton and wheat, which is a doubtful proposal, ahead of an important bill. That is contrary to what I had understood to be the intention of the leadership. I regret that this is being done. It will only mean further delay, and will unnecessarily postpone the enactment of a civil rights bill. We all know that the passage of a civil rights bill will be a difficult and long drawn out process in and of itself.

In my judgment, the way to enact a meaningful civil rights bill is to begin work on it tonight and to stay at work on it. Under the ruling of the Chair, it is not possible for Senators who want as I do, to substitute a motion to take up the civil rights bill; nor is it possible to offer an amendment to the motion made by the distinguished majority leader. Our only recourse is to move to table his motion or to oppose the motion on its merits. It is my judgment that the motion should be opposed on its merits. It will be opposed by some Senators, undoubtedly, on the ground that the bill is not sound, and by others on the basis that this is a mistaken strategy, if our desire and intention is to enact a meaningful civil rights bill. It is on the latter ground that I oppose the taking up of the farm bill.

Mr. JAVITS. Mr. President, I feel some things must be said, and this is as good a framework as any in which to say them, rather than during those delightful periods of badinage in which we engage, because we are human and have to have a bit of relief from strain.

In the civil rights struggle, the Nation is confronted with a deep moral and constitutional issue upon which the future of 18 million Americans is staked, and in which, as I have said time and again, public order and tranquility are deeply involved.

It will be difficult in the days ahead, when spring is succeeded by summer, to deal with some of the demonstrations that will undoubtedly take place in the country unless we can supply responsible answer to those who are demonstrating, to the effect that we in Congress have done our utmost to provide them avenues of law which will enable them to give tongue and redress to their just grievances—and we all recognize that they are just.

Unless we have that responsible answer, we may find ourselves in grave trouble in many big cities in the country—not only in the South. I believe this whole problem has now moved into the North and into the Midwest is a very significant way. So the arguments which my colleague from New York [Mr. KEATING] made so eloquently are valid, and I identify myself with them.

I make this additional point: It is a question of climate with which we are now dealing. What, after all, will influence the minds of millions of Americans who are deeply concerned with whether we are really trying to act in a conscientious way to redress their grievances, which the country now recognizes as being just? Whatever the surveys and the columnists may say about the situation, the fact is that many people are irri-

tated and annoyed with the civil rights struggle. I think there is much to that contention. It is a fact. Nonetheless, we now know that the Negro in the United States has not been treated properly, and that much must be done in order to repair the delay in his development in comparison with the development of the rest of the country.

So we are dealing with a climactic situation affecting the minds and temperaments of millions and millions of Americans; and it seems to me to be a very grave mistake under these circumstances, when we can take up the bill which deals with their grievances, to lay it aside, and to take up, instead, another bill—which is exactly what we are doing now.

Mr. President, if the objection to the referral of the civil rights bill to the Judiciary Committee did nothing else, at least it kept the civil rights bill on the calendar of the Senate, from which it can be brought up by motion at any time, if there is a desire to do so, in preference to having the Senate consider any other proposed legislation; and certainly the civil rights bill deserves to have preference over all other measures. Let us remember that those who will keep the civil rights bill before the Senate for weeks, and even perhaps months, although that need not be done, for there is no reason why the civil rights bill, like any other complex bill, cannot be considered and disposed of in the same length of time that is required for the disposition of the farm bill, in other words, in a week or two—but those who will keep the civil rights bill before the Senate for weeks and months are the very beneficiaries of the farm bill which now is under discussion. In short, it is clear that the Senate learns nothing from history, and thus is depriving itself of the benefit of the famous carrot and stick principle, for this procedure is for them, all carrot and no stick. Therefore, Mr. President, the Senate will reap exactly what it is sowing, and there will be an absolutely free ride for Senators who wish to take whatever time suits them in bringing about delay in the enactment of the civil rights bill.

Mr. President, I think it rather interesting that the two Senators from the State of New York are speaking to this issue; and I say this with some feeling that the Senate should understand exactly how this situation comes to be—almost sociologically, in fact. The two Senators from New York show their sensitivity to what is happening in the country, by speaking to this issue and by opposing the attempt to have the Senate take up another bill which is on the calendar; and of course I shall join my colleague, the Senator from New York [Mr. KEATING] in opposing that attempt.

Mr. SCOTT. Mr. President, at this point will the Senator from New York yield for a question?

Mr. JAVITS. I yield.

Mr. SCOTT. I wish to say that I agree with the Senator from New York; I feel, as does he, that the delay in the taking of action by the Senate on the civil rights bill is wholly the responsibility of the Senate's majority leadership, and

that notwithstanding all the pious protestations which may be heard and all the statements to the effect that the farm bill has priority and is more important, and all the oratory to the effect that the farm bill can be disposed of in 2 or 3 days, all that only serves to cloud, and perhaps to conceal, the same kind of tactics which were used here for 2½ years, beginning in 1961, when we were constantly told that other measures had higher priority than the civil rights bill, and that the civil rights bill would be reached in due time. The "due time" came and went many times, but always we were told that some other bill was more important.

Now we are told, first, that the Senate's consideration of the farm bill will not take a very long time; yet we are told that if the farm bill is not taken up now, those of us who are demanding that the civil rights bill be acted upon now by the Senate will really be the ones who will be delaying the Senate. Certainly that is not correct—as I am sure the Senator from New York agrees.

What we are trying to point out, for the umpteenth time, is that we are ready and prepared to have the Senate consider and act on the civil rights bill, and we want the Senate to act on it, and we want the Senate to dispose of it. So it is the sheerest oratorical joggery-poggery to seek to imply that the minority is doing anything except say, "Let us get on with the work of the Senate; let us get on with the long-delayed civil rights bill"—for which the Republican Members of the House voted on the basis of 4 to 1, and for which the Democratic Members of the House of Representatives voted on the basis of 2 to 1.

I am sure the Senator from New York knows, as I do, that the farm bill will not be disposed of by the Senate in 2 or 3 days. Instead, once the majority works its will on that bill, it may be found that the result of deferring, in that way, the action of the Senate on the civil rights bill will be that Senators will speak on the farm bill for an indeterminate number of days, each one addressing his remarks to his constituents—as indeed he should do and can do—and each one explaining his views on the farm bill, either for or against the position taken by the farmers of the country—and each Senator speaking in regard to the attempt to do for cotton and also to do for wheat what could not be done for either of them standing alone, and throughout that procedure certain Senators will be seeking to postpone the taking of action by the Senate on the civil rights bill, while piously protesting that what they desire more than anything else in the world is to have the Senate act on the civil rights bill.

So, Mr. President, as I have said, I agree with the Senator from New York that this kind of legislative mummery-jummery is simply an attempt to mask the nervous unwillingness of the majority to help the Senate fact up one more time to its responsibility, after the Senate has so long failed to do so, and has been so long on promises, but so short on performance.

Therefore, I point out that my one speech on this matter is not taking very much time, and has not very long postponed the taking of action by the Senate. I hope it has served to expose the old, old tactics used in this body in the attempt to prevent the taking of action by the Senate on a civil rights bill and to continue as long as possible to prevent the taking of action by the Senate, on the civil rights bill, under the guise that some other measure is more important.

In that connection, Mr. President, I state that it is my belief, as well as my hope, that, generally speaking, the Senator from New York agrees with me.

Mr. JAVITS. I do agree, and I am delighted to have had this most helpful intercession by the Senator from Pennsylvania, for as a result of what he has said, the effect of the statement I am making will be just that much greater.

Mr. President, I began to say that it is interesting to observe that the two Senators who represent the largest city in the United States, and probably the largest city in the world—namely, New York City and its environs—should be joined on this issue by a Senator who represents another very great State—Pennsylvania—which includes another very great city—Philadelphia.

Why do we from New York and Pennsylvania speak, and what are our credentials for speaking, and why should what we say be listened to? The reason, Mr. President, is that New York City has probably the largest Negro population of any city in the world; its Negro population is approximately 1 million. So who would know better than we do what is in the hearts of those Negroes and how their feelings will be affected by this situation; namely, that when there is a possibility of Senate action on a bill dealing with the grievances which they have so deeply held for decades, instead the Senate proceeds to consider another bill—in this case, a farm bill.

Some Republicans are, at times, accused of preferring dollars to people. Certainly that is not true, for it is absolutely refuted by the history of the Republican Party. However, Mr. President, it is proper to point out that with power goes responsibility; and I emphasize my determination to exercise all the responsibility I have in favor of urging immediate consideration by the Senate of the civil rights bill.

The responsibility rests upon the majority in having chosen to take up an economic bill in preference to a human bill. That is no idle matter, for with the power to choose what bill will be called up goes the responsibility to account to the country as to why this as against any other.

I conclude upon the following note. A great opportunity is being lost. Quite apart from the fact that many who will be filibustering the civil rights bill have a great interest in seeing the so-called farm bill passed, quite apart from that realistic—"pragmatic" is probably the best word—concept, and looking at the thing in rather different terms, is it not true that if we called up the civil rights bill now, we would make crystal clear to all the world that those who filibuster the civil rights bill do not have to do it.

They are doing it, not because it requires elucidation beyond the reasonable compass of debate on a bill no more complex than many, but because they are utilizing the procedures of the Senate, which are archaic in that regard, either to prevent the Senate from acting at all or to emasculate what the Senate does in relation to so profound a social question as the one before us.

I am not without hope about this. I believe that we will vote a meaningful civil rights bill. Indeed, I am one of those who believe we will even vote cloture. But I make the following prediction: The force and the impact of the public feeling upon this measure will communicate itself to the Senate, though we now get into a phase of laying aside civil rights in order to consider the farm bill. There is a great deal of talk about the fact that we will gradually work into longer sessions, as if there was something wrong with extending the sessions—yes, even to around-the-clock sessions—where the obvious design is clear to prevent the Senate from executing its constitutional right—indeed, its constitutional duty—to vote. I do not think such action needs apologies. I do not think we have to lay on with a feather duster. I believe events will catch up with the Senate, and this is the beginning of the kind of thing that will produce the reaction that will compel events to catch up with the Senate. We are not living in a dream world. There are millions of people who are so deeply aggrieved that they will go out on the streets and demonstrate in such a way as to be very dangerous for our Nation unless we have the foresight here to do something about it. We are not removed from the world; we are not merely talking to each other. I deeply feel that we are making a great mistake. We are beginning it now. We will aggravate that mistake if in the civil rights debate there will be the leisure, the comfort, the convenience and the amplitude of mind to let it drift along as gentlemen, come what may, for weeks and weeks and months and months on end. Events will catch up with us. I think this is exactly the moment for my colleague from New York, the Senator from Pennsylvania, and me, who understand the lives of big cities where 70 percent of the American people live, to give the Senate this note of warning of what is written on the wall, for the purpose and with the hope that as we and the people themselves emphasize the facts, the Senate will come to a realization of the profundity of the matter with which it is dealing, and give it its due.

Mr. KEATING. Mr. President, will the Senator yield?

Mr. JAVITS. I yield.

Mr. KEATING. I commend the Senator for his forceful statement. I wish to add that we have been told by the Senator from Oregon that when the civil rights bill is brought up, he will move to send it to the Committee on the Judiciary.

Mr. MANSFIELD. Mr. President, will the Senator yield?

Mr. JAVITS. I yield.

Mr. MANSFIELD. In the meantime, the two Senators from New York refused

to send it to the Judiciary Committee. What they are doing, in effect, is to delay civil rights legislation themselves, no matter what they may say on the floor of the Senate.

Mr. KEATING. Mr. President, will the Senator yield?

Mr. JAVITS. I yield.

Mr. KEATING. I withdrew any remarks about anyone's motives, and I do not intend to have my motives challenged here.

Mr. MANSFIELD. If what I have said affects the feelings of the Senator, I would be most happy to withdraw it.

Mr. KEATING. Mr. President, to send a bill to a committee without any power to act on it is a ridiculous procedure. It has been condemned on all sides here in this body today. To the extent that the majority leader has given the statement that he is not going to try such a thing again—

Mr. MANSFIELD. Mr. President, will the Senator yield?

Mr. JAVITS. I yield.

Mr. MANSFIELD. I would not say that has been condemned on all sides. I would say it has been condemned on two sides and by very few Members of this body.

Mr. KEATING. The selection of the farm bill over and above the civil rights bill at this stage of the game is objectionable and bad strategy for an additional reason. We have been warned by the Senator from Oregon that, when the bill came up, he would move to refer it to the Committee on the Judiciary. Therefore—

Mr. MANSFIELD. Mr. President—

Mr. KEATING. The Senator has yielded to me, and I should like to complete my statement.

Mr. MANSFIELD. The Senator has questioned my motives as to strategy involved. I do not want to be questioned any more than the Senator from New York does.

Mr. KEATING. I have been very careful to preface my remarks here by saying that I do not question the motives of anyone, including, of course, the distinguished majority leader. I have questioned his judgment. If the desire is to get a strong and meaningful civil rights bill, in my judgment the procedure adopted is not the way to go about doing so—unless we are going to try to get it next Christmas instead of in the next few weeks. If the civil rights bill were now motioned up, the Senator from Oregon could make his motion after that bill was before us.

Mr. MANSFIELD. Mr. President, will the Senator yield?

Mr. KEATING. He might be successful. I hope he would not, and I do not believe he will be successful in a move to send the bill to the Committee on the Judiciary. Of course, I shall oppose that. But he might be successful in that endeavor. He might be successful after we have disposed of the farm bill some weeks hence. He might be successful then, in which case we shall have lost all of this time in between. We shall then be in a position of being no farther along the road than we are now, and the only way that we shall get a meaningful civil rights measure is to get at it

and not to delay it. Therefore, that seems to me another reason for the position taken by the Senator from New York.

Mr. JAVITS. I thank my colleague. Speaking for myself, I should like to say that yesterday, after I had objected to the unanimous-consent request, I said that I would sleep on it. I did. I believe it was the only thing which could be done by anyone who feels, as I do, that this matter should be pressed. It was not my choice that the farm bill should precede the civil rights bill. It was my choice that the civil rights bill should precede the farm bill.

Mr. MANSFIELD. Mr. President, will the Senator yield?

Mr. JAVITS. Not yet. I shall in a moment. Therefore, as I had the power to make that objection, I also have the responsibility to do everything I can to see that the bill which I thought ought to have priority was not delayed.

May I point out one other thing, and then I will yield. Even if the Senator from Oregon [Mr. MORSE] should make his motion, and even if it should be successful, we will still save time, because he cannot make it until the first stage of the consideration of the bill is completed. In short, when the bill is before the Senate for consideration, and the phase of the motion to take up has been completed, then, and then only, can he make his motion.

I respectfully submit that knowing what we can anticipate in this regard, we shall still be saving a great deal of time even without the proposed reference and with the objection I made. I yield.

Mr. MANSFIELD. Mr. President, so far as both Senators from New York are concerned, there is no question, nor should there be any question in anyone's mind, to the effect that their desire, not for the past several weeks, but for the past several months, has been to bring up a civil rights bill. But as I listened to the distinguished Senator from New York [Mr. KEATING], frankly, I do not know where he stands on the question of referring the civil rights measure to the Judiciary Committee. He is for it; he is against it; he is somewhere in between. I do not know just where he stands nor do I understand. The Senator from New York [Mr. JAVITS], who now has the floor, can make the statement that if the bill is referred to the committee and changes are made after the civil rights bill is made the pending business, it will save time.

The only way I see that we could have saved time and have the kind of bill which I think both Senators from New York wanted was to have agreed to the proposal made by the Senator from Montana last night and today, to refer the civil rights bill which is on the calendar to the committee, to have it report back by March 4, with no recommendations and no amendments thereto. That way we would have had time. That way the procedural policy of the Senate would have been observed, at least in part. During the interim, ample notice was given that it was the intention of

the majority leader, who has the responsibility, to take up, following the military procurement bill, the bill we are now attempting to take up, but which is being opposed at this time.

Mr. KEATING. Mr. President, will the Senator yield?

Mr. JAVITS. I yield.

Mr. KEATING. The distinguished Senator from Montana must not have been listening to my statement. If he can point out any place where I said I would favor sending the bill to the Judiciary Committee, I will be glad to have him do so. I have stated twice today, that I oppose sending it to the Judiciary Committee under the ridiculous conditions proposed by the majority leader, but I also object to sending it to the Judiciary Committee under any procedure, because I have served on the Judiciary Committee, and I know it is meaningless to send the bill to that committee. I have stated before that it would be an extreme example of supererogation, and I stand on that statement. I have never stated that I favor sending the bill to the Judiciary Committee at this stage of the proceedings.

Mr. MANSFIELD. I accept the statement of the Senator.

Mr. JAVITS. Mr. President, may I point out that the power of the majority leader—

Mr. MANSFIELD. The power of the majority leader is the power that any Senator has.

Mr. JAVITS. I do not think the Senator anticipated me correctly. I say this with all good will, but I would like the RECORD to be clear. Rule XIV was invoked to allow the bill to go to the calendar. There was no concept, in any way, shape, or form, in any Senator's mind that it would be referred to the committee, or any opportunity to consider what that would mean, and so the Senate voted yesterday, by a vote of 54 to 37, in good faith, believing it would result in putting the matter on the calendar, which was the only question before the Senate.

Let us contrast that with 1960.

Mr. MANSFIELD. Mr. President, before he goes to that, I think the Senator should yield to me at that point.

Mr. JAVITS. I yield.

Mr. MANSFIELD. I am looking for the place in the RECORD of yesterday which explains in part the position of the majority leader at that time. I shall find it in a moment.

If I may read my remarks prior to the defeat of the motion of the Senator from Georgia, I said—

Mr. JAVITS. May we know the page?

Mr. MANSFIELD. Page 3582 in yesterday's RECORD.

Mr. JAVITS. Yes.

Mr. MANSFIELD. I said:

Mr. President, shortly, among other things, I intend to move to table the motion of the distinguished Senator from Georgia [Mr. RUSSELL]. Before doing so, I believe I should reiterate what I have said previously, that while this procedure is not orderly procedure under the rules, it is a procedure which is based on precedent. It is a procedure which we can carry out under the rules, and the rules give a Senator the privilege to act

in this manner. It is a precedent which, in my opinion, has not been unduly abused. I do not have to bring to the attention of Members of this body the realities of the situation affecting civil rights, because there have been hearings before three committees, there have been 8 or 9 days of hearings before the Judiciary Committee, and if my memory serves me correctly, one witness was present, and by and large that one witness was questioned by one member.

I listened with interest to what the distinguished Senator from Tennessee had to say—

I was referring, of course, to the gentleman from Tennessee [Mr. GORE]—

and I also listened with interest to what other Senators, such as the distinguished senior Senator from Oklahoma [Mr. MONROE], had to say, and what the distinguished Senator from Oregon [Mr. MORSE] had to say. Depending on the outcome of this vote, it is my intention to give serious consideration—very serious consideration—to the worthwhile suggestions which have been made by those three Senators mentioned—and other Senators as well.

But at this moment, the Senate is faced with a choice between upholding a ruling made by the Presiding Officer and a motion to overrule that ruling—

And so forth and so on. So I did not want to say what I intended to do before the vote was taken, as I did not want to influence a vote on that basis, but I tried to give a hint as to what my intention would be if the vote turned out a certain way, and that was the overruling of the question at the conclusion of the vote and its announcement.

Mr. JAVITS. May I say to my beloved colleague, the majority leader, that this whole colloquy puts people like me in a very difficult light. I have great respect for the majority leader as a modest man. I do not believe there is a hair on his head—and he has far more than I do—that would permit him to survive anything he did which was against his conscience or was in any way calculated to deceive or mislead. I believe he is just as devoted, just as honorable, in his desire to get a meaningful civil rights bill as anyone here is, and yet he is under a great many responsibilities, both as a Senator and as majority leader. He has his own views and ideas as to what is right. He has his own feelings, coming from the section he does, of what the right kind of legislation would be. He has not always been successful in what he has tried to pilot through the Senate. So he is not infallible. Therefore, I hope we can cast these discussions, which become a trifle exacerbated with feeling that really is not what it may seem, in the proper light.

Not for a moment would I question the greatest good faith and bona fides and great dedication of the Senator from Montana to the same cause I have. I must say that. I regret that any note of any other kind creeps into the discussion, but it must because we are strong-minded. So the discussion is put in the light of sound and fury, but I do not feel that way.

Mr. MANSFIELD. Mr. President, it is very seldom that I let fury get the better of me—very, very seldom. Of course, there is nothing personal in what

I have to say, because when explanations are in order they are made in an unbiased manner and for the purpose of keeping the record straight.

For the two Senators from New York [Mr. KEATING and Mr. JAVITS], with both of whom I have served in the House, I have nothing but the highest admiration and respect. Certainly, so far as their motives are concerned, I have no question whatsoever.

Mr. KEATING. Mr. President, will the Senator yield in order for me to get in on this?

Mr. JAVITS. I yield.

Mr. KEATING. I want to tell the majority leader what he knows and does not need to be told by me, but in order to have it made a part of the RECORD, I wish to say that of all the Members of this body, I would never question his motives in any way, and if there was anything in my remarks which tended to do that, I shall certainly remove them from my remarks, because all of us have the greatest respect and affection for this fine man.

Mr. JAVITS. Mr. President, I did want to make a point with respect to that fact that the Senate voted yesterday not to do precisely what the unanimous-consent request would have us do.

On March 24, 1960, we had precisely the same basic issue before us in regard to the Civil Rights Act of that year. But at that time the motion which was made was, also pursuant to rule XIV, to send the bill to the Judiciary Committee for a specified period of time. Whatever may have been the strategic concept of the majority leader in moving this time, as he did, to see that the bill went directly to the calendar, the fact is that it was a different procedure from that which was followed on March 24, 1960.

Yesterday it was only after the vote, and after the Senate had expressed itself upon this issue, that the unanimous-consent request was made. That was the reason I said it was my judgment that it was voting this time—based upon this set of circumstances, whatever may have happened on previous occasions—to put the bill on the Senate Calendar.

As for myself, it was completely consistent with my belief to do everything that I could, appropriately and properly, to bring about the earliest possible consideration of the civil rights bill. If events beyond my control prevented it—and they did—at least I had done everything I could to bring it about.

So, Mr. President, to close—and I am sorry to have taken longer than anticipated, but some of the time can be attributed to the colloquy which ensued—I believe that the urgency of the civil rights bill is great, much as I understand and appreciate the desires of those interested in the wheat and cotton bill to have it considered; and inasmuch as the civil rights bill is on the calendar and ready for action, it should be acted on. So for all the reasons which my colleague from New York, the Senator from Pennsylvania, and I have developed, I shall vote "nay" on the motion to take up the farm bill.

Mr. GORE. Mr. President, I rise to support the position taken by the dis-

tinguished majority leader. Yesterday, I opposed a motion of the distinguished majority leader. I favor early consideration of both the civil rights bill and the wheat-cotton bill. I believe both of these aims will be accomplished. There is some sense of urgency with respect to both. Insofar as the farm bill is concerned, farmers are planting cotton now in the Rio Grande Valley. The wheat farmers are in a state of uncertainty, as are the cotton farmers. Although several provisions of the farm bill are of doubtful advisability in my view, I believe it is in the interest of our entire agricultural economy to have a decision one way or another—and soon.

I have made inquiry of Senators, and I detect no intention on the part of any Senator to enter into discussion of the farm bill other than upon its merits, and at reasonable length.

I suggest to the two distinguished Senators from New York that only yesterday the Senate completed action on a bill which was readymade, so to speak, for a filibuster, if any Senator had chosen to use it for that purpose. The entire Revenue Code was before the Senate, but no one sought to prolong discussion on that bill to delay consideration of the civil rights bill.

I do not believe we shall see such action with respect to the farm bill. I interpret the move on the part of the majority leader as being a realistic one, not only with respect to the farm bill, but also with respect to the military authorization bill. As I interpret his action, which I support, it is to clear the decks, so to speak, for a hands-down battle and ultimate decision on the civil rights bill.

Mr. McGOVERN. Mr. President, will the Senator from Tennessee yield?

Mr. GORE. I yield.

Mr. McGOVERN. Does the Senator know that with respect to the wheat section of the bill farmers will be planting their spring wheat in a few days, and that unless we act on the bill within the next 10 days or 2 weeks, both in the House and in the Senate, it will be too late to be effective at all?

Mr. GORE. I am aware of that. I had not intended to make reference to the merits of the bill. I have serious doubts that we should enact a wheat bill, but the Senator feels that it is urgent that we do so. I certainly concur with him that it is urgent for a decision to be reached, and to be reached early.

Mr. McGOVERN. I thank the Senator from Tennessee.

Mr. GORE. Therefore, Mr. President, I urge approval of the motion of the distinguished majority leader.

Several Senators addressed the Chair.

Mr. RUSSELL. Mr. President, I was unable to hear all the debate. Was the position of the opposition to proceed to consideration of the farm bill based on what the Senator from New York called the "bread tax" or was it based on the statement that they believed the other legislation should have priority? I heard the distinguished Senator the other day denounce what he called a "bread tax," and I did not know whether the objection was to proceed with the bill at this time, or whether it was based

on the "bread tax," or some other question. I was called from the Chamber and was unable to hear all of the debate.

Mr. GORE. Mr. President, I do not wish to misinterpret the position of the distinguished Senator from New York, therefore I yield to him to answer that question.

Mr. KEATING. I shall be glad to do so. I did characterize it as a "bread tax" bill. However, I said, in my opposition to the motion, that I was not basing it upon the merits of the bill—although I am opposed to the wheat portion of the bill, I am not basing it on that ground—but on the ground that it is not wise strategy to supplant the civil rights measure with the cotton and wheat bill.

Mr. RUSSELL. In other words, the Senator believes it would be preferable to put a "bread tax" upon his constituents rather than to deny them some of their imaginary civil rights?

Mr. KEATING. I am hopeful, let me say to the Senator, that the cotton and wheat bill will not be enacted, at least in its present form. I am also hopeful, and I express that hope, that if we can consider the civil rights measure now, and settle the question of whether it can be sent to the Judiciary Committee, or be debated on the floor, it might be helpful, with regard to some Senators who are anxious to have a cotton bill, in shortening debate on the civil rights measure. I said I was not sure that was not a forlorn hope, but at least we live in hope.

Mr. RUSSELL. Yes. I believe that if it were not for hope, some of us would have scant reason to exist. I rose only to clarify the point that the Senator is not so much opposed to a "bread tax" as he is to delaying the so-called civil rights bill, which he feels some of his people are being denied.

Mr. KEATING. The Senator is in opposition to both.

Mr. HART. Mr. President, I shall not detain the Senate long. The objective of those of us who support the civil rights bill is to enact the bill. The goal is not merely to take up a bill and pass it. In my judgment—I happen to differ with the Senator from New York—we advance the day of enactment of a civil rights bill by supporting the leadership of the Senator from Montana in taking up the wheat and cotton bill.

This happens to be a difference of opinion. It is a matter of tactics, if you will. I hope the majority leader's motion will be supported and will succeed.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Montana that the Senate proceed to the consideration of H.R. 6196, the farm bill.

The yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk called the roll.

Mr. HUMPHREY. I announce that the Senator from New Mexico [Mr. ANDERSON], the Senator from Virginia [Mr. BYRD], the Senator from Pennsylvania [Mr. CLARK], the Senator from Connecticut [Mr. DODD], the Senator from Louisiana [Mr. ELLENDER], the Senator from Florida [Mr. HOLLAND], the

Senator from Massachusetts [Mr. KENNEDY], the Senator from Washington [Mr. MAGNUSON], the Senator from Minnesota [Mr. McCARTHY], the Senator from Arkansas [Mr. McCLELLAN], the Senator from Utah [Mr. MOSS], the Senator from Oregon [Mrs. NEUBERGER], the Senator from Florida [Mr. SMATHERS], and the Senator from Connecticut [Mr. RIBICOFF] are absent because of official business.

I further announce that the Senator from Indiana [Mr. HARTKE] and the Senator from California [Mr. ENGLE] are necessarily absent.

I further announce that if present and voting the Senator from Louisiana [Mr. ELLENDER] and the Senator from Florida [Mr. HOLLAND] would each vote "yea."

On this vote, the Senator from Minnesota [Mr. McCARTHY] is paired with the Senator from New Mexico [Mr. ANDERSON].

If present and voting, the Senator from Minnesota would vote "yea" and the Senator from New Mexico would vote "nay."

Mr. KUCHEL. I announce that the Senator from New Hampshire [Mr. COTTON], the Senator from New Mexico [Mr. MECHEM], the Senator from Iowa [Mr. MILLER], the Senator from Kentucky [Mr. MORTON], the Senator from Arizona [Mr. GOLDWATER], the Senator from Kansas [Mr. PEARSON], and the Senator from Massachusetts [Mr. SALTONSTALL] are necessarily absent.

If present and voting, the Senator from New Mexico [Mr. MECHEM] would vote "nay."

On this vote, the Senator from Kansas [Mr. PEARSON] is paired with the Senator from Iowa [Mr. MILLER]. If present and voting, the Senator from Kansas would vote "yea" and the Senator from Iowa would vote "nay."

The result was announced—yeas 57, nays 19, as follows:

[No. 49 Leg.]

YEAS—57

Bartlett	Hayden	Mundt
Bayh	Hill	Muskie
Bible	Hruska	Nelson
Brewster	Humphrey	Pastore
Burdick	Inouye	Pell
Byrd, W. Va.	Jackson	Randolph
Cannon	Johnston	Robertson
Carlson	Jordan, N.C.	Russell
Case	Kuchel	Sparkman
Church	Long, Mo.	Stennis
Curtis	Long, La.	Symington
Douglas	Mansfield	Talmadge
Eastland	McGee	Thurmond
Edmondson	McGovern	Tower
Ervin	McIntyre	Walters
Fulbright	McNamara	Williams, N.J.
Gore	Metcalf	Yarborough
Gruening	Monroney	Young, N. Dak.
Hart	Morse	Young, Ohio

NAYS—19

Alfken	Dominick	Proxmire
Allott	Fong	Scott
Beall	Hickenlooper	Simpson
Bennett	Javits	Smith
Boggs	Jordan, Idaho	Williams, Del.
Cooper	Keating	
Dirksen	Prouty	

NOT VOTING—24

Anderson	Hartke	Miller
Byrd, Va.	Holland	Morton
Clark	Kennedy	Moss
Cotton	Lausche	Neuberger
Dodd	Magnuson	Pearson
Ellender	McCarthy	Ribicoff
Engle	McClellan	Saltonstall
Goldwater	Mechem	Smathers

So the motion was agreed to; and the Senate proceeded to consider the bill (H.R. 6196) to encourage increased consumption of cotton, to maintain the income of cotton producers, to provide a special research program designed to lower costs of production, and for other purposes, which had been reported from the Committee on Agriculture and Forestry with an amendment to strike out all after the enacting clause and insert:

That this Act may be cited as the "Agricultural Act of 1964".

TITLE I—COTTON

SEC. 101. The Agricultural Adjustment Act of 1938, as amended, is amended by adding the following new section:

"SEC. 348. In order to maintain and expand domestic consumption of upland cotton produced in the United States and to prevent discrimination against the domestic users of such cotton, notwithstanding any other provision of law, the Commodity Credit Corporation, under such rules and regulations as the Secretary may prescribe, is authorized and directed for the period beginning with the date of enactment of this section and ending July 31, 1968, to make payments through the issuance of payment-in-kind certificates to persons other than producers in such amounts and subject to such terms and conditions as the Secretary determines will eliminate inequities due to differences in the cost of raw cotton between domestic and foreign users of such cotton, including such payments as may be necessary to make raw cotton in inventory on the date of enactment of this section available for consumption at prices consistent with the purposes of this section: *Provided*, That for the period beginning August 1 of the marketing year for the first crop for which price support is made available under section 103(b) of the Agricultural Act of 1949, as amended, and ending July 31, 1968, such payments shall be made in an amount which will make upland cotton produced in the United States available for domestic use at a price which is not in excess of the price at which such cotton is made available for export."

SEC. 102. Section 385 of the Agricultural Adjustment Act of 1938, as amended, is amended by adding at the end thereof the following: "This section also shall be applicable to payments provided for under section 348 of this title."

SEC. 103. (a) Section 104 of the Agricultural Act of 1949, as amended, is amended by adding the following new subsection:

"(c) The Secretary of Agriculture is hereby authorized and directed to conduct a special cotton research program designed to reduce the cost of producing upland cotton in the United States at the earliest practicable date. There are hereby authorized to be appropriated such sums, not to exceed \$10,000,000 annually, as may be necessary for the Secretary to carry out this special research program. The Secretary shall report adding the following: "*Provided*, That the of the House of Representatives and to the Committee on Agriculture and Forestry of the Senate with respect to the results of such research."

(b) Section 103 of the Agricultural Act of 1949, as amended, is amended (1) by inserting "(a)" before the first sentence thereof; (2) by changing the period at the end of the second sentence thereof to a colon and adding the following: "*Provided*, That the price support for the 1964 crop shall be a national average support price which reflects 30 cents per pound for Middling one-inch cotton."; and (3) by adding at the end of such section the following new subsections:

"(b) If producers have not disapproved marketing quotas, the Secretary shall pro-

vide additional price support on the 1964, 1965, 1966, and 1967 crops of upland cotton to cooperators on whose farms the acreage planted to upland cotton for harvest does not exceed the farm domestic allotment established under section 350 of the Agricultural Adjustment Act of 1938, as amended. Such additional support shall be at a level up to 15 per centum in excess of the basic level of support established under subsection (a) and shall be provided on the normal yield of the acreage planted for harvest within the farm domestic allotment.

"(c) In order to keep upland cotton to the maximum extent practicable in the normal channels of trade, any additional price support under subsection (b) of this section may be carried out through the simultaneous purchase of cotton at the support price therefor under subsection (b) and the sale of such cotton at the support price therefor under subsection (a) or similar operations, including loans under which the cotton would be redeemable by payment of the amount for which the cotton would be redeemable if the loan thereon had been made at the support price for such cotton under subsection (a), or payments-in-kind through the issuance of certificates which the Commodity Credit Corporation shall redeem for cotton under regulations issued by the Secretary. If such additional support is provided through the issuance of payment-in-kind certificates, such certificates shall have a value per pound of cotton equal to the difference between the level of support established under subsection (a) and the level of support established under subsection (b). The corporation may, under regulations prescribed by the Secretary, assist the producers and persons receiving payment-in-kind certificates under this section and section 348 of the Agricultural Adjustment Act of 1938, as amended, in the marketing of such certificates at such time and in such manner as the Secretary determines will best effectuate the purposes of the program authorized by this section and such section 348. In the case of any certificate not presented for redemption within thirty days of the date of its issuance, reasonable costs of storage and other carrying charges as determined by the Secretary for the period beginning thirty days after its issuance and ending with the date of its presentation for redemption shall be deducted from the value of the certificate."

(c) Section 401(b) of the Agricultural Act of 1949, as amended, is amended by striking in the second sentence thereof before "(8)" the word "and", changing the period at the end thereof to a comma and adding the following: "and (9), in the case of upland cotton, changes in the cost of producing such cotton".

SEC. 104. Section 407 of the Agricultural Act of 1949, as amended, is amended by inserting after the first proviso in the third sentence thereof the following: "*Provided further*, That beginning August 1, 1964, the Commodity Credit Corporation may sell upland cotton for unrestricted use at not less than 105 per centum of the current loan rate for such cotton under section 103(a) plus reasonable carrying charges."

SEC. 105. The Agricultural Adjustment Act of 1938, as amended, is amended by adding a new section as follows:

"SEC. 350. In order to provide producers with a choice program of reduced acreage and higher price support, the Secretary shall establish for each farm for the 1964, 1965, 1966, and 1967 crops of upland cotton a farm domestic allotment in acres. The farm domestic allotment shall be the percentage which the national domestic allotment is of the national acreage allotment established under section 344(a) applied as a percentage of the smaller of (1) the farm acreage allotment established under section 344, or (2) the higher average actually planted or re-

garded as planted on the farm (excluding acreage regarded as planted under sections 344(m)(2) and 377) in the two years preceding the year for which such allotment is established: *Provided*, That any farm planting 90 per centum or more of the allotment shall, for the purpose of (2) above, be considered as having planted the entire farm allotment: *Provided further*, That, except for farms the acreage allotments of which are reduced under section 344(m), the farm domestic allotment shall not be less than the smaller of 15 acres or the farm acreage allotment established under section 344, but this proviso shall be applicable to the 1964 crop without regard to the exception stated herein. The national domestic acreage allotment for any crop shall be that acreage, based upon the national average yield per acre of cotton for the four years immediately preceding the calendar year in which the national acreage allotment is proclaimed, required to make available from such crop an amount of upland cotton equal to the estimated domestic consumption for the marketing year for such crop. The Secretary shall proclaim the national domestic acreage allotment for the 1964 crop not later than April 1, 1964, and for each subsequent crop not later than December 15 of the calendar year preceding the year in which the crop is to be produced."

SEC. 106. The Agricultural Adjustment Act of 1938, as amended, is amended as follows:

(1) The following new section is added to the Act:

"SEC. 349. (a) The acreage allotment established under the provisions of section 344 of this Act for each farm for the 1964 crop may be supplemented by the Secretary by an acreage equal to such percentage, but not more than 10 per centum, of such acreage allotment as he determines will not increase the carryover of upland cotton at the beginning of the marketing year for the next succeeding crop above one million bales less than the carryover on the same date one year earlier, if the carryover on such earlier date exceeds eight million bales. For the 1965, 1966, and 1967 crops, the Secretary may, after such hearing and investigation as he finds necessary, announce an export market acreage which he finds will not increase the carryover of upland cotton at the beginning of the marketing year for the next succeeding crop above one million bales less than the carryover on the same date one year earlier, if the carryover on such earlier date exceeds eight million bales. Such export market acreage shall be apportioned to the States on the basis of the State acreage allotments established under section 344 and apportioned by the States to farms receiving allotments under section 344, pursuant to regulations issued by the Secretary, after considering applications for such acreage filed with the county committee of the county in which the farm is located. The 'export market acreage' on any farm shall be the number of acres, not exceeding the maximum export market acreage for the farm established pursuant to this subsection, by which the acreage planted to cotton on the farm exceeds the farm acreage allotment. For purposes of sections 345 and 374 of this Act and the provisions of any law requiring compliance with a farm acreage allotment as a condition of eligibility for price support or payments under any farm program, the farm acreage allotment for farms with export market acreage shall be the sum of the farm acreage allotment established under section 344 and the maximum export market acreage. Export market acreage shall be in addition to the county, State, and National acreage allotments and shall not be taken into account in establishing future State, county, and farm acreage allotments. The provisions of this section shall not apply to extra-long-staple cotton or to any farm which receives price support

under section 103(b) of the Agricultural Act of 1949, as amended.

"(b) The producers on any farm on which there is export market acreage or the purchasers of cotton produced thereon shall, under regulations issued by the Secretary, furnish a bond or other undertaking prescribed by the Secretary providing for the exportation, without benefit of any Government cotton export subsidy and within such period of time as the Secretary may specify, of a quantity of cotton produced on the farm equal to the average yield for the farm multiplied by the export market acreage as determined pursuant to regulations issued by the Secretary. The bond or other undertaking given pursuant to this section shall provide that, upon failure to comply with the terms and conditions thereof, the person furnishing such bond or other undertaking shall be liable for liquidated damages in an amount which the Secretary determines and specifies in such undertaking will approximate the amount payable on excess cotton under section 346(a). The Secretary may, in lieu of the furnishing of a bond or other undertaking, provide for the payment of an amount equal to that which would be payable as liquidated damages under such bond or other undertaking. If such bond or other undertaking is not furnished, or if payment in lieu thereof is not made as provided herein, at such time and in the manner required by regulations of the Secretary, or if the acreage planted to cotton on the farm exceeds the farm acreage allotment established under the provisions of section 344 by more than the maximum export market acreage, the farm acreage allotment shall be the acreage so established under section 344. Amounts collected by the Secretary under this section shall be remitted to the Commodity Credit Corporation and used by the Corporation to defray costs of encouraging export sales of cotton under section 203 of the Agricultural Act of 1956, as amended."

(2) Section 376 of the Act is amended by adding at the end thereof the following: "This section also shall be applicable to liquidated damages provided for pursuant to section 349 of this title."

(3) Subsection (f) (8) of section 344 of the Act is amended by inserting after the language "75 per centum of the farm allotment for such year" the following: "or, in the case of a farm which qualified for price support on the crop produced in such year under section 103(b) of the Agricultural Act of 1949, as amended, 75 per centum of the farm domestic allotment established under section 350 for such year, whichever is smaller".

(4) Section 377 of the Act is amended by inserting in the first proviso after the language "75 per centum or more of the farm acreage allotment for such year" the following: "or, in the case of upland cotton on a farm which qualified for price support on the crop produced in any such year under section 103(b) of the Agricultural Act of 1949, as amended, 75 per centum of the farm domestic allotment established under section 350 for any such year, whichever is smaller".

(5) Subsection (b) (13) (B) of section 301 of the Act is amended by deleting the words "cotton or".

(6) Subsection (b) (13) (G) of section 301 of the Act is amended by deleting "cotton," wherever it appears.

(7) Subsection (b) (13) of section 301 of the Act is amended by adding after subparagraph (G) new subparagraphs as follows:

"(H) 'Normal yield' for any county, for any crop of cotton, shall be the average yield per acre of cotton for the county, adjusted for abnormal weather conditions and any significant changes in production practices during the five calendar years immediately preceding the year in which the national marketing quota for such crop is proclaimed. If for any such year the data are not avail-

able, or there is no actual yield, an appraised yield for such year, determined in accordance with regulations issued by the Secretary, shall be used as the actual yield for such year.

"(I) 'Normal yield' for any farm, for any crop of cotton, shall be the average yield per acre of cotton for the farm, adjusted for abnormal weather conditions and any significant changes in production practices during the three calendar years immediately preceding the year in which such normal yield is determined. If for any such year the data are not available, or there is no actual yield, then the normal yield for the farm shall be appraised in accordance with regulations of the Secretary, taking into consideration abnormal weather conditions, the normal yield for the county, changes in production practices, and the yield in years for which data are available."

TITLE II—WHEAT

SEC. 201. Notwithstanding any other provision of law—

(1) the Secretary shall not proclaim a national marketing quota for the 1965 crop of wheat and farm marketing quotas shall not be in effect for such crop of wheat;

(2) the Secretary shall proclaim a national acreage allotment for the 1965 crop of wheat which shall be the number of acres which the Secretary determines will make available an adequate supply of wheat, but shall not be less than forty-nine million five hundred thousand acres.

SEC. 202. The Agricultural Adjustment Act of 1938, as amended, is amended as follows:

(1) Section 334 (a) is amended by inserting "and less the special acreage reserve provided for in this subsection" in the first sentence after "in this subsection"; by changing the period at the end of the first sentence to a colon and adding the following: "Provided further, That in establishing State acreage allotments, the acreage seeded for the production of wheat plus the acreage diverted for 1965 for any farm shall be the base acreage of wheat determined for the farm under the regulations issued by the Secretary for determining farm wheat acreage allotments for such year."; and by adding at the end of the section the following:

"There shall also be made available, beginning with the 1965 crop, a special acreage reserve of not in excess of one million acres as determined by the Secretary to be desirable for the purposes hereof which shall be in addition to the national acreage reserve provided for in this subsection. Such special acreage reserve shall be used to make additional allotments to counties on the basis of the relative needs of counties, as determined by the Secretary, for additional allotment to make adjustments in the allotments on old wheat farms (i.e., farms on which wheat has been seeded or regarded as seeded to one or more of the three crops immediately preceding the crop for which the allotment is established) on which the ratio of wheat acreage allotment to cropland on the farm is less than one-half the average ratio of wheat acreage allotment to cropland on old wheat farms in the county. Such adjustments shall not provide an allotment for any farm which would result in an allotment-cropland ratio for the farm in excess of one-half of such county average ratio and the total of such adjustments in any county shall not exceed the acreage made available therefor in the county. Such apportionment from the special acreage reserve shall be made only to counties where wheat is a major income-producing crop, only to farms on which there is limited opportunity for the production of an alternative income-producing crop, and only if an efficient farming operation on the farm requires the allotment of additional acreage from the special acreage reserve. For the purposes of making adjustments hereunder

the cropland on the farm shall not include any land developed as cropland subsequent to the 1963 crop year."

(2) Section 334(b) is amended by changing the period at the end thereof to a colon and adding the following: "Provided further, That in establishing county acreage allotments, the acreage seeded for the production of wheat plus the acreage diverted for 1965 for any farm shall be the base acreage of wheat determined for the farm under the regulations issued by the Secretary or determining farm wheat acreage allotments for such year."

(3) Section 334(c)(1) is amended by inserting "or 1965" in the third sentence, clauses (i) and (ii), after "1958" wherever it appears, and by inserting "except 1965" in the third sentence, clause (iii), after the language "any subsequent year".

(4) Section 334(g) is amended by inserting "except 1965" in the first sentence after the language "in 1958 or thereafter".

(5) Section 336 is amended by striking out "not later than sixty days after such proclamation is published in the Federal Register" and substituting "not later than August 1 of the calendar year in which such national marketing quota is proclaimed".

(6) Section 339(a)(1) is amended, effective only with respect to the crops planted for harvest in 1964 and 1965, to read as follows:

"(a)(1) As a condition of eligibility for wheat marketing certificates with respect to any farm, the producers on such farm shall be required to divert from the production of wheat to an approved conservation use an acreage of cropland on the farm equal to the number of acres determined by multiplying the farm acreage allotment by the diversion factor, and to participate in any program formulated under subsection (b) to the extent prescribed by the Secretary. Such diversion factor shall be determined by dividing the number of acres by which the national acreage allotment is reduced below fifty-five million acres by the number of acres in the national acreage allotment."

(7) Section 339(b) is amended (1) by inserting after the first sentence the following: "Any producer who complies with his 1964 farm acreage allotment for wheat and with the other requirements of the program shall be eligible to receive payments under the program for the 1964 crop of wheat."; and (2) by inserting in the first sentence "for wheat not accompanied by marketing certificates" after "basic county support rate".

(8) Section 339(h) is amended by striking out "June 30, 1963" and substituting "June 30, 1965".

(9) Section 379b is amended effective only with respect to the crops planted for harvest in 1964 and 1965 to read as follows:

"Sec. 379b. A wheat marketing allocation program as provided in this subtitle shall be in effect for the marketing years for the 1964 and 1965 crops. Whenever a wheat marketing allocation program is in effect for any marketing year the Secretary shall determine (1) the wheat marketing allocation for such year which shall be the amount of wheat he estimates will be used during such year for food products for consumption in the United States and that portion of the amount of wheat which he estimates will be exported in the form of wheat or products thereof during the marketing year on which the Secretary determines that marketing certificates shall be issued to producers in order to achieve, insofar as practicable, the price and income objectives of this subtitle, and (2) the national allocation percentage for such year which shall be the percentage which the national marketing allocation is of the national marketing quota proclaimed for the 1964 crop, less the expected production on the acreage allotments for farms which will not be in compliance with the requirements of the program. Each farm shall receive a

wheat marketing allocation for such marketing year equal to the number of bushels obtained by multiplying the number of acres in the farm acreage allotment for wheat by the normal yield of wheat for the farm as determined by the Secretary, and multiplying the resulting number of bushels by the national allocation percentage."

(10) The second sentence of section 379b, effective with respect to the crops planted for harvest in the calendar year 1966 and any subsequent year, is amended by striking out "human consumption in the United States, as food, food products, and beverages, composed wholly or partly of wheat" and substituting "food products for consumption in the United States".

(11) Section 379c(a) is amended by inserting "under section 379c(b) or" after "stored" in the second sentence; by changing the period at the end of the second sentence to a comma and adding the following: "and if this limitation operates to reduce the amount of wheat marketing certificates which would otherwise be issued with respect to the farm, such reduction shall be made first from the amount of export certificates which would otherwise be issued."; and by adding at the end of the section the following: "The Secretary shall, in accordance with such regulation as he may prescribe, provide for the issuance of domestic marketing certificates for the portion of the wheat marketing allocation representing wheat used for food products for consumption in the United States and for the issuance of export marketing certificates for the portion of the wheat marketing allocation used for exports."

(12) Section 379c(b) of the Agricultural Adjustment Act of 1938, as amended, is amended, effective only with respect to the crop planted for harvest in the calendar year 1965, by adding at the end thereof the following: "For purposes of this section, but not for purposes of diversion payments under subsection (b) of section 339, a producer shall be deemed not to have exceeded the farm acreage allotment for wheat if the acreage in excess of the farm acreage allotment does not exceed 50 per centum of the farm acreage allotment and the amount of wheat produced on the acreage in excess of the farm acreage allotment is stored in accordance with regulations issued by the Secretary. The amount of wheat required to be stored hereunder shall be an amount equal to twice the normal yield of wheat per acre established for the farm multiplied by the number of acres of such crop of wheat on the farm in excess of the farm acreage allotment for such crop unless the producer, in accordance with regulations prescribed by the Secretary and within the time prescribed therein, establishes to the satisfaction of the Secretary the actual production of such crop of wheat on the farm. If such actual production is so established, the amount of wheat required to be stored shall be such actual production less the actual production of the farm wheat acreage allotment based upon the average yield per acre for the entire wheat acreage on the farm: Provided however, That the amount of wheat required to be stored shall not be larger than the amount by which the actual production so established exceeds the normal production of the farm wheat acreage allotment. At the time and to the extent of any depletion in the amount of wheat so stored, except depletion resulting from the release of wheat from storage on account of underplanting or underproduction, as provided below or depletion resulting from some cause beyond the control of the producer, the producer shall pay an amount to the Secretary equal to one and one-half times the value of the wheat marketing certificates issued with respect to the farm for the year in which the wheat on the acreage in excess of the allotment was produced. Whenever the planted

acreage of the then current crop of wheat on the farm is less than the farm acreage allotment, the total amount of wheat from any previous crops stored hereunder or stored in order to avoid or postpone a marketing quota penalty shall be reduced by that amount which is equal to the normal production of the number of acres by which the farm acreage allotment exceeds the planted acreage, and whenever the actual production of the acreage of wheat is less than the normal production of the farm acreage allotment, the total amount of wheat from any previous crops stored hereunder or in order to avoid a marketing quota penalty shall be reduced by that amount which together with the actual production of the then current crop will equal the normal production of the farm acreage allotment."

(13) Section 379c(c) is amended to read as follows:

"(c) The Secretary shall determine and proclaim for each marketing year the face value per bushel of wheat marketing certificates. The face value per bushel of domestic certificates shall be the amount by which the level of price support for wheat accompanied by domestic certificates exceeds the level of price support for wheat not accompanied by certificates (noncertificate wheat); and the face value per bushel of export certificates shall be the amount by which the level of price support for wheat accompanied by export certificates exceeds the level of price support for noncertificate wheat."

(14) Section 379d(a) is amended (1) by striking the first and last sentences therefrom, and (2) by striking from the second sentence remaining "by persons other than the producer to whom such certificates are issued" and substituting "by any person".

(15) Section 379d(b) is amended to read as follows:

"(b) During any marketing year for which a wheat marketing allocation program is in effect, (1) all persons engaged in the processing of wheat into food products shall, prior to marketing any such food product or removing such food product for sale or consumption, acquire domestic marketing certificates equivalent to the number of bushels of wheat contained in such product and (2) all persons exporting wheat shall, prior to such export, acquire export marketing certificates equivalent to the number of bushels so exported. In order to expand international trade in wheat and wheat flour and promote equitable and stable prices therefor, the Commodity Credit Corporation shall, upon the exportation from the United States of any wheat or wheat flour, make a refund to the exporter or allow him a credit against the amount payable by him for marketing certificates, in such amount as the Secretary determines will make United States wheat and wheat flour generally competitive in the world market, avoid disruption of world market prices, and fulfill the international obligations of the United States. The Secretary may exempt wheat exported for donation abroad and other noncommercial exports of wheat and wheat processed for use on the farm where grown from the requirements of this subsection. Marketing certificates shall be valid to cover only sales or removals for sale or consumption or exportations made during the marketing year with respect to which they are issued, and after being once used to cover a sale or removal for sale or consumption or export of a food product or an export of wheat shall be void and shall be disposed of in accordance with regulations prescribed by the Secretary. Notwithstanding the foregoing provisions hereof, the Secretary may require marketing certificates issued for any marketing year to be acquired to cover sales, removals, or exportations made on or after the date during the calendar year in which wheat harvested in such calendar year begins to be marketed as determined by the Secretary even though such wheat is

marketed prior to the beginning of the marketing year, and marketing certificates for such marketing year shall be valid to cover sales, removals, or exportations made on or after the date so determined by the Secretary."

(16) Section 379d(d) is amended to read as follows:

"(d) As used in this subtitle, the term 'food products' means flour, semolina, farina, bulgur, beverage, and any other product composed wholly or partly of wheat which the Secretary may determine to be a food product."

SEC. 203. Section 107 of the Agricultural Act of 1949, as amended, is amended to read as follows:

"Sec. 107. Notwithstanding the provisions of section 101 of this Act, beginning with the 1964 crop—

"(1) Price support for wheat accompanied by domestic certificates shall be at such level not less than 65 per centum or more than 90 per centum of the parity price therefor as the Secretary determines appropriate, taking into consideration the factors specified in section 401(b).

"(2) Price support for wheat accompanied by export certificates shall be at such level not more than 90 per centum of the parity price therefor as the Secretary determines appropriate, taking into consideration the factors specified in section 401(b).

"(3) Price support for wheat not accompanied by marketing certificates shall be at such level, not in excess of 90 per centum of the parity price therefor, as the Secretary determines appropriate, taking into consideration competitive world prices of wheat, the feeding value of wheat in relation to feed grains, and the level at which price support is made available for feed grains.

"(4) Price support shall be made available only to cooperators; and, if a commercial wheat-producing area is established for such crop, price support shall be made available only in the commercial wheat-producing area.

"(5) Effective with respect to crops planted for harvest in the calendar year 1966 and any subsequent year, the level of price support for any crop of wheat for which a national marketing quota is not proclaimed or for which marketing quotas have been disapproved by producers shall be as provided in section 101.

"(6) A 'cooperator' with respect to any crop of wheat produced on a farm shall be a producer who (i) does not knowingly exceed (A) the farm acreage allotment for wheat on the farm or (B) except as the Secretary may by regulation prescribe, the farm acreage allotment for wheat on any other farm on which the producer shares in the production of wheat, and (ii) complies with the land-use requirements of section 339 of the Agricultural Adjustment Act of 1938, as amended, to the extent prescribed by the Secretary. Effective with respect to crops planted for harvest in the calendar year 1966 and any subsequent year, if marketing quotas are not in effect for the crop of wheat, a 'cooperator' with respect to any crop of wheat produced on a farm shall be a producer who does not knowingly exceed the farm acreage allotment for wheat. No producer shall be deemed to have exceeded a farm acreage allotment for wheat if the entire amount of the farm marketing excess is delivered to the Secretary or stored in accordance with applicable regulations to avoid or postpone payment of the penalty, but the producer shall not be eligible to receive price support on such marketing excess. No producer shall be deemed to have exceeded the farm acreage allotment for wheat on any other farm, if such farm is exempt from the farm marketing quota for such crop under section 335. No producer shall be deemed to have exceeded a farm acreage allotment for wheat if the production on the acreage

in excess of the farm acreage allotment is stored pursuant to the provisions of section 379c(b), but the producer shall not be eligible to receive price support on the wheat so stored."

SEC. 204. Section 407 of the Agricultural Act of 1949, as amended, is amended, effective only with respect to the marketing years beginning in the calendar years 1964 and 1965, by striking the second proviso from the third sentence, and substituting: "Provided further, That if a wheat marketing allocation program is in effect, the current support price for wheat shall be the support price for wheat not accompanied by marketing certificates."

Mr. HUMPHREY. Mr. President, what is the pending question?

The PRESIDING OFFICER. The motion to proceed to the consideration of the farm bill has been agreed to.

NATURE AND ACTIVITIES OF BUSINESS INDUSTRY POLITICAL ACTION COMMITTEE

Mr. DIRKSEN. Mr. President, I invite the attention of Senators to a series of questions and answers indicating the nature and activities of the Business Industry Political Action Committee, commonly referred to as BIPAC. This is a growing organization devoted to fundamental objectives, and I believe that in the interest of public information it merits wider currency. I therefore ask unanimous consent that the questions and answers be printed at this point in the RECORD.

There being no objection, the questions and answers were ordered to be printed in the RECORD as follows:

QUESTIONS AND ANSWERS

(Businessmen—both management and employees—as well as the public generally are asking many questions about BIPAC. Here are the questions most often asked and the answers.)

Question. What is BIPAC?

Answer. The Business-Industry Political Action Committee is an independent, nonpartisan organization. It is a voluntary, nonprofit, unincorporated committee of individual citizens who are interested in preserving and strengthening the principles of government embodied in the Constitution of the United States, protecting freedom under law and promoting our free, private and competitive enterprise system.

Question. Why was it formed?

Answer. BIPAC was established to serve as a political education and action arm of American business and industry: (1) to promote a system of government in which the individual liberties of all citizens would be of paramount concern; and (2) to encourage and assist individual citizens in organizing themselves for more effective political action.

Question. What are effective means by which the management of American business can create support for BIPAC?

Answer. BIPAC believes that it is the responsibility of the management of American business to make certain that their business associates be alerted to the objectives of the BIPAC movement. This can be done through management meetings at all levels, letters from management, distribution of BIPAC literature, and personal contact with management of other organizations.

Question. Isn't the BIPAC organization similar to AFL-CIO's Committee on Political Education (COPE)?

Answer. The organizational structure of BIPAC is similar to COPE. However, BIPAC's

economic and political principles differ in that they reflect the views of the business community generally.

Question. What is its organizational structure?

Answer. BIPAC is an unincorporated political committee organized in compliance with the Federal Corrupt Practices Act.

Question. What is its relationship to party structure?

Answer. BIPAC is nonpartisan. It is not affiliated with any political party.

Question. Who directs the committee's activities?

Answer. All activities of BIPAC are governed by its board of directors and administered by an executive director. Its officers are a chairman, vice chairmen, and secretary-treasurer.

Question. How is the board of directors selected?

Answer. BIPAC's founders became its original board of directors. Various national business associations recommended individuals who were asked to serve on the board. This procedure will continue for additional new board members.

Question. What is its relationship to existing business organizations?

Answer. BIPAC is not a part of, or affiliated with any other organization. It seeks cooperation, however, from business associations and organizations.

Question. Will local and State units be established?

Answer. BIPAC will not have State and/or affiliated organizations. It will work in cooperation with existing associations and organizations.

Question. How is it supported?

Answer. BIPAC is supported by two sources of income—corporate and association contributions and individual membership dues.

Question. How are these funds used to support the committee?

Answer. Corporate and association funds can be used only for political education and related administrative activities of BIPAC, but not for support of candidates. Only individual membership dues income will be spent in direct support of selected congressional candidates, and this money will be spent exclusively for that purpose.

Question. Will BIPAC participate in national and/or State elections?

Answer. BIPAC will provide financial support only to candidates for congressional office, both the House and Senate.

Question. How will candidates be selected?

Answer. The platform, voting record and flexibility of the candidate—not the candidate's party affiliation will be the determining factors for BIPAC support. Furthermore, candidates will be supported only in districts and States where a close vote is anticipated.

Question. Who will select the candidates for BIPAC support?

Answer. A bipartisan review committee composed of members of the BIPAC board will, following a thorough review of the facts in each individual case, determine if a candidate is to be supported, and if so, to what extent.

Question. Why can't this job be done through the party system?

Answer. The party system must provide both manpower and financial assistance for all party operations and candidates and is concerned with party organization and strength. It cannot provide adequate funds in every race. BIPAC is concerned solely with the candidate's governmental and economic beliefs and augments the party effort in behalf of the selected candidates in critical races.

Question. Does a BIPAC individual membership duplicate other political contributions?

Answer. No. There are three areas of individual political contributions which are

Tongass National Forest, covering over 16 million acres; the entire Glacier Bay National Monument, embracing 2,297,533 acres; and the entire Annette Island Indian Reservation of 86,740 acres. The amount of the recovery is yet to be determined. However, there is reason to expect it will be a substantial sum of money.

Thus, the matter of the administration of these funds is important to Congress and to the Federal Government.

It is of even greater importance to the Tlingit and Haida Indians of Alaska, who will be the beneficiaries of the fund created by this judgment.

The amendment Senator BARTLETT and I have introduced to the original act is designed to improve the provisions relating to distribution of the funds received and determination of beneficiaries. It will prescribe the organization of a Central Council of the Tlingit and Haida Indians, in accordance with rules approved by the Secretary of the Interior, to have responsibility for planning the use of funds received when the recovery judgment is made. Under this provision the central council will have statutory definition as a body elected in accordance with provisions of law.

The amendment further provides that the funds recovered will be expended for purposes authorized by the central council and approved by the Secretary of the Interior.

The existing law will be changed by this bill to allow per capita payments from the judgment fund—a means of distribution that was prohibited by 1935 law.

This is legislation that has been recommended for enactment by the organization now known as the Central Council of the Tlingit and Haida Indians, which exists as a result of actions taken by the Indians voluntarily, but not in accordance with any prescribed procedures for election or membership. It is the feeling of this group that the organization should be more clearly defined and its status clarified by statute.

The need for clarifying the 1935 legislation has become apparent as it has been tested in the proceedings now coming to a close in the Court of Claims. Now that the award of a large sum of money to the Tlingit and Haida Indians is imminent the potential beneficiaries have recognized it is of great importance to amend the law passed in 1935 to insure equitable distribution of moneys received. Thus, this bill will cure a defect of the original law which failed to provide a workable plan for administration of sums recovered as a result of its passage.

Since the jurisdictional act was passed in 1935 many changes have taken place among the Tlingit and Haida Indians who will be its beneficiaries. Many of these people have moved away from the Indian villages of southeastern Alaska and now live in the larger communities of Juneau, Ketchikan, Petersburg, Wrangell, and in other parts of the United States. Also, the way of life of many of the group has changed markedly in the generation that has passed since the original law was contemplated. Indians of southeastern Alaska may now be found practicing law, medicine, engi-

neering, and other learned professions. They are found in the business world throughout southeastern Alaska and in other localities far from their native communities. They have served—with distinction—in the territorial and State legislatures and do so now. The president of our State senate, Frank Peratovich, is a Tlingit Indian. Thus, there is a different economic and social aspect of this matter than was contemplated in the time which nearly all Alaskan natives were found in communities wholly of their own blood engaged in the traditional occupations of hunting, fishing, and trapping.

Thus, to meet the needs of a new generation, and to prepare, as wisely as possible, for the administration of a large sum of money, Senator BARTLETT and I hope early and favorable action will be taken upon this bill.

The ACTING PRESIDENT pro tempore. The bill will be received and appropriately referred.

The bill (S. 2571) to amend the act of June 19, 1935 (49 Stat. 388), as amended, relating to the Tlingit and Haida Indians of Alaska, introduced by Mr. GRUENING (for himself and Mr. BARTLETT), was received, read twice by its title, and referred to the Committee on Interior and Insular Affairs.

Mr. BARTLETT. Mr. President, my colleague has stated very well the need for this legislation we introduce today in behalf of the Tlingit-Haida people of Alaska.

The Tlingit-Haida Jurisdictional Act, passed almost 30 years ago was well conceived for the most part but it was premised on the Tlingit-Haida people's continuing to live in the then-existing Indian communities and following their traditional means of livelihood of hunting and fishing.

Mr. President, this has all now changed. There are Tlingit-Haidas living in many of the predominantly non-Indian communities of Alaska as well as in other States. For example, there are considerable numbers in Seattle and San Francisco. As a result, the mode of distribution of judgment money and the language specifying who is eligible to participate in the judgment no longer makes any sense.

Furthermore, no provision was made in the original act for establishment of an official representative body to make the necessary decisions as to how the judgment funds should be used and distributed. This I feel is one of the most urgent reasons for the bill, my colleague, and I propose to the Senate, today.

A decision by the Court of Claims that the Tlingit-Haida Indians should be compensated for lands taken by the United States in southeastern Alaska has already been reached and I understand a determination of the size of the judgment will be forthcoming soon. The need for enactment of our proposal is, therefore, immediate and pressing.

Once the tribal governing body contemplated by the legislation is established, plans already in the making can be implemented which I am hopeful will bring, in one area, some of the same

results anticipated by the President in his countrywide war on poverty.

My colleague and I are most anxious that there be hearings and action by the committee to which the bill is referred at the earliest possible date.

EXTENSION OF PROVISIONS OF AUTOMOBILE DEALERS DAY IN COURT ACT

Mr. MORSE. Mr. President, I introduce, for appropriate reference, a bill to extend the provisions of the Automobile Dealers Day in Court Act to manufacturers of and dealers in tractors, farm equipment, and farm implements, and for other purposes.

I ask unanimous consent that the text of the bill be printed in the RECORD at this point in my remarks, and that the bill remain at the desk until the end of the session on Monday next, for cosponsors.

The ACTING PRESIDENT pro tempore. The bill will be received and appropriately referred; and, without objection, the bill will be printed in the RECORD and held at the desk, as requested by the Senator from Oregon.

The bill (S. 2572) to extend the provisions of the Automobile Dealers Day in Court Act to manufacturers of and dealers in tractors, farm equipment, and farm implements, and for other purposes, introduced by Mr. MORSE, was received, read twice by its title, referred to the Committee on the Judiciary, and ordered to be printed in the RECORD, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That subsections (a) and (c) of section 1 of the Act entitled "An Act to supplement the antitrust laws of the United States, in order to balance the power now heavily weighted in favor of automobile manufacturers, by enabling franchise automobile dealers to bring suit in the district courts of the United States to recover damages sustained by reason of the failure of automobile manufacturers to act in good faith in complying with the terms of franchises or in terminating or not renewing franchises with their dealers", approved August 8, 1956 (70 Stat. 1125; 15 U.S.C. 1221), are amended by striking out the words "passenger cars, trucks, or station wagons", wherever those words appear in those subsections, and inserting in lieu thereof the words "passenger cars, trucks, station wagons, tractors, farm equipment, or farm implements, and parts therefor".

SEC. 2. Section 2 of the Act is amended by—

(1) inserting therein, immediately after the section number "Sec. 2.", the subsection designation "(a)";

(2) inserting at the end of the text of subsection (a) of such section, as redesignated by paragraph (1), the following new sentence: "In any such suit arising from any such failure which occurs on or after the effective date of this sentence, the plaintiff shall be entitled to recover treble the amount of the damages sustained by him by reason of such failure and the cost of suit."; and

(3) inserting at the end thereof the following new subsections:

"(b) No cause of action under the provisions of this Act shall be barred or otherwise impaired by any release given before or after the date of enactment of this subsection, or by any voluntary resignation of an automo-

able dealer of his franchise, whether made before or after the date of enactment of this subsection, if upon the trial of such action it is determined that such release or resignation was exacted from the automobile dealer under circumstances constituting economic coercion or duress, or by threats of coercion, retaliation or intimidation, or if any such release or resignation was obtained from the automobile dealer for an inadequate monetary or other consideration. A cancellation of a franchise, or a resignation of a franchise based in whole or in part upon a threat of cancellation, shall be deemed to constitute a coerced resignation for the purposes of this subsection.

"(c) Any person, firm, corporation or association shall be entitled to sue for and have injunctive relief in any court of the United States having jurisdiction over the parties against threatened loss or damage by a violation of the provisions of this chapter when and under the same conditions and principles as injunctive relief against threatened conduct that will cause loss or damage is granted by courts of equity under the rules governing such proceedings, and upon the execution of a proper bond against damages for an injunction improvidently granted, which bond shall not in any event be for an amount which would exceed the automobile manufacturer's probable recovery for general damages on a cause of action against the automobile dealer for a breach of the franchise by the automobile dealer's continuance in business in the sale of the automobile manufacturer's products after a valid cancellation or termination of such franchise."

SEC. 3. Section 4 of that Act is amended by inserting therein, immediately after the section number thereof, the following new sentence: "This Act is hereby declared to be one of the antitrust laws of the United States, and all remedies for the violation of the provisions of such antitrust laws are hereby extended and made applicable to acts and omissions which constitute a cause of action for suit instituted under this Act."

AUTHORIZATION FOR INTERNATIONAL PASSAMAQUODDY TIDAL POWER PROJECT

Mr. MUSKIE. Mr. President, I introduce on behalf of myself, my senior colleague [Mrs. SMITH], a bill to authorize the construction of the Passamaquoddy-St. John hydroelectric project, subject to appropriate agreements between the United States and Canada. This proposed legislation carries us one step closer to the realization of a dream to harness the tides of Passamaquoddy and Cobscook Bays in Maine and New Brunswick and to develop the resources of the upper St. John River, to the advantage of Maine, New England, and the Maritime Provinces of Canada.

The bill, which would authorize construction of the necessary civil works and powerplants by the Corps of Engineers, construction of high voltage transmission lines by the Department of the Interior, and marketing of the power developed by the project by the Secretary of the Interior, opens the way to the development of 1 million kilowatts of peaking energy, 250 thousand kilowatts of firm energy, and 1 billion kilowatt-hours of dependable offpeak energy annually for our northeast region at prices one-fourth lower than average rates in our area.

Mr. President, this bill is important to our region and to the Nation. It has the backing of members of both parties, in and out of Maine. It is backed by sound and imaginative engineering studies; it is a feasible economic project.

As President Kennedy said, when he endorsed the project, July 16, 1963:

Any proposed natural resource development must, of course, meet the national interest test. It must strengthen the economy of the whole Nation and enable America to better compete in the marketplaces of the world. The Passamaquoddy-St. John project now meets the national interest test. Each day, over a million kilowatts of power surge in and out of the Passamaquoddy Bay. Man needs only to exercise his engineering ingenuity to convert the ocean's surge into a national asset.

We hope we can bring this legislation to hearings, this session, so that the advantages of this project can be considered by the Congress. We also hope that our Government and that of Canada will negotiate an agreement on an equitable sharing of the benefits from this combined project. When such an agreement is reached we will be in a position to give final authorization to Quoddy-St. John, and a potential asset can be transformed into a national benefit.

I want to take this opportunity to express my appreciation to Secretary of Interior Udall, the members of his Department, to the Corps of Engineers, and to the Department of State for the technical advice they have given us on this legislation. Since President Kennedy referred the 1961 International Joint Commission Report on the proposed Passamaquoddy project to Secretary Udall, we have enjoyed the closest cooperation and assistance as we have worked to make our dream a reality. The combination of technical skill, imagination, vision, and enthusiasm we have encountered has given us great courage in the pursuit of this goal of new opportunities for our region, and for the Nation.

Mr. President, I ask that the bill lie at the desk for 24 hours to permit other Senators to become cosponsors.

The ACTING PRESIDENT pro tempore. The bill will be received and appropriately referred; and, without objection, the bill will lie on the desk, as requested by the Senator from Maine.

The bill (S. 2573) to authorize the international Passamaquoddy tidal power project, including hydroelectric power development of the upper St. John River, and for other purposes, introduced by Mr. MUSKIE (for himself and Mrs. SMITH), was received, read twice by its title, and referred to the Committee on Public Works.

PROPOSED AMENDMENT OF CONSTITUTION RELATING TO RECOGNITION OF ALMIGHTY GOD

Mr. EDMONDSON. Mr. President, I introduce, for appropriate reference, a joint resolution providing for an amendment to the Constitution of the United States. I do this out of a sincere concern over recent trends which have developed in our country denying public

recognition of the existence of a Supreme Being.

Many thousands of Oklahomans share this concern. As their representative to the U.S. Senate, I feel a responsibility to request that the Congress consider this problem and take whatever action is needed to restore the traditional foundations of religion to our public institutions.

Nothing in my joint resolution is intended to change our Nation's policy against the establishment of a state-controlled church or to modify the principles of separation of church and state as our founders intended them.

I introduce this joint resolution in the hope that Congress will act to reaffirm our Nation's longstanding belief in a Divine Being.

The ACTING PRESIDENT pro tempore. The joint resolution will be received and appropriately referred.

The joint resolution (S.J. Res. 160) proposing an amendment to the Constitution of the United States to provide that nothing in the Constitution shall ever be construed to prohibit the recognition of Almighty God, introduced by Mr. EDMONDSON, was received, read twice by its title, and referred to the Committee on the Judiciary.

AGRICULTURAL ACT OF 1964—AMENDMENTS (AMENDMENT NO. 436)

Mr. AIKEN submitted amendments, intended to be proposed by him, to the bill (H.R. 6196) to encourage increased consumption of cotton, to maintain the income of cotton producers, to provide a special research program designed to lower costs of production, and for other purposes, which were ordered to lie on the table and to be printed.

Mr. DIRKSEN submitted an amendment (No. 437), intended to be proposed by him, to House bill 6196, supra, which was ordered to lie on the table and to be printed.

AUTHORIZATION FOR COMMITTEE ON APPROPRIATIONS TO REPORT APPROPRIATION BILLS, ETC.

Mr. HAYDEN. Mr. President, I ask unanimous consent that during adjournments or recesses of the Senate during the 2d session of the 88th Congress, the Committee on Appropriations be, and it is hereby, authorized to report appropriation bills, including joint resolutions, with accompanying notices of motions to suspend paragraph 4 of rule XVI for the purpose of offering certain amendments to such bills or joint resolutions, which proposed amendments shall be printed.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

PROPOSED AMENDMENT OF RULE VII—ADDITIONAL COSPONSORS OF RESOLUTION

Mr. CHURCH. Mr. President, at its next printing, I ask unanimous consent

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